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EXECUTIVE INTELLIGENCE REVIEW

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EXECUTIVE INTELLIGENCE REVIEW

Editor-in-Chief
Nancy Spannaus

Managing Editors
Linda Frommer
Don Baier

Production Editor
Deborah Asch

U.S.A.—Konstantin George • **Economics**—David Goldman • **Energy**—William Engdahl
Science & Technology—Morris Levitt • **Soviet Sector**—Rachel Berthoff • **Military Strategy**—Paul Goldstein
Europe—Vivian Freyre • **Middle East**—Bob Dreyfuss • **Africa**—Douglas DeGroot • **Asia**—Daniel Sneider
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IN THIS WEEK'S ISSUE —

The **Carter** Administration has brought the Middle East to the very brink of war...and the world a **hairsbreadth** away from **thermonuclear holocaust**...with the unexpected Likud election victory in **Israel** last week. **U.S. intelligence agencies** are now on critical alert. Our **International Report** carries interviews, reactions from the **State Department**, Middle East and European **press**, diplomatic and intelligence **inside sources**...reports on **Israel's** internal **political lineup**...and the **Rockefeller multitis**' try at a **new oil embargo** in the wake of the Saudi oil fields blowup.

* * *

An EIR exclusive...**secret memoranda and correspondence** from the **former U.S. ambassador** to Saudi Arabia...documenting Saudi awareness of **Henry Kissinger's** plans to launch **Israel against Saudi oil fields** as far back as 1975. "We think you may have gone mad," Saudi Oil Minister **Yamani** told the ambassador...see **International Report**.

* * *

"**It can't happen here**" is the predominant refrain in the **U.S. Congress** in response to the threat of **thermonuclear war**. That kind of thinking has led the Senate to okay a **treasonous**, weak and thoroughly impeachable Administration proposal for a

new **Energy Department**...from which no-energy boss **James Schlesinger** can **strangle** U.S. industrial **production** by executive fiat. See **National Report** for a diagnosis of the malaise on Capitol Hill...Plus a briefing on new attempts to oust Joint Chiefs chairman Gen. **Brown**, an important **opponent** of the **Trilateral Commission's** war plans...

* * *

Turkey's default on dollar debt could spark a wave of Third World **debt moratoria**...or an **IMF coup** in Ankara...**Japanese, Saudis** under heavy "**bailout**" pressure from IMF and Chase Manhattan...Britain's **Hambros** bank **blunders** its way into triage against world **shipping capacity**...U.S. businessmen offered "**protection**" by Carter team...see **Economics**.

* * *

Transcribed from this month's **Fusion Energy Foundation** conference in New York...nuclear industry rep highlights the specious "**anti-terrorism**" sales pitch for the **Schlesinger plutonium ban**...Our **Energy Report** also includes an analysis of the Administration's **home insulation program**...Will it really save energy? See **Labor** for a report on what the **AFL-CIO** did and didn't say about the **Carter energy package**.

INTER-NATIONAL
NATIONAL
ECONOMICS
ENERGY
SOVIET SECTOR
MILITARY STRATEGY
COUNTER INTELLIGENCE
EUROPE
AFRICA
ASIA
LATIN AMERICA
LABOR

Top West German military strategic analysts said in print this week that the Carter Administration's security policy was "a total failure." Their report is reprinted in **Military Strategy**...along with a statement on "Schmidt's NATO Policy...Almost Good Enough" by U.S. Labor Party chairman Lyndon LaRouche, Jr.

* * *

An attack on Abraham Lincoln's economic advisor by Rockefeller's Arbatov network in the Soviet Union signals a top level CPSU faction fight over the U.S. Labor Party international development perspective. Lyndon LaRouche explains what's going on in the Soviet Sector...Plus a short history of the USSR's experience with attempted nuclear non-proliferation swindles since the 1950s.

* * *

Test case for eliminating international terrorism...the exposure of Rockefeller's Washington, D.C. based Institute for Policy Studies as top terrorist controllers in Italy has U.S. Ambassador Richard Gardner scurrying about trying to put out the fire. Our Counterintelligence section has a full report...including excerpts from Italian press coverage of the charges...and a who's who of the IPS agents in the Carter Administration which a U.S. Congressional investigation would turn up.

* * *

Europe is struggling to stay afloat economically...with a series of "share the

poverty" gimmicks which add up to depression disaster ahead unless a new international monetary system is put together post haste. European Economic Survey reviews the major industrial economies, supplying the statistical evidence and analytical expertise to back up its forecast.

* * *

War on the horn of Africa...closing off the Red Sea to shipping...crossing an Israeli tripwire...the Carter-Giscard axis intends to use its puppets in Africa to detonate a new Middle East war. On the southern part of the continent...the Administration is using South Africa in a breakaway ally scenario to intimidate Zambia, Angola and the rest of the frontline African states...

* * *

The Soviet Union has warned the West that a U.S.-China second front against the USSR in Asia is a short road to the hell of general war. This week's Asia report includes an analysis of the factional struggle inside China...excerpts from the Soviet Politburo's statement on the war danger...and an open letter to China's leaders by Lyndon LaRouche.

* * *

Venezuela's Perez and Argentina's Videla lined up against monetarist extortion policies and in favor of a new world economic order last week, throwing a large monkey wrench in Rockefeller's plans to build a continent-wide Pinochetista military alliance in Latin America...Excerpts from Videla's, Perez's speeches, joint communiqué are reprinted in Latin America.

Likud Victory Puts Mideast War On Hairtrigger; Oil Crisis Looms

A band of terrorists and assassins under the leadership of Menachem Begin, former leader of the fanatic Irgun Zvai Leumi of the 1940s, was catapulted into power in Israel on May 17.

The stunning victory of Begin's rightist Likud bloc virtually ensures the eruption of a Middle East war, and likely World War III, within a few weeks. According to Washington sources, all sections of U.S. intelligence services went on "Critical Alert" as of the morning of May 19, in response to the electoral victory of the Likud Party in Israel.

The prospect of Menachem Begin, a close friend of Brzezinski and an extremist on issues of foreign policy and defense, assuming the reins of power as prime minister has already thrown the Arab states into an uproar, and sources in Washington have predicted an early showdown between Israel and the Arabs.

Begin and his cronies, including General Ezer Weizmann and General Ariel Sharon, immediately made it clear that peace negotiations with Israel would now be virtually impossible since, under no circumstances would Begin's government be prepared to make concessions on the crucial West Bank, now occupied by Israeli troops. "Occupied territories?" asked Begin. "They are liberated territories!" The *Baltimore Sun* quoted a Likud official who said, "If the Arabs do not accept our terms, well, that is unfortunate — it may mean war — but...we will win in a showdown." Weizmann, in a press statement, declared that Likud will give up "not one inch" of occupied land, "and there is not a damn thing Washington can do about it."

"When we take over the West Bank and put it under full Israeli sovereignty, the political temperature of the region might rise at first," said Weizmann, "but then it will go down."

The plurality obtained by the Likud in the May 17 vote is part of a calculated policy on behalf of Carter's National Security Council (NSC) and the Rockefeller financier faction to launch a head-on confrontation with the Arabs in a power play to establish airtight political control over the Middle East and its vast oil resources, and thereby provoke a direct themonuclear showdown with the USSR. Although the Likud is an appropriate instrument to carry out the Carter Administration's war plans, the inherent fanatic nationalist and expansionist outlook of the Likud makes it an absolutely uncontrollable factor in the Mideast crisis.

Israel, and its military arsenal, is now totally in the hands of outlaws, including Begin, Weizmann, Sharon, Shimon Peres — who ousted moderate Prime Minister Yitzhak Rabin last month — and former Chief of Staff

Yigal Yadin, the fascist technocrat who heads Israel's third Party, the Democratic Movement for Change. Uniting this clique of warhawks is the figure of General Moshé Dayan, the former defense minister who is Rockefeller's chief Israeli accomplice.

NSC Oil Embargo

The results of the Israeli election advance the active plans of the Carter Administration to cripple or destroy the capacity of the Persian Gulf to produce at its current level or more than two-thirds of world oil exports. Although an estimated 30 to 70 percent of Saudi Arabia's immense production remains shut down after last week's sabotage of a huge pipeline and pumping station complex by Rockefeller and Co., the destruction of Arab oil facilities — in the context of a general Middle East war — remains a primary strategic target of the NSC and James Schlesinger, the U.S. energy czar.

Already the impact of the limited sabotage in Saudi Arabia is being felt around the world, giving leverage to

None Of The Soviets' Business

William Smith II, head of the State Department's Israeli desk granted the following interview to the EIR.

EIR: What is your view of the ramifications of the Likud victory in Israel?

A: Well, we haven't decided yet. People have been meeting all day trying to develop our line. You know, if we shoot our mouths off independently of one another, it gets us into mischief.

EIR: Well, what's the general thinking about the Israeli situation?

A: There is a bit of anxiety — although there's no need to be upset. Begin is a bit of a hard-liner. He doesn't want to give back a stitch of the occupied lands.

EIR: Have you been discussing the Soviet response to Begin's election?

A: Look, the Soviets aren't really involved in the Mideast. The only reason they're involved is because of their egos. They only want to advance their own interests by throwing a wrench into the works. Regardless of what the Soviets think, we don't care. The Mideast is not their business.

the Rockefeller oil multinationals to initiate a unilateral "embargo" against Europe and Japan. The four operating partners of Aramco — Exxon, Mobil, Socal, and Texaco announced yesterday that they had begun a cutback of 30 percent in oil deliveries to contracting buyers in Europe and Japan, citing "force majeure."

In addition, a Japanese source reported that after the first explosion and fire in Saudi Arabia, four days later a second blast further crippled the country's output — although the second explosion went unreported around the world!

The threat of an oil crisis that could decisively assert Atlanticist control in Europe and Japan and strengthen the dollar — in a replay of the Great Oil Hoax of 1973 — is already being expressed in Western Europe, in both the Italian and West German press. *La Stampa* and the *Frankfurter Allgemeine Zeitung* both worried, in the wake of Begin's election, about the possible evaporation of Saudi moderation on both oil supplies and pricing, where the Saudis have been a major impediment to the Rockefellers' efforts to jack up prices.

At NATO headquarters in Brussels, the security of oil supplies to Western Europe and North America is actively being discussed as a pretext for the illegal extension of NATO's military sphere to the Persian Gulf. Large-scale military maneuvers and strategy planning sessions took place this week under the rubric of SHAPEX 77, with a primary focus on NATO responsibility for the Middle East and Africa, ostensibly to protect oil sources and tanker routes around the South

African cape.

Israel, under Begin's yet-to-be-formed coalition, is an active candidate for membership in NATO and that organization's regional police force. Secretary of State Cyrus Vance, who spent several days in Iran this week, is seeking to combine a NATO-Israeli-Iranian threat to the Arab oil-producing countries.

Breakaway Ally

Under Begin, the chief danger of war is the threat of Israel acting according to the "breakaway ally" mode. This Rand Corporation scenario was reinstated by the Likud victory which, according to several observers, will bring the U.S. and Israel into a managed conflict. According to this computer routine, Israel — following some provocation — would launch a preemptive strike at the Arabs ostensibly against the wishes of the White House, and for which the White House could lyingly disclaim responsibility.

The hottest area for the activation of this scenario is the issue of the West Bank. The official Likud position is that the occupied West Bank is part of Eretz Israel, and the first act of the new regime will be to "annex" the area.

Arab sources are predicting a wave of violence and terrorism should the Likud attempt to implement this program, and J. Bowyer Bell of Columbia University, a renowned terrorist controller, said that the Arabs will "activate the Habashes, the crazies, to put pressure on the U.S." — indicating that the NSC intends to unleash its blind terrorists to heighten tensions in the area.

Begin: West Bank Is Our Country

The following is an interview with Menachem Begin in Die Welt this week:

Q: Do you think that your position on the occupied territories means that war is inevitable?

A: We want to keep peace. The West Bank is our country; if the Arabs think that Israel is weak, they can invade us. Israel cannot go back to the 1967 borders,...this will be an invitation to the Arabs to attack us. Too few people know that. I'll try to convince the Carter administration of this view. I'll be prime minister in two weeks and I'll offer the Arab neighbor countries a meeting with me, somewhere in the Middle East, Geneva or anywhere else.

Q: What will happen with the West Bank?

A: It is our country. This is not imperialism. This is Zionism.

Q: What about the Palestinians?

A: They are representing a deadly threat for Israel. Only the Communists, who are subservient to Moscow, can afford to see a Palestinian state....

Q: What do you think about those who say that you are a terrorist?

A: I don't bother about it, I am used to it. They even said I was a KGB agent. I was in the KGB jail.

Q: How was it that you came to power in the light of being out of power for thirty years?

A: I was a member of the Knesset (Israeli Parliament — ed.) and didn't feel excluded from political life. Now I want a national unity government, the times and the political conditions are demanding that.... Only the Communists have to be out.

Stunned Arabs Prepare For War

With few exceptions, the Arab world has reacted to Menachem Begin's election victory with stunned reactions.

The leaders of Saudi Arabia, Egypt, and Syria held an emergency summit in Riyadh, Saudi Arabia, immediately after the Israeli elections to formulate Arab response to Begin's victory as well as to outline policy for Prince Fahd's upcoming trip to Washington, D.C. next week.

The Egyptians are insisting that it is the U.S., not Israel, that more than ever holds the cards to what happens in the Middle East and that President Carter now has no excuse not to put pressure on the Israelis to come to terms. The Egyptians are thus begging the Administration bent on war to solve the peace — rather than to forge an alliance with anti-Atlanticist forces in Europe to block the U.S. Administration's war plans.

A Palestinian spokesman in Beirut said that there would now "definitely be an escalation of violence" and that the Arab world must prepare for another war.

The Algerian Press Service editorialized that "the terrorists are in power in Israel. This is an upheaval of

the cards which means that those Arab countries still willing to choose the American solution to reach peace will have to make increasing concessions against the Palestinians."

Palestinian leader Yasser Arafat has contacted Italian Socialist Party chairman Bettino Craxi, declaring in a letter that "the PLO is available for any contact with progressive Israeli layers, and thus we need to collaborate with the PSI." A PLO statement charged that "if Perez was a hawk, Begin is a buzzard."

In Syria, Damascus Radio commented that "the victory of the most terrorist, big-headed and extremist bloc could start a fifth war. The Syrian Foreign Minister stated that whoever won the elections made little difference, that "all Israeli leaders are the same."

In Saudi Arabia, the state radio branded Begin as "extremist," noting that "the Arabs may not be willing to negotiate with him. Talk continues that Fahd intends to pull out his deposits in Wall St. banks if the Carter Administration continues to block a Mideast settlement.

Kuwait radio broadcast that "chances of further Geneva peace talks are now very cloudy."

European Press Sees Likud Victory As 'Earthquake'

Italy

LaStampa, May 19, datelined London by Mario Ciriello, "Harsh Arab Reactions to the Israeli Electoral Results":

...The Arabs are tired of the Mideast 'crisis', of this unhealable sore which doesn't react to any of the treatments — diplomatic, military or terrorist. To understand the fears of Damascus, Cairo, Riyadh and the other capitals, one needs to understand what the Arabs aspirations are: To use the new financial and technological resources available to them to put an end to the underdevelopment of their countries. All their energies revolve around the realization of economic plans.

But how can you arrive at this goal when all roads loom up, threateningly, the two great problems — the Palestinian and the Israeli problem? Will the most brilliant economic program become impossible when an nth crisis may disturb relations with the U.S., or with the Soviets; a crisis which can impose new military expenses, can create inter-Arab tensions. One example is enough: how long will the Saudi moderation of petroleum prices last if all the 'pressures' from Carter has no effect on Begin? It would be no exaggeration to say then that oil would return to being a 'weapon' as it was for a brief time in 1973....

Britain

London Times, May 19, editorial, "They Are Gone Away Backward":

...If the gods wished perdition on the Israelis, they would drive them mad: and what more suicidal folly could they inflict on them than that of choosing leaders committed to holding on at any price to territories which their neighbours will not renounce, in defiance of the one world power on whom they depend for weapons, for financial aid, and for diplomatic support?

...There is no doubt that internationally he (Begin — ed.) would be a liability as prime minister, both because of his terrorist past and because of his simplistic, if sincerely held, views on the key issues of territories and peace. Even within Likud, while his own Herut party supports him, the Liberals would probably take a more flexible line under the right sort of pressure. But Likud has no obvious alternative leader, and given its much greater numerical strength it would hardly be ready to concede the leadership of the government to Professor Yadin.

...The victory of Likud is, *a fortiori*, a snub to those moderate Arab leaders and liable to endanger their political position in their own countries and in the Arab world at large.

...If confrontation with the new Israeli government turns out to be unavoidable, President Carter may now feel that it will at least be easier to explain to American public opinion, including many American Jews.

Daily Express, May 19, editorial, "The Tragic Choice":

The people of Israel have elected to power a political

party headed by Mr. Menachem Begin. For those who care for and respect Israel this is very grave news....

We should recall that the United States Government has grossly overplayed its hand in the pressure it has exerted upon a good friend of the West and highly civilized man, General Yitzhak Rabin. General Rabin and the Labour alliance were asked to prepare the way too publicly for withdrawal from disputed territories. Consequently, United States diplomacy now has on its hands not only a former leader of the Irgun Zvai Leumi, but an Israeli national policy which is spelt out in those three Hebrew words.

They mean 'Both sides of the Jordan.'

West Germany

Suddeutsche Zeitung, May 19, editorial by Schroeder:

...It is unusual for the Israelis to be governed by former terrorists. Corruption and the economic disintegration of

the country has led to this change, but the real factor of change was Carter.

Frankfurter Rundschau, May 19, editorial by Herbert Freeden:

Begin's victory is a political earthquake. It would not be right to put the blame (for the Labour Party defeat) on the scandals or the economic situation alone. The Labour Party had a policy of friendship with the U.S., and this policy has been crushed by the Carter Administration. It is peculiar to see that the Americans are shocked by the result of the elections since it was they who applied too much pressure to the Labour Party.

With Begin the situation is getting difficult. He considers that the West Bank must not only be administered by Israel but becomes an integral part of Israel.... The war danger has increased with this earthquake.

Who Will Rule In Israel

After 29 years of political power Israel's Labour Party has been defeated by the right-wing Likud opposition. The likely lineup of 120 seats in the new Israeli Parliament is as follows: Likud, 42; Labour, 34; Democratic Movement for Change, 14; National Religious Party, 12; Agudat Yisrael and Poale Agudat Yisrael (a small religious bloc), 5; Democratic Front (including Communists), 6; Shelli (including socialists), 2; Shlomzion, 2; Shmuel Flatto-Sharon, 1; Independent Liberal Party, 1; Citizens Rights Movement, 1; United Arab Party, 1.

Needing 61 seats to form a majority government, Likud leader and one time Irgun terrorist Menachem Begin, is regarded as likely to form a coalition with the small right-wing and religious parties. His own 42 seats plus the combined seats of the National Religious Party and the Agudat-Poale Yisrael would bring his coalition to 59 seats. More than likely, the one man parties of Flatto-Sharon and Shlomzion will also join giving him the required majority.

The Likud

The Likud party, formed in September 1973 by the organizing of Ariel Sharon, is a coalition of four parties, all "hardliners." Leading the coalition is the largest party, the Herut (Freedom) which was until recently run by half a dozen ex-Irgun operatives. This election has eliminated them from any prominent position and has brought to the fore younger right-wing technocrats like Ezer Weizmann and Professor Moshe Arens, both of whom are connected to the Israeli airforce and air industry. Weizmann founded the Israeli airforce.

Their party platform is one of free enterprise (anti-trust) and would oppose the corporate state that the Labour Party has maintained so long. While there is some differentiation among the various parties on this issue, they are all agreed that the occupied territories are "liberated" territories and they believe in "a greater Israel" concept, a maximalist approach to the occupied lands.

Ariel Sharon, while having his own party Shlomzion, is

asking Begin for a top position within the new Likud government. Sharon has many opponents within the Likud bloc and may find it more of a battle than he imagines to get accepted by the party.

His major opponents within the Likud come from the second largest faction within the party, the Liberals — General Zionists center group who are believed to exercise some moderating influence on the occupied territories issue, not opposing some concessions to the Arabs. The major spokesmen for this party are Simcha Erlich and Aryeh Dulzin who is also the treasurer of the Jewish Agency.

The Arabs Were 'Used To A Weak-Kneed Labour Party'

The following are comments from a spokesman of the American-Israeli Public Affairs Committee, closely associated with the U.S. National Security Council.

The Arabs are scared of Begin! They are used to a weak-kneed Labour Party; now they have to face someone more their equal, someone as maximalist as they are. What has happened in Israel is the same as, say, King Hussein of Jordan abdicating and naming Arafat his successor.... As a result of the elections, it could mean that there will not be a Geneva conference....

Maybe I should tell my friend Ahmed not to be so worried. The Likud is a centrist and liberal party and Begin is like Henry Jackson. Likud is not a right-wing fascist party. I don't think Israel will invade the Gulf, nor do I think Begin will do it. There will be major changes in policy.

The time table? That may be a problem. If the U.S. wants firm preparations for a Geneva conference, the way things are going now, it may never be.

The two other groupings within the Likud that can be linked together are the Free Centre and the State List, which calls itself La'am (People's Party). These factions are the extreme hardliners composed primarily of ex-intelligence and military personnel. The State List is linked to the hard core ex-Rafi group founded by Ben Gurion and Shimon Peres in 1965 that refused to join the Labour government in 1969.

NRP and DMC

The other parties that may join the government are the National Religious Party and the Democratic Movement for Change. The NRP, which recently purged its top leader who had collaborated in the Labour government, is now controlled by a "Young Guard" led by Ze'evon Hammer and Yehuda Ben Meir, both fanatical religious supporters of the Gush Emmunim group that has been illegally attempting to settle in the occupied territories.

The Democratic Movement for Change is a new catch-all party led by former Chief of Staff head Gen. Yigal Yadin. Yadin put together his party on the basis of electoral reform promises and very little else, and has been blamed as the spoiler in the Labour Party defeat. Yadin has attracted every hardliner who would not accept the Labour Party leadership's decision not to launch a new Middle East war. Defectors to the DMC from the Labour Party include ex-military intelligence heads Aharon Yariv and Meir Amit; the latter also resigned from the position he held in the Israeli labor confederation, Histadrut, as head of its Koor industries sector for eight years. The DMC leadership maintains close communication with the U.S. National Security Council and leading intelligence coordinators within the Rockefeller family's intelligence establishment.

'Civil War Conditions Already Exist In Israel'

The following is an interview with a leading British Zionist, who has connections to the NSC, on the results of the Israeli elections:

Q: What do you make of Begin's victory?

A: I am absolutely shocked. I was persuaded by my

friends that this couldn't happen. But it did: Begin won! It's a complete reversal of the 1973 elections. The old slogan of the Labour Party was "Everything With Labour." Now it's turned out "Everything Except Labour."

Q: The American-Israeli Public Affairs Committee believes that Begin will be able to form a government from the religious parties only and not bother with Yadin.

A: Yes, that may happen, but I'm not sure. Jesus Christ, I can't imagine Begin coming to the U.S. as Prime Minister. He is a fascist of the old school. Even Begin calls himself a fascist. Everyone does! Look — Begin's policy for the West Bank is that the West Bank is *not* occupied territory by *liberated* territory. And now the Arabs are rubbing their hands with glee — Begin's appointment confirms everything they feel about Zionism. Sadat is not happy. For him, this is another nail in his coffin, and he is counting his days. Quite possibly there will be an activation of the extremist Muslim Brotherhood types in Egypt, which will only add to the instability of Sadat and the entire area. There is no chance of a settlement now, that much I know.

If Carter doesn't deal with Israel in the framework of the "special relationship" he pledged last week, then there will be war. *Civil war* conditions already exist in Israel. All I can say is that the whole situation is terrible.

Q: What about the threat of war? We have heard from Egyptian sources that Israel is prepared to invade Saudi Arabia if the Horn of Africa affair gets out of hand and the Red Sea is blockaded.

A: War is not far off. It could be any one of a number of scenarios. The conditions are right for war. The Arabs are desperate. And Begin needs a war to consolidate support around him. The Horn of Africa scenario may be one scenario. There is also extreme tension in Lebanon and on the West Bank that could ignite a war very easily. I agree: there will be war, but I don't think the Arabs will start it.

A terrible period of instability lies ahead, including violent clashes. Begin is a violent man. I am very worried about how he deals with Israeli Arabs. It is about time that Mapam (Israel's major left party —ed.) realizes that they have to do something.

Rockefeller Oil Multis Maneuver For New Oil Crisis

According to estimates made public by the partners of the Arabian American Oil Company (ARAMCO), Saudi Arabian oil output of light crude will suffer a reduction of 30 percent for this month, or approximately 1 million barrels a day (mbd). As a result, the four Rockefeller-dominated multinationals, Exxon, Socal, Mobil, and Texaco have cancelled 20 percent of their sales contracts for both May and June due to the damage done to the large Abqaiq pumping facility during last week's fire.

The cause of the pipeline explosion has been attributed by authoritative sources to the sabotage operations by Rockefeller networks, in order to derail the Saudi's effort to hold the oil price down, involving an ambitious pro-

gram of expanded oil output, opposed by ARAMCO.

The motive behind the sabotage of the fields has two main features: to permit a driving up of the price of crude through ARAMCO speculation and market manipulation, and to restrict the consumption of oil to thus impose a de facto limited embargo on the U.S., Japan and Europe, creating the preconditions for energy austerity internationally.

A well informed New York oil analyst has indicated that the ARAMCO partners have already "covered themselves" by purchasing a sizeable amount of Iranian light crude — purchases, he emphasized, made at a discount. At the same time, in the week since the fire at Abqaiq, a

round of panicked spot purchases has driven the price of light crude up from its previous low price. The Rockefeller partners have also exercised their option of buying light crude from Iraq, in lesser amounts, and may do the same with Kuwait, according to the *Journal of Commerce*.

As a result, Exxon, et al., stand to make a killing by dumping the Iranian crude at the present high market price. This puts additional pressure on the Saudis to break with their position of maintaining the lower crude price which they and the United Arab Emirates, since the December Organization of Petroleum Exporting Countries (OPEC) meeting, have kept 5 percent lower than the other 11 OPEC members.

Aside from the Shah of Iran's willingness to sell large amounts of Iranian light at a discount to the ARAMCO partners, there is other evidence that his Highness may be working with Rockefeller and the Carter Administration to undo Saudi price moderation. Following a recent visit to the Persian Gulf by the influential Venezuelan president Carlos Andres Perez, an OPEC price compromise was reported to have been reached by the Middle East Economic Survey, a journal known to be on close terms with Saudi Oil Minister Yamani. Shortly thereafter the Saudis suddenly announced the deal was off, and that no change would be made in the price of Saudi crude. The basis of the Perez-proposed compromise according to widespread reports was an agreement struck between Iran (10 percent) and Saudi Arabia (5 percent) to have the price level off at between 5 and 10 percent above the '76 price.

Timed with the sudden Saudi denunciation of a compromise, Secretary of State Vance arrived in Tehran for private meetings with the Shah, and the CENTO meeting. Shortly thereafter, the Shah again called for a price agreement, but this time based on a 5 percent increase by the Saudis, adding yet more pressure on Riyadh to foresake its staunchly defended policy of moderation.

Exxon Crisis Mongering

Executives for the ARAMCO partners, meanwhile, have released numerous public statements warning of the severity of the damage done to the Saudi pipeline and Abqaiq pumping facility, which normally handles about 5 million barrels a day of crude. Clifton Garvin, president of Exxon, announced this week that the vital pumping station could be out of commission until September. All the companies wasted no time in making public their intention to reduce sales. By contrast, both officials of ARAMCO (known to have a closer relationship to the Saudi royal family than the Rockefellers), and Yamani himself, have stated that damage was exaggerated, and that Saudi production will soon be back to the levels enjoyed prior to the fire.

Exxon, however, has acted to maintain the crisis atmosphere around world energy. During an unprecedented press conference given by the president of Exxon's Italian operation, Italy was urged to reduce its oil consumption by as much as one half; the Italians, he said, are relying too much on Soviet and Algerian gas. He suggested that instead, Italy should expand its dependency on coal, a proposal mirroring the relevant feature of Carter's U.S. energy program.

Saudi Arabia on the U.S.: 'With Friends Like These...'

The following are excerpts from the article, "With Friends Like These," which appeared in the May 16 issue of the British-based Arabia and the Gulf magazine.

There has been growing scepticism at the highest level in Riyadh about the optimism that earlier surrounded Crown Prince Fahd's projected visit to the United States. Postponed from the original date of April 21 to May 24, the trip was envisaged by the Saudis as a short summit of the world's "energy duo" solving the Middle East and international economic problems. Now they are having second thoughts.

As *Arabia and the Gulf* reported last week, President Carter's reference to the CIA energy study last month suggested to Saudi Arabia that by hook or by crook the United States would secure her energy supplies in Saudi Arabia. If the Saudis did not play the game, the present hierarchy could find itself in danger. Saudi apprehensions are being kept a close secret, but it has been suggested by informed diplomatic sources that the postponement of Crown Prince Fahd's visit had much to do with furtive investigations of a "pre-emptive" Israeli air-strike against Saudi Arabia's military installations in the Red Sea area, which is apparently taken seriously at a senior level in Riyadh.

Saudi sources claim that current thinking in the capital suggests President Carter is quite happy to see Prince Fahd cut down to size. Furthermore, the Saudis have convinced themselves that such is the Carter Administration's policy toward all the Arab regimes: The hand of Washington is being detected in Arab divisions and setbacks in a manner more characteristic of Baghdad or Tripoli than Riyadh.

Whatever President Sadat may say, Saudi Arabia now believes that it was the United States rather than the Soviet Union which provided the mysterious "foreign influence" behind the January riots in Egypt. The United States is perceived playing a double game in Lebanon to tie down the Syrians, and independent reports from Beirut have claimed that in his meetings with Lebanese Foreign Minister Fuad Butros, U.S. Ambassador Parker has laid special emphasis on the security and well-being of the Maronite Christians (principally the fascist Falange militia - ed.).

Further, the scandal connecting King Hussein to the CIA is thought in Riyadh to have been deliberately engineered to weaken the position of the King before serious negotiations start on a Middle East settlement. President Carter's references to a Palestinian "homeland" and his failure to specify that this will not be on Jordanian territory point in the same direction.

Quite what all this adds up to is uncertain even to the Saudis, who have been assiduously trying to tie up the loose ends for some months. But it is clear to them that a connection exists between Israel's standing in the way of the run up to Geneva and the preoccupation of Syria with Lebanon and Jordan, Egypt with Africa and the United States with energy supplies from Saudi Arabia.

How The U.S. Lost Saudi Arabia

Secret cable traffic between Washington and Riyadh, Saudi Arabia, and a secret memorandum and letters from James Akins, former U.S. ambassador to Saudi Arabia, obtained by Executive Intelligence Review from sources in the Middle East, provide a glimpse of the process by which the United States lost Saudi Arabia.

The documents, printed here in excerpt, provide confirmation of the following elements of U.S. Middle East policy under Henry Kissinger, a policy which has been reactivated by the Carter Administration: (a) the deliberate U.S. efforts to raise oil prices; (b) the active threat of an Israeli-Iranian military action against Saudi Arabia secretly coordinated by the United States; and (c) the catastrophic effects such a policy would have, which led Oil Minister Zaki Yamani of Saudi Arabia to remark to Ambassador Akins, "We think you may have gone mad."

The first document is a letter written from Akins to William Simon, then Secretary of the Treasury, in August 1975. In the letter, Akins describes that the U.S. is "on a steep downward path" in Saudi Arabia, and he hints at a then-current shift in U.S. policy toward the Persian Gulf away from Saudi Arabia and the Arabs and toward Iran and overt military threats. The letter also contains explicit references to Saudi awareness of Kissinger's duplicity on the question of oil prices.

The second document, entitled, "U.S.-Persian-Israeli Cooperation," is a file memorandum of the State Department. The latter part of the memo makes reference to Akins' 1975 dismissal by Kissinger — which, says Akins, the Saudis took as a clear signal of U.S. intentions. By now, the situation has become even clearer to Yamani and the Saudis.

EMBASSY OF THE
UNITED STATES OF AMERICA
Jidda

OFFICIAL-INFORMAL

SECRET

The Honorable
William Simon
Secretary of Treasury
Washington, D.C.

Dear Bill:

I'm enclosing a copy of a letter Zaki Yamani just gave me for you. As it was urgent I sent the original through the APO and hope it is not intercepted. I also trust that this will get to you unopened....

You will gather by reading between the lines of the telegrams that Yamani was much more explicit in his conversation with me than appears in the telegrams or even than he says in your letter. He told me he "knows" Kissinger is following the old Enders' line of speaking about lower oil prices but in secret doing everything possible to jack them up. This will enable him to unite the consumers in a front against the producers, particularly the Arabs...I don't know what Kissinger has in mind but I agree with Zaki that even if that is his plan, the Saudis must not fall for it. They must stick to their guns and refuse any price increases. Kissinger made matters much worse by threatening Yamani with political reprisals (unspecified) against the *Arabs* if there were

any price increases — and this after Yamani had reviewed the Saudi position and told HAK that Iran was insisting on a minimum of 15 percent increase. Yamani also said the Shah told him that while in the States "the Americans" understood why the oil price increases had to be established. Prince Saud, who was at the meeting with the Shah, confirmed that the Shah had indeed said this. Kissinger denied it to Yamani, of course. Do you know what's going on? Kissinger also denied vigorously to the Saudis any intention of changing policies and that the press (i.e. Kraft) was lying. Unfortunately, his credibility in Saudi Arabia is approximately the same as it is in the U.S. Senate and the Saudis concluded from the strength of his protests that the change in our policy toward them will be dramatic and imminent...

...Kissinger has concluded that their non-reaction shows they got his "message" and are frightened. The Saudis know his propensity to send messages. They got the "invasion" one but we survived, thanks largely to my statements. I sometimes wonder how we can maintain any influence at all in this country and I strongly suspect we're on a steep downward path here.

What this means, I'm afraid, is the end of your idea to base our Middle East policy on Saudi Arabia. (Did you get any reaction from the President, by the way?) Zaki Yamani has told me he is convinced we are now working closely with the Shah and that in the next Mideast war the Shah will be sent across the Gulf to occupy the Arab oil fields. They will find nothing worthwhile to occupy and the developed world will collapse.

I think I probably could have done as much as any American to keep the Saudis from slipping too far away from us, but I also doubt if I would have been able to stop the move altogether. Perhaps now is the time to leave....

Sincerely,
James E. Akins

SECRET

MEMORANDUM FOR THE FILE

SUBJECT: U.S.-Persian-Israeli Cooperation

DATE: August 28, 1975

REF: Jidda 6009

Saudi Petroleum Minister Yamani told me August 27 the "games" the U.S. is playing in the Middle East had long been discussed in Saudi Arabia and they are concluding we're putting all our cards on Iran. The Saudis had urged us on numerous occasions to put pressure on the Shah to cooperate with Saudi Arabia and reduce the oil prices yet we had refused to do this. But it was even worse. In one of Kissinger's last meetings with King Faisal the King urged him directly to take the matter up with the Shah and the Secretary agreed to do so. The secretary saw the Shah in late winter 1975 and reported back to King Faisal that he had indeed tried to persuade the Shah to reduce oil prices. The Saudis have subsequently been told by the Shah himself and by his Minister Amouzegar that the subject of oil was not discussed in these meetings. Although the Saudis know the Iranian propensity to lie, they believe in this case that the Iranians were telling the truth.

Yamani said another matter that had amazed them was that the Shah, in his recent visit to the United States, was honored by the President and other highest-ranking members of the Government. The Shah announced, implicitly at least, that oil prices must go up by \$3.50 / barrel, yet the Iranians had told them we were completely unconcerned about any price rise. The Shah has also told this to numerous oil men as proof that the U.S. is at least indifferent to an increase in oil price. In any case the Saudis have seen no account from any American source that we in any way tried to pressure the Shah to back off this extreme position on oil price. Even if we had, we obviously had not succeeded. The Shah does not intend to press for a increase in prices by the full \$3.50 as he has implied, but he is firmly fixed on a \$2.00-\$2.50 price rise, something that Yamani said would be intolerable to most of the world's consumers, according to Yamani.

Yamani said that the conclusion the Saudis were reaching was that we had an agreement with Iran to let it take over the entire Arabian littoral of the Persian Gulf. He said we had urged the Shah to make peace with Iraq (I said this was absurd) so Iran would have a freer hand in the lower Gulf; that Iran's extraordinary military build-up was quite clearly aimed at occupying the Arab states across the Gulf, the Emirates, Qatar, Bahrain, Kuwait and even Saudi Arabia itself. In any case, if the Shah controlled the Straits of Hormuz the other states in the Gulf would be at Iran's mercy.

Yamani asked me if we had really considered what position we would be in if the Shah were in a position to impose his will on the Arab states of the Gulf. He said that the talk of eternal friendship between Iran and the United States was nauseating to him and other Saudis. They knew the Shah was a megalomaniac, that he was highly unstable mentally and if we didn't recognize this there must be something wrong with our power of observation. Furthermore, if the Shah departs from the stage we could have a violent, anti-American regime in Tehran. He said we would be much better advised to work out long-term arrangements with Saudi Arabia. He said he knew Secretary Simon had favored this; but Secretary Simon seemed to be the only top American official who recognized the Shah for the danger he posed to American interests. Most American officials seemed to be totally taken in by the Shah. It was obvious that the State Department had adopted a pro-Iran, anti-Arab line and he wondered if President Ford would fall for it. He hoped not.

I gave Yamani the full line about how important we considered Saudi Arabia and how its friendship was vital to us. He replied that he had no doubt that this was my view; that no Saudi and no Arab doubted it, but I had now been dismissed in the most ignominious and humiliating manner and the Arabs could not fail to understand exactly what message Secretary Kissinger intended to sent to them.

He said he regretted this but the Saudi government and all Arabs in the Gulf will have to start taking measures to protect themselves.

The conclusion they had reached was that the United States had probably decided to refrain from any military action against the Gulf. In the next Arab-Israeli war, Israel, he said, would be encourage to occupy Tobuk, in northern Saudi Arabia, and Iran would be told to occupy the Arabian littoral. The Israelis might succeed but this would not be too important. The Iranians he said, would be even less successful than would be the United States. Iraq would be involved immediately and so would be the Soviet Union. But if Iran should succeed in occupying part of the Arabian coast it would find only smoking ruins, and the western oil consumers would face catastrophe. I said such a plan would be sheer madness and he replied that I was quite right, but "we think you may have gone mad."

cc:

Mr. Alfred Atherton, NEA-EX
Mr. Francois Dickman, NEA-ARP
Secretary of the Treasury William Simon

AMB:JEakins:ef:rfs

USSR: Alert To NATO Provocations

With a global confrontationist mood rising rapidly as a result of American and British provocations in Africa, and especially the victory of the fascist Likud Party in Israel, Soviet military leaders called for an alert watch for reckless moves anywhere in the world. Warsaw Pact Chief of Staff Marshal V. Kulikov wrote the article excerpted below in the May 14 issue of the military daily *Red Star*, which also featured General Ivanovskii, commanding the Group of Soviet forces in Germany, on the preparedness of military commanders. Ivanovskii stressed that officers must be able to deal with all "surprise" situations and to lead tactics in radioactive and chemically contaminated areas.

The following is excerpted from an article by Marshal V. Kulikov in the May 14 issue of Red Star, written on the occasion of the 20th anniversary of the formation of the Warsaw Treaty Organization.

...The enemies of detente are trying again to aggravate the international situation and cause dif-

ficulties among states. ...In this, the determining tone is set by American imperialism, which heads the main aggressive bloc, NATO.

...At the recent talks in Moscow on strategic arms limitation, the American side exhibited a one-sided approach directed towards gaining advantages for the U.S. at the expense of the security of the Soviet Union and the socialist community. These tendencies have also appeared at the Vienna talks on Central European armed forces and weapons reductions.... The policy of further extending the arms race was affirmed at the recently concluded London session of the NATO council at the summit level.... The North Atlantic bloc is continuing to increase its military power. Directed since its first days mainly against the socialist community and other peaceful states of Europe, this class imperialist aggressive alliance has been and remains the instrument of fanning tensions, the inspirer of counterrevolution and the organizer of military conflicts and provocations in practically all regions of the world.

London IISS Confab Tips Imminent General War

The following statement was released May 18, 1977 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr.:

In an interesting display of a Rockefeller stomping with his right foot on his suffering left, today's official leaks from a closed-door meeting of the London International Institute for Strategic Studies (IISS) report that the meeting resolved to launch an international campaign to denounce recent *Aviation Week* reports of recent Soviet military technology breakthroughs. With that campaign, Rockefeller has discredited his own massive effort to convince the Soviets that NATO was about to launch a major arms campaign to catch up with the Soviet technological lead.

What he has also done is to confirm Soviet suspicions that David Rockefeller's Carter Administration is going for an early thermonuclear showdown.

First, the Soviets know — as everyone else does — that the standard procedure for getting a major increase in defense spending through the U.S. Congress is a massive publicity campaign reporting something like an alleged missile gap. Therefore, when Secretary of Defense Brown launches an international campaign to deny the existence of an actually existing technological gap, the Soviets know that Cyrus Vance's attempts to intimidate Andrei Gromyko with a threatened NATO arms buildup is a hoax.

Second, that being the case, Vance's newest efforts at Geneva are recognized by the Soviets as simply an effort to manipulate Gromyko into doing at Geneva what Gromyko publicly denounced when Vance attempted to peddle the same package in Moscow.

Third, that being the case, it is made clear to the Soviets that Carter is not working to gain a long-term strategic advantage, but a short-term advantage. This signals that the Carter Administration is headed for an early thermonuclear showdown.

NATO Arms Buildup

It is not excluded that the Carter Administration might make gestures toward increasing tank and other arms expenditures. Such gestures are even probable, as purely psychological measures toward building up a "Cold War" atmosphere. However, simply increasing orders for delivery of on-line old and prototype weapons systems would have no practical significance for the near-term and no qualitative strategic significance for the longer term.

The crucial area of military build-up is just that domain of ultra-advanced Soviet technology which the Carter Administration's spokesmen are hysterically denying to exist. To move to overtake the Soviets in these high-technology areas would require not only a junking but a reversal of the Carter Administration's so-called "energy program."

What the Carter Administration is doing is, on the one hand, to attempt to unsettle the Soviets with the threat that the NATO countries will attempt to overtake the Soviets in high-technology areas, while, on the other hand, telling the political leaderships of the NATO countries that no such technology gap exists.

The Soviet leadership, most of whom wear a thick sack over their heads in matters of internal U.S. politics, hadn't understood the domestic policy reasons that

Carter couldn't opt for a technological catch-up policy. However, now that Carter has advertised his effort to deny that the Soviets have what the Soviets know they have, the truth of the matter begins to dawn upon them.

It would be most amusing to observe Richard Barnet's errand boy, Victor Perlo, currently in Moscow, attempting to explain away the implications of the London IISS meeting to Soviet leaders of the Marshal Zhukov of Mikhail Suslov persuasions.

How Kissinger And McNamara Wrecked U.S. Military Capabilities

The following statement was released May 13, 1977 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr.:

Together with Donald Rumsfeld, Ronald Reagan and a few others, this writer is properly viewed as among the leading candidates to replace an impeached Jimmy Carter as President of the United States. Under those circumstances, and in the context of the present global economic and military crises, it is the writer's duty, as a candidate, to immediately assume the full range of duties of a President "in the wings." He must be, and is, prepared to promptly and efficiently assume all of the duties of the Presidency on virtually a moment's notice.

That announcement might appear a bit far-fetched to persons who do not yet understand how political processes operate under conditions of crisis. Under conditions of grave crisis, leading forces are impelled to repeatedly adjust their thinking in rapid succession, according to the dictates of a search for individuals and forces competent to extricate the nation from deadly problems. If that process does not occur, such a nation is doomed. If it does occur, all the standard rules of "past experience" for political procedures vanish at least temporarily. That is how Charles de Gaulle led the establishment of France's Fifth Republic in 1958; that is the process by which this writer's visible candidacy for President is presently developing.

The following crucial elements of a LaRouche Presidency are already fully developed, ready for immediate executive and congressional action: (1) a comprehensive energy policy; (2) a comprehensive policy for eliminating the terrorism and drug problems; (3) the establishment of a U.S. National Bank, to get the nation out of the present depression; (4) necessary emergency action to prevent waves of bankruptcies and social insecurity during the period of collapse of Chase Manhattan Bank and allied major, bankrupt institutions.

Also, in a major study, *The Case of Walter Lippmann*, the following further elements of a new Presidency are thoroughly elaborated: (1) a U.S. foreign policy consistent with our national interests; (2) a comprehensive and simplified reform of the Executive Branch; (3) a tax reform policy; (4) the policy of implementing the intent of the Constitution concerning both constitutional law and positive law in general; (5) a national basic scientific re-

search and research and development policy.

Meanwhile, this writer, as a prospective President, is acting in his capacity as a private individual to defend the most vital interests of the USA from both the dangers of general war and monetary collapse. He has initiated a

The following crucial elements of a LaRouche Presidency are already fully developed, ready for immediate executive and congressional action...

major action toward establishing a private bank which shall function as an international central bank at the point of collapse of the International Monetary Fund, Eurodollar market, and key lower Manhattan banks. If successfully established — and numerous bankers and others already agree the measure is necessary — this new bank will act in concert with bankers, industries, and governments to maintain a flow of "hard-commodity" credit for world trade, and will begin the process of real capital formation in technologically advanced industry and agriculture. That will contribute substantially to preventing the financial collapse of Rockefeller and allied interests from leading into a deep and prolonged world depression.

The Military Problem

It is also a principal duty of the President to act as Commander-in-chief of the nation's armed forces. The President must embody such qualifications of strategic command, both for responsibly leading the nation's forces and for developing them according to need. This aspect of the matter has been dealt with by the U.S. Labor Party, with aid of discussions with qualified officers in the USA, France, West Germany, and Italy.

It was through such qualifications that I was able to warn you accurately, in a nationwide half hour Nov. 1, 1976 television broadcast, of the nature and implications of the military and related adventures a Carter Administration would launch during the first half of 1977.

That danger, of which I forewarned you last Nov. 1, has

now materialized. With the complicity of France's President, Valéry Giscard d'Estaing, the Carter Administration has moved to bring the United States and its NATO allies to the brink of war with the Warsaw Pact powers. This has been done in the way I forewarned you would occur if you permitted a Carter Administration to take over the White House, and is occurring for the reasons of which I forewarned you — for reason of the unsalvageable bankruptcy of Carter's patrons, David Rockefeller and his friends.

I can also report to you that the Warsaw Pact command is of the opinion that the Carter Administration's operations in Africa, the South Atlantic, and the Middle East are bringing the world close to the edge of full-scale thermonuclear war between the United States and the Soviet Union. Everything you are being told to the contrary — by Zbigniew Brzezinski's mouthpiece, Jimmy Carter, by James Schlesinger, by Vance, Warnke, Harold Brown, Admiral Turner and others, is either deliberate fraud or an outpouring of their criminal incompetence concerning the present strategic situation.

Under these circumstances, it is my duty to report to you on the military situation as your President should.

What I shall report to you are not in any sense military secrets. Every major government in the world knows these facts, and knows that the other governments know the same facts. It is the ordinary citizens of the United States and Western European countries who are being kept in the dark on these issues — together with far too many of their elected representatives. It is urgent that you and your elected representatives know these facts, so that you and they can act in time — before between 160 and 200 millions of our nation's population die in thermonuclear war.

Most of the basic facts I have to report to you are the judgment shared by the overwhelming majority of qualified general officers and other strategic professionals throughout the NATO countries. I shall also go beyond those bare facts, to explain to you how the United States military establishment and strategic posture degenerated into their present condition. On this second part of my military situation report to you, I can not presently tell you whether or not a majority of professionals fully agree with my observations, but I can say that a representative selection of U.S. military professionals of the highest qualifications do.

In brief, our overall present military-strategic situation is as follows:

The United States and allied military forces have a terrifying capability, sufficient deterrent that no potential aggressor would launch an unprovoked military confrontation against the United States or any of its allies. Therefore, unless the Carter Administration were to provoke the Soviet Union in the most outrageous and foolish fashion, there would be no danger of military operations against the United States.

However, if the Carter Administration were to force the Soviet Union to go to war, the United States would lose that war, and would in fact cease to exist as a functioning nation. Between 160 and 200 millions of our citizens would die in such a war — without the slightest margin for doubt that the casualties would be in that range. Although the United States' forces can inflict a hideous penalty upon the Warsaw Pact nations, kill-

ing perhaps 30 percent of the Soviet civilian population, the Soviet forces have a thin but significant margin of military war-winning capability over the USA and NATO, and a decisive margin of war-winning potential in depth in civil-defense capabilities.

Furthermore, on the basis of an existing Soviet marginal advantage in basic military-applicable scientific research, the Soviet war-winning margin will substantially increase over the period immediately ahead. The best current estimate is that in areas of basic scientific research applicable to military problems, the Soviets are advanced beyond the United States in the order of two-to-four years. As those basic advances in plasma physics and related areas come down the line into finished military product over the period immediately ahead, a possibility exists for a decisive Soviet military war-winning capability.

Furthermore, the Warsaw Pact command is presently committed to a policy of maintaining that technological superiority over the combined USA and NATO forces.

This Soviet marginal advantage would not represent a real threat to the security of the United States were I presently your President, or if a Whig conservative such as Donald Rumsfeld, the former Defense Secretary, were in the White House. From my knowledge of Mr. Rumsfeld and potential candidates of a similar persuasion and competence, I am reasonably assured that such persons would do nothing to place the United States security in jeopardy.

Some misguided persons in the Congress and elsewhere argue mistakenly that the Labor Party over-emphasizes its public denunciations of Mr. David Rockefeller and leading Rockefeller protégés, beginning with Jimmy Carter, in the control of the present administration.

Despite such criticisms, it remains a fact that Jimmy Carter has proven himself publicly and emotionally unstable individual, wholly unqualified to understand even the nature of the issues posed to him by leaders of other nations — as was exhibited once again in London most recently. His irresponsible and incompetent remarks concerning the current operational status of the Berlin Four Power Agreement are exemplary of Carter's befuddlement and dangerous bungling.

This unfortunate individual, Carter, is surrounded and molded by Zbigniew Brzezinski — an extremely reckless incompetent in strategic matters, James Schlesinger — a proven strategic incompetent, dumped by President Ford for excellent reasons, and by Rockefeller's wildly reckless Kennedy Administration "whiz kids" such as Cyrus Vance and Harold Brown. U.S. foreign policy is in fact being made largely by desperately bankrupt David Rockefeller, no genius, and by such Rockefeller associates as Marcus Raskin, and Richard Barnet of the Institute for Policy Studies, Paul Warnke, and Coca Cola's J. Paul Austin.

The Rockefeller crew, whose principal achievement has been to run the world's largest monetary system in history to the edge of the biggest financial bankruptcy in history, is presently engaged in adventures risking general thermonuclear war in a last, desperate effort to cover up the bankruptcy of Chase Manhattan Bank and allied institutions. This Rockefeller crew, and its Trilateral Commission Executive Branch, are pushing the United

States headlong toward World War III — and are either hysterically ignoring or publicly fraudulently denying the warnings of qualified military and related professionals in both the United States and other NATO countries.

For example, during the past week, the magazine of the leading Western Germany military strategy group, the *Wehrkunde Gesellschaft*, published an article correctly stating that official United States strategic policies and postures are entirely incompetent and bankrupt. The *Wehrkunde Gesellschaft* is correct, and no qualified U.S. general officer would disagree privately with the West German military's opinion on this point.

Despite those facts, the Carter Administration is pushing the United States headlong into World War III — with a bankrupt military strategy and an incompetent military posture.

The Kissinger Aspects of U.S. Strategic Incompetence

During the late 1950s, Dr. Henry Kissinger modeled himself for Peter Sellers's portrayal of "Dr. Strangelove" in the well known film of that name. Kissinger's proposal was predicated on a then-existing marginal strategic superiority of the USA and NATO forces, and proposed to use that marginal advantage as a psychological-warfare tool of Mutt-and-Jeff pressure, to force the Soviets to a step-by-step retreat into an entirely indefensible strategic posture at which the USA and NATO would then secure, presumably a decisive war-winning advantage.

The so-called Schlesinger Doctrine is nothing but a re-warmed relic of the old Kissinger doctrine.

What Schlesinger and others have proposed, and have imposed as NATO MC 14-4 theater nuclear policy, is to apply the 1950s Kissinger doctrine to a situation in which the Warsaw Pact forces have a marginal war-winning advantage!

Schlesinger and allied self-styled strategists propose that the Soviet leaders are so terrified of war that they will react to limited nuclear confrontations by trading away their marginal advantage, and then much more, in successive steps, and in this way give the combined USA-NATO forces a decisive margin of war-winning advantage. In brief, the Schlesinger doctrine — the present policy of the Carter Administration, is based on the assumption that the Soviet leadership is ignorant of simple arithmetic!

If a limited (theater) war between Warsaw Pact and USA-NATO forces involved the Warsaw Pact surrendering a marginal war-winning advantage to the Carter Administration, as the price for avoiding general war, the only possible Soviet response would be to immediately launch World War III, beginning that process by unloading every intercontinental bit of thermonuclear and other ABC throwweight in its possession against the continental United States. Between 160 and 180 millions U.S. citizens would become casualties during the opening hours of war.

Nonetheless, the Carter Administration pursues that as operational strategic policy, hysterically insisting that the U.S. and its military allies can provoke several theater-limited military conflicts with Soviet forces without triggering World War III.

It is true, of course, that the Warsaw Pact command will go to great lengths to avoid World War III. Since a theater military confrontation means instant World War III, the Soviets attempt to avoid theater situations in which the Carter maniacs force the onset of that general thermonuclear war.

That Soviet policy of war avoidance poses the second principal question of the strategic problem: How far can — and will — the Warsaw Pact command retreat to avoid a theater military confrontation? That line is drawn objectively at Cuba-Angola and the Middle East Gulf petroleum-exporting region.

Just as Soviet civil defense capabilities are the decisive margin of Soviet war-winning capabilities in depth, so the global correlation of political forces can determine the potential war-winning capabilities of either superpower in depth. To the extent that a significant portion of the world is non-aligned and that NATO countries have a war-avoidance posture, this political correlation of forces maintain a major element of strategic balance in depth between the two major powers.

If, then, David Rockefeller and Company destabilize the present governments of West Germany, Italy and Japan, and bring a terrorized developing sector under regimes enslaved to Rockefeller strategic economic and political policies, and also incite China against the Soviet Union, that correlation of forces is so absolutely strategically intolerable to the Warsaw Pact forces that they must be willing to go to general thermonuclear war to prevent that situation from developing.

'...the interests of David Rockefeller's Carter Administration and the vital interests of the United States as a nation are direct opposites.'

In brief, military strategy studies and policies center upon the topics of the vital interests and capabilities of a potential adversary. Although the interests of nations properly enter into these evaluations, the immediate definition of vital interests is the vital interests of the governing forces of a nation, rather than the nation as such. As we know — or ought to know — the interests of David Rockefeller's Carter Administration and the vital interests of the United States as a nation are direct opposites. The Soviet strategist is obliged to define the Carter Administration as a David Rockefeller administration, and to define the vital interests of the government in terms of David Rockefeller's desperation.

For this reason, any dramatic measures presently taken by the David Rockefeller administration to develop a strategic war-winning position in depth against the Warsaw Pact will be taken properly as an act of war against the Soviet Union. When a potential adversary's interests impel that adversary toward war, and when the adversary then acts to put a war-winning capability in place, a state of general war between the forces exists in fact, and will become actual war at the choice of the threatened party.

For this reason, the Warsaw Pact is presently placed in

the somewhat curious posture of being obliged, in effect, to defend Western Europe, Japan, and the Gulf states against the Carter Administration. If Rockefeller and his allies tie up African strategic mineral resources and Middle East petroleum resources as a means for bringing Western Europe and Japan to their knees before the Carter Administration, that action, because of its implications, represents an act of war by the Carter Administration against the Soviet Union. At the point, the Soviet Union is obliged objectively to commit itself to general war against the United States, and will go to war at the moment of its choosing.

One of the mental problems which legislatures and laymen suffer in this connection is that they have not been developed to be able to think like military-strategic commanders. If a strategic commander of any competence knows that he is going to fight a war, he opts to launch that war at a time and in a way that affords him the relatively maximum war-winning advantage. Wherever competent strategic commanders are in charge, mere "incidents" do not cause wars. In such cases, "incidents" cause wars only when the preconditions for war already exist.

The Carter Administration has brought the world to the edge of the preconditions for general thermonuclear war. One significant further shove in the direction being taken by Carter, France's Giscard, and Israel's Peres, and everything could go up the pipe.

Naturally, one cannot predict at exactly what point war will break out. We can do no more than forecast the situation in the following way. There is a certain broad area of alternative developments in which general war will not occur. There is an adjoining area of alternative developments in which an imminent state of general war exists. Once events move inside the later area, war is imminent, and the situation has become virtually uncontrollable. The point is to keep out of that latter area of alternative developments unless one intends and is properly prepared to immediately fight general thermonuclear war.

In effect, David Rockefeller's Carter Administration intends, by weight of its current actions, that the United States should fight a thermonuclear war before the end of summer 1977. It is a war which the United States and its military allies are in no condition to fight.

The Folly of the All Voluntary Army

Even if the United States had a first-line war-winning advantage vis-à-vis the Warsaw Pact, the United States and NATO would nonetheless probably still lose such a war because neither the U.S. Army, nor the French or Italian armies are politically qualified to accomplish their NATO military assignments under conditions of general war. The exemplary point to be made in this connection on the U.S. forces is that the policy of the "all-volunteer army" represents a piece of stupidity, a parody of early eighteenth-century policies fatally discredited at Yorktown and during the French and German army operations of the 1790-1815 period.

What Washington, Hamilton and others demonstrated is that earlier forms of armies, composed in mass of recruits from backward poor farmer and slum population youth, are no match for modern armies or urban workers and highly skilled farmers based in depth on a well

trained militia. With this militia policy — e.g., the Philadelphia militia — the ill-equipped, small army of the American Revolution under Washington and Hamilton lost battle after battle, because of inferior means immediately deployable, but won a war.

Similar principles were employed by the First French Republic to shatter the opposing armies of Europe. A direct takeover of the lessons of the American Revolution by Gneisenau and the brilliant Scharnhorst created the German army which defeated Napoléon.

There are three vital principles of military policy involved. First, a modern nation which is unwilling to sustain a universal militia system as the basis for its military capabilities in depth is a nation which is not psychologically qualified to fight through a war. Second, the best fighting forces of a nation are the nation's most productive strata of working people and farmers. It is they who represent the psychological resource of a sense of social identity in depth, and who have a technologically oriented world-outlook of the sort indispensable for modern war-fighting. Third, it is the foot soldier who must in the final analysis win wars, and without whom all other military capabilities fall short of actual war-winning capability.

It is the quality of the mass of infantry in depth which determines the potential upon which technological war-winning capabilities are based.

This was key to the course of the U.S. operations during World War II. Typifying the unpreparedness, during the 1920s and 1930s, the initials for United States Army, U.S.A., were also conventionally interpreted as signifying "Useless Sons Accomodated!" Except for the U.S. National Guard, the United States began World War II without an adequate militia system *in depth*. Without the National Guard, it would have required much longer than three years to bring the U.S. war-fighting potential up to projected strength. The National Guard was the limited expression of Washington and Hamilton's heritage. Had a true universal militia system existed, the U.S. could have reached nearly full potential as rapidly as ships, planes and tanks were supplied.

The same principles were proven by Tito in the wartime Yugoslav partisan warfare, and were proven afresh by Giap in the French Indo-China war, and in the prolonged U.S. war in Vietnam. The Yugoslav partisan commanders' reports on the sociological composition of various qualities of combat forces are fresh exemplification of what Washington, Scharnhorst and the French army proved during the 1776-1815 period.

The "Hessian" system, originally developed into its characteristic seventeenth and eighteenth century forms by the House of Orange, seemed to function — as long as it was not pitted against Cromwell's militia-rooted forces — because it faced armies of similar qualities. It degenerated during the eighteenth century into the "set-piece" war-fighting doctrines shattered at Yorktown and by the initial battles fought by forces of the First French Republic and Napoléon.

The early strategic excellence of U.S. military doctrine was weakened under Thomas Jefferson's Administration — for which the United States paid dearly in the War of 1812 — and was dissipated after 1828. The United States military was obliged to relearn the strategic art of war afresh during the Civil War — aided by German im-

migrants trained in the Scharnhorst tradition. Now, with Kissinger, McNamara and the Kennedy "systems-analysis whiz-kids" who continue the miserable Kennedy tradition, Schlesinger and others have taken U.S. strategic doctrine and military capabilities policies toward the discredited "set-piece" war-fighting doctrines of the early through middle eighteenth century.

The problem is this. The poor sense of social identity of the youth taken from marginal agriculture and urban slums, plus his relatively inferior cultural adaptation to technologically oriented skills, results in troops whose discipline-and-training-induced surface capabilities evaporate psychologically in face of an adversary of matching military-performance capabilities. Just as they have difficulty in assimilating into technologically advanced production, they are also slow learners and respond poorly to tactical improvisation under battle conditions.

'...the sort of accountant who suffers the delusion that the accounting point-of-view is the properly governing approach to industrial management or military policy is a dangerous lunatic.'

However, it is not feasible to maintain the fighting capacities-in-depth of nations in the form of standing armies. The best fighters are in general the best workers, the best farmers, the best professionals. The militia system developed by the American Revolution, and extended by the German Scharnhorst, is the solution. In case of war, the nation uses the militia system to quickly concentrate and deploy mass forces of the best capabilities around a kernel of professional units, all under a professional officer and non-commissioned officer cadre.

The maintaining of a properly functioning militia system ensures the quality of the professional standing army itself. As for recruits from marginal rural and slum populations, it is by assimilating them into units of a higher cultural level that their cultural level for combat is raised, and they resume civil life with improved self-respect and cultural potentialities.

It is relevant to acknowledge that Kennedy's and McNamara's Vietnam War did much to destroy the militia system in the USA. On this, one should emphasize that one should not put an army through a war it should not have to fight in the first place. Protracted wars destroy the morale and other essential qualities of an army, and destroy the functioning of a militia system misused in that way. A militia system functions on the basis of the political willingness and preparedness of a population to fight a war.

A "Hessian" force — another name for "all-volunteer army" — functions with apparent effectiveness as occupation forces, or against a vastly inferior, ill-equipped force. Under those circumstances, such an army can function according to drill. The breaking point for a "Hessian" force is that condition of warfare in which a well-matched opponent renders the predefined drill in-

effective. Once the element of improvisation becomes dominant, an all-volunteer army becomes distinguished for its routability.

The Fat-Headed Accountant

The chief single cause for the deterioration of U.S. military effectiveness is the unfortunate individual who presided over the Department of Defense from 1961 through 1968 — "Slickum," as President Johnson termed him, Robert S. McNamara, who left the Defense Department in a shambles to continue his career in incompetence as head of the World Bank. To understand McNamara's role at Defense, one should characterize him scientifically as a *fat-headed, overblown accountant*.

Accountants, as accountants, are useful and even necessary within the proper confines of that profession. As persons, some accountants are intelligent and competent away from accounting. However, the sort of accountant who suffers the delusion that the accounting-point-of-view is the properly governing approach to industrial management or military policy is a dangerous lunatic. Such a lunatic was Robert McNamara at Defense — remember the Vietnam "body counts?" Such a dangerous lunatic is McNamara today at the World Bank.

Some people said that Slickum was a genius at Ford Motor. I reject that although, at the same time, I can appreciate why some deceived top people at Ford might have been taken in on the point. In the past, I have studied a number of accountants dabbling in industrial management at close range, observing both their characteristic incompetence in such matters, and also noting how some careless owners and others were deceived into mistaking what an accountant does in management for competence. The point is directly relevant to what Slickum did at Defense, and the worse horrors he has perpetrated at the World Bank. In view of the importance of the point, I illustrate the nature of the "accountant problem" here.

In order to make a specific case anonymous, I shall refer to the corporation involved as the well known "Widget Manufacturing Company." This firm was in financial difficulty. The cause of the difficulty, as a matter of background, was that the owners and managers had frittered away income over preceding decades, rather than reinvesting in developing the firm's productive technology. As such matters turn out, a decade or so of higher distributable earnings left an obsolescence-ridden production and marketing operation, and the obsolescence lawfully expressed itself in reduced earnings and then losses.

In such cases, there are only two workable alternatives. Either liquidate the shebang, or bring in equity or long term debt-capital for capital formation in sufficient amounts to overcome the obsolescence. Once a firm has reached the condition the Widget firm was in, there is no combination of reinvested profits or cost-reductions which can generate sufficient capital to bring operations up to a modern, competitive standard.

The Widget firm included well qualified persons in its management and ownership. However, in the circumstances they behaved as did certain leading Republicans last November and early December in connection

with the massive vote fraud for Carter. They avoided the risk of mobilizing to deal directly and effectively with the clear issues, and submitted for "practical political" reasons to alternatives they knew must fail. Not to single out Republicans, there are certain trade union leaders and industrialists who are showing similar gutlessness in permitting themselves to be arm-twisted and blackmailed into supporting the Nazi-modeled "Pacemaker" operation. Similar examples of such vacillation and gutlessness under fire are numerous in all aspects of life.

This vacillation among the competent persons left the matter of determining the firm's policies to sundry accounting mentalities within the management and among the firm's financial backers. Various "brilliant" cost-reduction schemes were launched, each advertised as "the solution" — the proverbial "light at the end of the tunnel" — and each essentially cutting the firm's operations still further below the breakeven point.

One included element of that program is citable here as exemplifying the same incompetence which McNamara's reign introduced to Defense.

Lo and Behold! As the firm's operations slipped, it exhibited a sizeable slow-moving inventory of finished stock. I recall how the accounting mentalities clucked over that marvellous discovery. Their solution: cut back production to give priority to moving the slow-moving stock. All the accounting mentalities, including the financier representatives, clucked more or less in unison — with decimal points — that this would, indeed, be the solution to that problem.

Naturally, as any competent management would have known, the accountant's remedy was worse than the illness. The slow-moving stock was slow-moving because it was slow-moving in terms of market demand. Cutting back new production did not move the slow-moving Widget styles one centimeter-per-year faster; it merely cut overall sales, made the sales-inventory ratios worse, and turned a bad loss into a catastrophe. The solution was the direct approach: increase production on high-demand new styles. It was by increasing total "shelf-position" through high-demand, high-turnover product that such a firm could have improved its inventory ratios, its inventory turnover, and accelerated the movement of the slow-moving items.

In general, that example is not exceptional. It is the intrusion into management matters by accountants with exaggerated sense of importance who have contributed (after foolish bankers) the next-to-greatest and most frequent managerial bungling in American business management. With Slickum's arrival at Defense, the granddaddy of all such bunglers had taken possession of the premises.

I do not know exactly what Slickum did at Ford Motor, but I can make a very shrewd guess. During the period he was at Ford management, there were two, successive processes under way. Up into 1957, the motor car industry, with Ford the worst offender, was engaged in the most insane marketing policies imaginable, tearing the gut out of the consumer market, ruining the financial and operating stability of dealerships, and turning this rotten economics back against the production side itself. It was a grand downhill ski-run until the 1957 precipice was reached. The succeeding period, the 1957-1961 recession period, was an orgy of grand old cost-cutting. During that

period Midtown and Downtown New York City streets were figuratively jammed with ex-\$40,000-a-year corporate vice presidents and division presidents scratching in hope of an \$8,000 to \$10,000 job. To run up an insane financial bubble in consumer-credit speculation — as the auto industry did between 1954 and 1957 — or to wield a pencil of cost-cutting during a recession, is a sort of work which any mere accounting mentality can conduct without the slightest managerial competence. The accountants who became styled as heroes of management throughout the 1954-1961 period were those who got off the financial orgy and onto the cost-cutting at the right point in time. It is most probable that Slickum's reputation at Ford was made on the basis of exactly such shallow-minded charades — since that is the outer limit of the mentality he has since exhibited at Defense and the World Bank.

It is such accounting mentalities that dominate the RAND Corporation, the Hudson Institute, Brookings Institute, the World Bank, the International Monetary Fund management team, and McGeorge Bundy's Ford Foundation. Their policy for bringing the world into financial balance is to drive nations and industries operating below the breakeven point to lower levels of production, while simultaneously willfully raising prices and reducing real wages! To have fascism, one need only place an accounting mentality in charge of economic policies!

(The only good accountants are secretly physicists, engineers, musicians, historians, and so forth — or, occasionally, a good legal mind.)

This devastating incompetence of the accounting mentality is associated with the fact that accounting practice is intrinsically *nominalist*. It counts the numbers of things according to their given labels. It does not know what it is counting, but only the name of the objects being counted, averaged, and so forth. This is the secret of the accountant's function in enabling a client to achieve tax avoidance — change the *name* according to some acceptable legal fiction, and bring the item in question under a different heading: give a tax-emptying name to some item of expenditure, real or implicit. Receive income after the period it qualifies as capital gains. (One of my minor goals for the time I become President, is to simplify the tax laws in such a way as to eliminate that nonsense.) The accountant does not know reality, but only the names he mistakes for reality.

'No matter how many tens of thousands of men a commander directs in battle, it is the fighting capability of that individual soldier, his level of culture, training, experience, and ability to deploy in concert, which is what the commander is deploying.'

That is precisely what Slickum did with his cost-effectiveness and related accounting-mentality programs and policies at Defense. That is the hideous thing he has done at the World Bank.

Beyond the basics of *interests* and *capabilities*, the business of military strategy is the definition of *flanking potentialities*. A flank is not inherently something which is to be displayed on a blackboard tactical diagram. A flank is *some new dimension of war-fighting*, for which - (preferably) one's own forces will have a developed capability and the adversary a poor countermeasures capability. Flanks are essentially *psychological* and *technological*. In both cases, one is exploiting some cultural advantage of one's nation and its forces against a relative cultural disadvantage of an adversary. What one does, in principle, is to create a geometry of warfare in some dimension of struggle at which one has a decisive advantage through the cultural capabilities of one's own forces.

Strategy exploits the flanking principle in two categorical ways. First, in the pre-war development of capabilities and in ordering the developed forces for the conduct of an impending war. Second, under actual war-fighting, the same principle of creative innovation is used by commanders to exploit potentialities as they emerge. *The essence of strategic command, as explored by Scharnhorst and Clausewitz, is the development in exceptional military professional leaders of the capability of rigorously predetermining the feasibility of creative discoveries of flanking potentials and committing themselves and subordinates to resolute action in behalf of the realization of those discoveries.*

Several most-relevant points follow from this.

First, the foot-soldier in warfare is not a *unit*. He is a human being of a definite culture, definite sense of personal moral identity, and associated capabilities of enculturation, training, and experience. No matter how many tens of thousands of men a commander directs in battle, it is the fighting capability of that individual soldier, his level of culture, training, experience, and ability to deploy in concert, which is what the commander is deploying. It is that individual soldier's interface with the adversary which is being deployed.

For example, if the platoon leader and non-commissioned officers of a platoon are casualties, how then will the remainder of the unit fight? Can the unit develop de facto platoon leaders and non-commissioned officer-leaders out of its own ranks? How will they deploy under such improvised leadership? How will they react to an unexpected form of adversary deployment? It is this, in the final analysis, that the commander of the ten thousands commands. His ability to rely on such tactical qualities of the small unit is indispensable to determining the way he coordinates the deployments of the larger wholes.

Second, the relationship between the military and the development of advanced technologies. There is no reason why military production ought to be — intrinsically — in the forefront of the development of industrial technology. However, in great powers (especially), the search for strategic flanks naturally and properly leads always to the search for new technologies — as Napoléon III learned to his sorrow at Sedan. Moreover, the qualified commander knows that his potential adversary

is engaged in the same search. Therefore, competent commanders always place a far greater emphasis upon basic scientific research than has been customary on balance among industrialists.

A military command that abandons basic scientific research policies, and goes instead to mere R and D as Slickum's reign defined it, is losing the future war flank to its adversary by default.

Strategy depends fundamentally on a preoccupation with things that as yet have no names, which, therefore, no accountant can know.

Third, line-by-line weapons-systems policies are strategic lunacy. A flank exists with respect to a total force capability taken as a whole. One looks for flanks in the whole of one's own and the adversary's force, and so pinpoints potential flanks, to the effect, "We need a gizmo that..." adding, "Can our scientists discover some hidden principle of nature that we can use for that purpose?"

The accounting mentality rejects all of these three subsumed basic facts of strategy. Systems analysis defines soldiers as mere units, overlooking that most essential quality of the superior infantryman — that he has skills and creative powers that are not in the book or the computerized psycho-profile. Accounting reduces war to a super chess game, in which each type of piece is predetermined, and advantage is obtained by cheating in the movement of the individual piece. *Accountants see war as successful embezzlement*; that is the Schlesinger doctrine; that was failed swindlers Vance and Warnke falling on their face at Moscow; that was the foolish Carter and demented Brzezinski at London and Geneva. Accountants cannot comprehend what does not yet have a name — the known name which therefore intrinsically eludes them in "victory" against a well-matched adversary.

To have a functioning Pentagon, it would be necessary to begin by cleaning out every taint of the influences of Slickum, Schlesinger and Defense Secretary Harold Brown, and painting the faces of accountants a distinctive, indelible purple, so that their opinions on all military subjects might be efficiently ignored at the outset.

The Balanced View

For reasons developed in depth in my *The Case of Walter Lippmann*, under a President representing our nation's Federalist traditions, the adversary relationship between the United States and the Soviet Union can be eliminated on a basis eminently satisfactory to the overwhelming majority of the people of both nations. However, at this moment, under the preceding administrations and present administration, an adversary relationship exists. We are in fact at the verge of war.

If the war should occur, our nation will cease to exist. The Red Army will ultimately bring political order to the survivors of that smoking rubblefield that was once the United States. That war must be prevented.

To prevent that war, it is necessary to mobilize the majority of the electorate and elected legislative representatives of the nation, to stop the war in the only way possible — impeach the Carter Administration. To tolerate Carter and other David Rockefeller protégés in powerful Executive Branch positions is the same as

wilfully condemning yourself, your children to radioactive cremation.

For you to act to eliminate this danger, as you must, you must understand the nature of the danger and the reasons our nation fell into its present predicament. Therefore, I have summarized the nature of our present peril and weakness for you. What I have said has the merit of being true, and is also in a form in which numerous others — legislators, experienced military professionals, and so forth — can verify each point I have made to you. You can verify each crucial point I have reported to you here.

You must settle your own mind quickly on this matter. We must act very soon, while it is still possible to prevent Rockefeller from launching his Israeli puppets on a general Middle East adventure or launch Giscard's French-led forces into a general war in Africa. Once those wars begin, it will be most difficult, and then quickly impossible, to prevent World War III from beginning.

If we act to prevent the Carter Administration from

triggering World War III, Chase Manhattan and the Eurodollar market will soon collapse of their own bankrupt condition. I will work meanwhile to get the new monetary system launched — and then we can rid ourselves of the horrors of the past period for once and for all.

If the Carter problem is solved, as I have proposed, then let us remember the lessons I have indicated concerning the way in which, from the Kennedy inauguration onwards, our nation was betrayed and imperiled, in part, by those in charge of our military policies and posture. It may well be that we do not need to use those lessons for war-fighting purposes in the future, but the lessons apply to many other dimensions of policy besides war. War is a branch of political strategy. War or no war in our future, political strategy is the foremost responsibility of U.S. national leaders during the decades immediately ahead. The lessons we have to learn on the military side can serve us well in other dimensions of political strategic undertakings.

Will Congress Allow Energy Dictatorship To Slip Through

The Carter Administration rammed its legislation for the creation of an energy department through the Senate this week by a vote of 74-10 with cosmetic modifications which will only slightly limit the dictatorial powers granted to the cabinet member who will head the department. The Senate adopted the Government Operations committee version of the bill with virtually no discussion, prompting Sen. James McClure (R-Idaho) to declare that "I have never seen a bill of such importance passed so fast without adequate Congressional scrutiny."

The swift passage of the bill underscores the fact that Congressional opponents of the Carter anti-energy program have still not consolidated their strategy to ensure the future growth of the nation's energy resources. On the same day that the bill slid across the floor of the Senate, two other Congressional committees heard — and made — attacks on several aspects of Carter's "comprehensive energy plan," and it is clear that some of the Administration's plans will be scrapped. However, even if Congress guts the *entire* plan, yet allows the proposed

Congress On Mideast War Danger: It Can't Happen Here

The U.S. Congress has reacted to the Likud electoral victory in Israel and the glaring danger of global conflict between the superpowers with the fantasy-ridden incantation, "It can't happen here." Expressing "grave concern" about the rapidly deteriorating Mideast situation, a number of Congressmen talked directly to U. S. Labor Party representatives last week and agreed that Carter's provocative policies set the stage for a Likud victory and brought the world to the brink of a new Mideast war.

Without a single exception, however, the august gentlemen on Capitol Hill declined to take action to derail Carter's singleminded drive for war. "Don't worry, the Congress will do something," one Midwest Republican apologized. "I don't know what, but we'll think of something." Clucking worriedly, Senator after Senator conceded the present dangers and limply said, "Call my appointments secretary." Representative after Representative regurgitated State Department pabulum, "We have to wait and see. The Israeli Cabinet has yet to be formed. It may turn out to be a force for stability in the Middle East."

Senator Jake Javits (R-NY) went even further, after a meeting with Carter at the White House. "The Likud victory," he said, makes me optimistic. It increases the likelihood of a negotiated settlement."

Senator Barry Goldwater (R-Az), by contrast,

warned that the present situation is characterized by "global conflict in gestation, irrespective of Soviet intent." Accusing his colleagues of having an "out-dated" view of history, Goldwater inserted in the Congressional Record statements by Air Force General Keegan on the imminent danger of war as a result of serious "miscalculations," a war which the United States is ill-equipped to fight. A number of Senators volunteered that Keegan's dramatic evidence of Soviet technological breakthroughs and their military implications is circulating widely on Capitol Hill.

Despite the perception in Congress that war is imminent, not one Congressman has publicly addressed the danger. An opportunity was provided at Senate Foreign Relations Committee hearings on the Middle East May 20 where a spokesman for the conservative think tank, the American Enterprise Institute, warned that an outbreak of hostilities in the area would lead to a nuclear confrontation between the U.S. and USSR.

Dale Tahtinen told the Committee that while Israel has a solid military edge, it would not forestall the Arabs from declaring war. "They won't suffer a total loss," he said, "because the Soviets will back them up all the way." Israel has nuclear weapons, he continued, but will not use them because it would lead to their nuclear annihilation. Tahtinen's testimony was ignored by the Committee, which failed to ask him any questions.

energy department legislation to go through, then the Administration will be in a position to completely reverse the will of Congress.

Sen. Durkin (D-N.H.), a usually staunch proponent of Carter Administration policy, told reporters after the vote "This may be the finest bill we've ever passed or it may be the worst, but 75 percent of the Senators don't know." Durkin cast one of the 10 dissenting votes in protest to what he termed the "silver streak" passage of the measure.

Senate debate, lasting only six hours, included the body's affirmation of the Government Operations Committee recommendation to limit the department Secretary's powers to regulate oil prices and the nuclear energy industry by creating a three-man advisory board to be appointed by the President. The Senate also moved to change the terminology in one section of the bill, replacing what one Senate office termed "Humphrey-Hawkins language" which would require "national economic planning" with less stridently corporatist phrases. Nonetheless, the intent of the bill — to create a consolidated body to facilitate the militarization of the nation's economy through control of its natural resources — remains intact. Under the Senate version of the bill, the President will still biannually update a national "energy

plan" with 5 and 10 year "goals" for energy conservation and production.

The real issue to be discussed — the Administration's premise of a need for energy conservation — has been, so far, avoided in Congress except for Representative Mike McCormack (D-Wash) who has opened fire on the entire Carter package. In his statement before the International Economic Policy and Trade Subcommittee, McCormack asserted that the implementation of Carter's program would lead the U.S. into the worst depression the world had seen, and he used graphs and charts to demonstrate the positive relationship between the nation's Gross National Product, its energy production and energy usage. "The choice is a total economic collapse or full-scale energy production which would bring stability..." McCormack said, "What we're debating is a full-scale program for development. If we fail to do this we'll be facing a world-wide depression and the worst collapse of production the world has ever seen."

Congressional Snipes

Other Congressmen limited themselves to sniping at parts of the Carter plan, particularly at hearings held by the House Ways and Means Committee this week. The hearings, which focused on the Administration's energy

New Efforts To Oust General Brown

A new effort to oust General George Brown from his positions as Chairman of the Joint Chiefs of Staff is underway by circles linked to the Carter Administration. The renewed push to force the dismissal of one of the staunchest military opponents of the Schlesinger-Brzezinski scenario for limited nuclear war in the Middle East, was launched May 11 by Rep. Ed Koch and Rep. Richard Ottinger. The two New York Democrats sent a letter to President Carter asking him to dismiss Brown because of his supposed "anti-Semitic" and "anti-democratic" views. The letter was signed by 18 Congressmen.

An aide to Koch told a reporter this week that "new revelations," i.e., "scandals," concerning Brown were expected to emerge within two weeks. While reluctant to disclose the details of these "revelations," the aide claimed that "many people" had offered information about the General to Koch since the letter to Carter was publicized by the Communist Party USA's newspaper, *The Daily World*. The aide also vowed that Koch and his cohorts "will continue to raise the issue from the floor."

Tim Wheeler *The Daily World* columnist who has given big play to previous attempts to discredit the General, spelled out the likely sequence of events leading to Brown's removal. Together with the "revelations" predicted by Koch's office, Wheeler said that the reassessment of U.S. military

posture just initiated by Defense Secretary Harold Brown (for the purpose of setting the stage for a U.S. first strike against the USSR) could easily create a situation where Brown could be dumped. "General Brown agrees with the dangerous Rumsfeld policy (President Ford's Secretary of Defense). If Harold Brown is serious about moving away from this, there will be a tremendous fight between him and the General. In this situation, Carter could easily fire Brown."

"We need a climate of opinion in this country which will force Carter to dump Brown," Wheeler cries. "I've been in touch with SANE and other groups, urging them to mobilize against him and I'll be getting in touch with B'nai B'rith and the NAACP to do the same."

A foreign policy aide to Rep. Ottinger was even more sweeping: "Harold Brown will have to dump not only George Brown, but the entire Joint Chiefs if he intends to get in a new policy."

General Brown has been a major obstacle to Rockefeller circles incitements in the Mideast over the past two years. Brown has also strongly emphasized that the only way the U.S. can guarantee the strength of its military forces is by strengthening the nation's basic scientific Research and Development program. On both counts, Brown's remaining as Joint Chiefs' chairman poses an intolerable obstacle to Carter Administration policies.

tax package, saw committee members aim their fire at would-be Energy Department head James Schlesinger, Secretary of the Treasury Michael Blumenthal and Office of Management and the Budget Director Bert Lance. The barrage of questions at the three White House spokesmen were termed by the committee's chairman, Rep. Les Ullman (D-Ore.), as "the first broadside, there will be more."

The first result of the hearings have lead to the widespread report, at the time of this writing, that the tax package is now dead and may be withdrawn entirely by the Administration.

A survey of the Senate Energy Committee conducted by this publication finds six Senators firmly committed to restoring cuts made to the crucial fusion research program, with another six "swing" votes verging on votes for full restoration. Only two Senators (of the 13 contacted on the 18-member committee) Sen. Abouresk (D-S.D.) and Sen. Metzenbaum (D-Ohio), are fully supporting the Administration's policy. A similar line-up exists on the question of whether to restore cuts made in the fast breeder reactor program, which is vital to a transition to a comprehensive fusion energy program.

The fight for restoring the cuts, lead by Senators Hansen (R-WYO.) and McClure could lead to the full-scale battle necessary to defeat the entire Administration package. An aide to Sen. McClure commented that "President Carter is attempting to destroy new and advanced technologies. If Carter's program goes through, it will take us back to the caves."

Several of the "swing" Senators who initially supported the Carter plan have begun to change their positions after receiving some basic education on the necessity for nuclear energy from their constituencies. Sen. Dale Bumpers (D-Ark.) found seminars being held throughout his district in support of the fast breeder reactor, on a recent tour he conducted. Given the strong possibilities that Senators Church and Jackson, two former opponents of the fast breeder reactor, will support the restoration, chances for wining that fight in committee are great.

The question remaining is whether the Senators will work jointly with their colleagues in the House to ensure that the Administration's plan is not slipped through under the aegis of a new energy department.

McGovern, Kennedy Call Out 'Left' Fascist Shock Troops

Acting his part in a scenario written for him by Jimmy Carter and the Trilateral Commission's National Security Council (NSC), Sen. George McGovern opened a mock attack on Carter for "Republican economics" in a speech before the Americans for Democratic Action (ADA) May 7. The Trilateral deployment of 'radical spokesman' McGovern is designed to mobilize lumpenized layers of the population to fight for Carter's fascist deindustrialization program under the lace curtain of opposing the President's "fiscal conservatism."

The NSC hopes that this ploy will sidetrack the growing pro-growth "American Whig" coalition of GOPers and traditional Democrats — representing 70 percent of the population — from stopping Carter, diverting them into programmed 'right versus left' conflict.

McGovern's salvo was quickly followed by Senator Ted Kennedy's public "demand" that Carter "keep his campaign promises" to implement massive public works, welfare reform, national health insurance programs and the simultaneous activation of the Institute for Policy Studies (IPS) "left Nazi" networks — including Jesse Jackson's PUSH, the Clamshell Alliance, the Communist Party USA, and the Woodcock-Fraser apparatus of the United Autoworkers (UAW) — with instructions to "take

to the streets" and "rekindle the finest traditions of the 1960s."

The Carter Administration's orchestration of the "liberal" attack on Carter was kicked off with their deliberate leak just days before the McGovern speech of pollster Patrick Caddell's memorandum to Carter "warning" of potential liberal opposition led by McGovern and Kennedy. This ploy was designed to provide credibility for McGovern, Kennedy and company in their pre-planned "criticism" of the President. Carter kept the game going at his press conference last week by taking McGovern and "liberals" to task and portraying himself as a harried "inflation fighter."

McGovern's May 7 speech was also timed to support Carter's efforts to push through a hyperinflationary program at the London Summit Conference and bust the pro-development, pro-nuclear energy governments of West Germany's Schmidt and Italy's Andreotti. At the very moment McGovern was "attacking" Carter for ignoring the problems of unemployment and poverty and not cutting the Pentagon's budget, Carter was declaring in a speech at London's Heathrow Airport that the subject of the about-to-begin summit must be unemployment, poverty, and the arms race! The IPS European networks are now fully activated demanding slave-labor jobs and the destruction of nuclear energy, and

targetting Schmidt and Andreotti for assassination by labeling them "CIA agents."

The McGovern and Kennedy speeches were also green lights to U.S. terrorist controllers. On cue, according to reports in the May 14 *New York Post*, IPS agents Tom Hayden and Jane Fonda sent a directive to the Seabrook anti-nuclear energy Clamshell Alliance declaring "Your front line is rekindling the finest traditions of the 1960s."

A Clamshell Coalition internal document made available to NSIPS earlier this week completely confirms charges made by New Hampshire Governor Meldrin Thompson that the group is a front for terrorism operating under pacifist cover to build mass media recognition and liberal support.

The document, a newly produced internal discussion paper, says that the Clammies have won a significant victory at the Seabrook occupation and must now escalate through "conflict and struggle." It urges expansion of the Clamshell Alliance beyond a "single issue" focus, and reports that "Non-violence was only a tactic."

Jesse Jackson has been charged with the task of getting urban riots going for the NSC. On May 16, Jackson, head of the Ford Foundation-financed PUSH organization, announced that "Carter has forsaken his promises" to "blacks and minorities" and called on "the people" to "take to the streets" to force the Administration to respond to "outside pressure." This incendiary rhetoric was echoed by organizers for John D. Rockefeller the Third's "environmentalist movement" including the so-called New Directions grouplet, which demanded "outside pressure" to "convince the Administration" because "Carter is caving in before industry."

The *Washington Post* May 16 tipped off the Carter Administration's upcoming terrorist deployment against

the labor movement. Bemoaning the fact that United Mineworkers presidential candidate LeRoy Patterson is about to be elected, the *Post* predicts that this will "wreck the union" and inspire "radicals" and "dissidents" to "recapture the union from the corrupt Tony Boyle crowd" by staging "wildcat strikes" leading to "a national coal strike next winter."

On May 16 the *Washington Post* reported a call by Rockefeller-linked businessmen Max Palevsky and Stanley Scheinbaum for the "movement of the 1960s" to organize "a rerun of the campaign that brought down Lyndon Johnson."

Carter himself got into the act with an appearance May 18 before the UAW convention in Los Angeles which was in the process of anointing George McGovern's old 1972 floor manager Douglas Fraser as its new president. Ted Kennedy, following his script, had addressed the convention the day before "criticizing" Carter for not implementing jobs, poverty and health programs.

Carter responded by telling the delegates that "I'm sticking with my 'fiscal conservatism' for the time being but if your leaders prove right and this doesn't promote economic recovery then I won't hesitate to stimulate the economy — you'll get public works, welfare reform, national health insurance and you can depend on it." Fraser promptly announced that the union would adopt a policy of "outside pressure and lobbying" to "influence the Administration."

Informed Republican circles have begun to respond. On May 13, the *Wall Street Journal* ran an editorial by Jude Wanniski entitled, "Some Fiscal Conservative." Ridiculing McGovern's line, the *Journal* article criticized Carter's no-energy program by noting that its increase in taxes, among other things, is a tremendous disincentive to capital investment.

Turkey Could Set Off Debt Dominoes

BANKING

Turkey is already in partial default on its debts with international banks, banking sources say. The May 14 issue of the Japanese newspaper *Mainichi* reported that Turkey has defaulted on payments to Japanese banks, which together hold a total of \$40 million in loans to the country. *Mainichi* reported that Turkey may not have met its obligations to New York's Citibank, and that international banking circles are terrified that the Turkish "technical" default could set a precedent for several other debt-strapped Third World nations.

U.S. banking sources have subsequently confirmed that Turkey is already in default with a number of U.S. banks and other international financial institutions, not just the Japanese. At issue is approximately \$2.1 billion in short-term debt, taking the form of "convertible Turkish lira deposits" held by foreign banks, about half of which falls due within the next three months.

The Turkish default has not been widely publicized in the U.S. press since major Turkish lira deposit holders, including Citibank and the San Francisco-based Wells Fargo, are keeping the matter "under wraps" until after the June 5 Turkish elections. By then, the banks hope to have gained the political leverage to force through a 75 percent currency devaluation and other austerity measures. In the meantime, every bit of new credit has been shut off to the Turks, including the Japanese government's refusal to even insure exports to the country.

The Turkish crisis — in which a military coup is not an unlikely scenario — is typical of the international "chicken game" being played by the banks throughout the Third World sector as a whole. Approximately \$20 billion in principal payments for non-oil producing developing countries fall due during the second and third quarters of 1977, with no visible means for the banks to refinance all of it. A single well-publicized, politically-oriented default by a major Third World debtor — triggered by New York bank "heavy-handedness" — could set off a wave of defaults which would detonate the entire Eurodollar market within hours. Alternatively, the banks will succeed in imposing "two, three ... many Chiles" but run the risk of provoking World War III.

An interview with a top New York banker, made available to *Executive Intelligence Review* by a European journalist, is explicit about the banks' "brinkmanship" perspective:

"The main danger is political. The Turkish civil service and related industrial-military circles are opposed to any kind of austerity. Their strategy was to make a new Japan or a new Taiwan out of Turkey through transformation of short- and medium-term credit into long-

term investment, and to compensate the related inflow of imports with guestworkers' remittances, tourism, and agricultural exports to the EEC. Their hope was that the EEC would agree to sponsor their take-off. Now they have been screwed by the economic crisis in Western Europe, and they are just enraged... Financially, disposable Turkish foreign reserves reach about \$200 million. They have a more than \$2 billion debt related to the convertible lira, which has been for them a way to get fresh money for industrial investment. Of these \$2 billion, about \$1.1 have to be paid by 1977. On paper, this amount could be met. The Turks are said to expect a very good harvest for wheat, cotton, tobacco and hazelnut production. This would mean an additional \$500 million if they sell the bulk of it abroad. Let's add these \$500 million to the \$200 million in reserves and about \$400 million obtainable through import cuts (in the order of 20-25 percent) and our problem is solved. But we have to take into account the subjective factor: civil servants, military and industrial circles will resist... Yes, I heard talk about a moratorium, and not only in London. Financial circles in Zurich were saying a month ago that a top executive in a Turkish bank — or half-Turkish — was announcing the imminent declaration of a moratorium. There is nothing official yet, but this tricky situation of an informal semi-default... All of us commercial bankers are looking at each other, and if one of us moves out first, maybe he will save his neck but there will be a chain-reaction and all the others will be screwed. So we are very carefully looking at each other. It is exactly like with deGaulle's gold policy in 1966. When he started buying relatively small amounts of gold, everybody panicked and followed him, so you know what finally happened on August 15, 1971. We are now in a similar situation. If one of us moves, boy, what a beautiful snow-ball effect will take place."

The Rundown

He might just as well have been talking about Zaire or Peru. In the case of Zaire, already in default on \$1 billion, it is likely that Belgian financial interests will press for a debt moratorium at the June 5 international creditors' meeting. Peru, which is near default on an estimated \$250 million, has been pushed to the wall by the banks and International Monetary Fund.

Last week, the Peruvian Finance Minister was replaced and several central bank officials threatened to resign over the extreme harshness of the IMF's loan conditions, including a 17 percent currency devaluation, a 60 percent hike in fuel prices, and drastic government budget cuts. An international banking consortium led by Citibank and Wells Fargo has meanwhile cut off all credits until the IMF loan is approved. Although the protesting Peruvian officials are themselves for "moderate" levels of austerity, they fear that imple-

mentation of the IMF conditions will topple the government. The IMF's refusal to bargain with even this "moderate" Peruvian faction indicates that the IMF and the banks are intent on making Peru a Pinochet-style "example" for the entire Third World.

Egypt, with a total foreign debt outstanding of \$20 billion, is a debt domino which the banks cannot allow to fall for both financial and military-strategic reasons.

The meeting of the Consultative Group for Egypt (creditors' group) in Paris last week, therefore, agreed to debt-refinancing, including a \$1 billion cash loan from other Arab countries, Arab roll-over of one and one-half

billion dollars in deposits at the Egyptian central bank, and a \$900 million U.S. government loan. However, not a cent was made available for the industrial investment program envisioned under Egypt's Five-Year Plan; and, in fact, Egypt had requested at least \$5 billion for 1977. Asked if Egypt would be hard-pressed to meet debt obligations due to its failure to raise the full \$5 billion in Paris, a World Bank official said: "No, it merely means delaying projects, postponing investment, cutting consumption, and rolling over debt.... The January riots merely showed what the limits are to cutting consumption, they are going to have to cut investment instead."

Carter Sells Protection to U.S. Business

BUSINESS OUTLOOK

In return for business support for policies which clearly mean the demise of technologically-advanced U.S. industry and agriculture, the Administration is holding out to business the promise of protectionist trade measures, future government contracts, and other "special deals."

As part of this ploy, the Carter Administration last week successfully persuaded Japanese manufacturers of color television sets to "voluntarily" cut their exports to the U.S. by more than 40 percent over the next three years, setting the precedent for steel, auto, and shipbuilding — Japan's three largest export sectors. This "orderly marketing agreement" was worked out by Carter's special trade negotiator, Robert Strauss, as the "preferable" alternative to the International Trade Commission's recommendation that Carter *quintuple* present tariffs on the T.V. sets.

Strauss will no doubt repeat this routine during his tour of the major foreign capitals this summer. The goal of that trip is to turn the stalled Geneva trade talks into a forum for carving up world markets via "orderly marketing agreements" — cartel arrangements.

In the T.V. case, the Justice Department is acting now to make sure the Japanese don't try to get around the new agreement by establishing more plants in the U.S. (the agreement exempts T.V. sets in which U.S. workers account for at least 40 percent of the labor). At recent oversight hearings of Senator Edward Kennedy's Antitrust subcommittee, it came out that the Justice Department is looking into the antitrust aspects of Japanese acquisition of American T.V. companies. Shortly after those hearings, William Shenefield, the new head of the Antitrust Division of Justice, met with American producers to assure them that the Administration supported their protectionist sentiments.

Zenith Corporation's own suit against the T.V. imports is still pending, while last month's customs court ruling in favor of Zenith is being appealed. The Zenith suit demands the imposition of countervailing duties on elec-

tronics goods, including T.V. sets, to offset rebates of domestic taxes provided by the Japanese government on exports.

There is increasing speculation among industry sources that the leading U.S. steel companies which have been most vocal about Japanese imports are conciliating the Administration — moderating steel price increases and supporting Carter's energy conservation program through the Pittsburgh-based Project Pacesetter — in the hopes that Strauss and other Carter emissaries will work out a system of cartel arrangements for the world steel industry. After initial resistance, the Japanese have agreed to participate in informal talks in Geneva on the "problems of world steel."

Speaking to the United Autoworkers' convention in Los Angeles last week, Carter said he would not impose quotas on auto imports. Carter confined his comments to telling autoworkers that they have to increase their productivity to make U.S. autos competitive with imports. However, many auto industry observers think it's only a matter of time before Carter lowers the boom on Japanese auto exports to the U.S. The Japanese, in fact, are expecting this to happen shortly and are stepping up their exports to the U.S. while they can. Most dramatically, Honda Motor's shipments of autos to the U.S. in the first quarter rose 60 percent above last year, another record year, while its retail sales soared 109 percent above last year.

With overall auto sales in the U.S. trailing off from first quarter levels, U.S. auto manufacturers may be the next to call for Carter's protection.

Businesses Try to "Adjust"

The Federal Energy Agency and the Commerce Department have jointly been holding "energy management conferences" with trade associations and representatives of member companies since 1974 to prepare for Carter's "conservation" program. Businessmen get together with conservation experts at these sessions to talk about their energy problems and work out energy savings plans.

Under this kind of guidance industries have been diverting billions of dollars into R and D on energy effi-

ciency and energy saving devices for the last few years, while capital spending plans have been halted. Koppers Corporation, for example, is building a new chemical processing plant which consumes 40 percent less energy than an older plant and produces the same output. But Koppers' capital-goods producing divisions are bearing the brunt of that commitment to zero-growth, "energy efficient" industry in the form of its dwindling orders for steel blast furnaces and other capital goods.

Allied Chemical, Atlantic Richfield, and General Motors are among the financial backers of the new MIT study, "Energy: Global Prospects 1985-2000," which predicts a grave danger of an oil shortage in the 1980s and makes recommendations almost identical to Carter's energy package. General Motors is feeling confident that it will benefit from Carter's energy program, being in the best financial position of its competitors to make the change over to "fuel-efficient" small cars.

In fact, the Federal Trade Commission, the government agency which monitors impediments to competition within industry, is well aware that one of the effects of the Carter energy program will be the elimination of smaller businesses which can't "adjust." Michael Pertschuck, the new FTC chief, has just established a taskforce within the FTC to study precisely such questions. A member of the taskforce and of the FTC's Bureau of Competition told NSIPS last week that any government efforts to protect smaller corporations will probably not succeed. "I don't think the government is going to protect the status quo," he said. "Some companies will be able to adjust better than others, some will be hurt more than others... but it's too much to ask for government to protect smaller businesses — and that is not necessarily good in terms of the necessary allocation of resources. In some cases the process will be particularly harsh."

Saudis, Japan Under Pressure To Join IMF Bailout

FOREIGN EXCHANGE

Strong indications appeared this week that two reluctant financial powers, Saudi Arabia and Japan, have come under extreme pressure to cooperate with the International Monetary Fund's proposed \$16 billion special facility for countries with large payments imbalances. As of the April 28 meeting of the International Monetary Fund's Interim Committee in Washington, D.C., both countries indicated unwillingness to contribute to the facility, which top U.S. officials think is essential if the monetary system is to get through 1977.

Knowledgeable Mideast specialists and banking sources in New York, Washington, London, and Zurich identified last week's explosion in Saudi Arabia Ghawar oil fields as a terror operation run through Zbigniew Brzezinski's National Security Council, with the objective of forcing the Saudis to put across large sums of money to stabilize the international banking system. This view was reinforced early in the week of May 16, when large Saudi long-term deposits began to appear on the Eurodollar market. At least several hundred million dollars have been placed in the form of five to seven year maturity, \$50 million denomination Certificates of Deposit, written by leading Eurodollar banks. Euro-CD traders report interest rates on this paper, which is extraordinary, far below market rates, allowing the banks an arbitrage margin of about 1 percent with the three-month deposits market.

Until now virtually all Saudi money had been kept in deposits of three month maturity or less. Saudi and Federal Reserve sources agree on this version of what happened: from some time before David Rockefeller's March visit to Riyadh, the leading New York international banks and some other leading institutions virtually boycotted large Arab three-month deposits, in a

game of "chicken" intended to force the Saudis and others to put their money into longer maturities. Rockefeller made this demand to the Saudi leadership, and was rebuffed out of hand. Instead of placing excess funds in bank deposits, the Saudis invested heavily into U.S. short-term Treasury securities during the first quarter, contributing significantly to the unexpected \$4 billion run-up in foreign holdings of U.S. government debt, and in the Eurobond market, aiding the huge expansion of that market during the first quarter from a previous average issue volume of \$1 billion or less per month, to \$3 billion during the single month of April.

However, there are strong indications that this situation has been reversed, and that the big oil fire at Ghawar terrified the Saudis into accepting the banks' terms. This flow of long-term deposits has a marginally significant impact on the overall financial situation.

There is no sign, however, of precisely what the Saudis will do about the IMF facility itself; IMF managing director Johannes Witteveen demanded a \$5-6 billion contribution, several times the amount the Saudis have expressed willingness to contribute.

There is some blunt admission of what the means of persuasion are circulating in respectable press sources. For example, the current issue of the London publication *International Currency Review* has printed a scenario reminiscent of Paul Erdman's bestseller, *The Crash of '79*. According to this scenario, the Ford Administration made a deal with the Saudis under which they would agree to maintain a relatively stable oil price and place half their funds in the form of long-term investments in the United States. Otherwise, the *ICR* story says, the United States would use its in-place capabilities in the Gulf to foster "domestic opposition" to the current Saudi leadership, or employ some other form of military capability against it.

Although this particular story contains some pretty fanciful elements, its appearance at this time indicates

the openness with which intelligence circles associated with the Carter Administration are advertising their offer to the Saudis, which they believe Riyadh cannot refuse.

The deployment of Saudi reserves is a matter of life-and-death for the New York banking group whose leading exponent, David Rockefeller, is Zbigniew Brzezinski's long-time patron. The banks were not in a good position to continue their pressure on the Saudis on the question of deposit-maturities much longer. According to figures released this week by the Department of Commerce, commercial bank liabilities to foreigners fell by \$3.4 billion during the first quarter of 1977, compared to a \$9 billion rise during the last quarter of 1976. There is virtually no precedent for this \$12.3 billion net swing, which some officials familiar with these statistics attribute to the small banking war noted above.

Bailing Out Hotspots?

In related developments, the Gulf States group at the Paris meeting of Egypt's creditors (dominated by the Saudis) agreed to provide precisely the volume of funds required to enable Egypt to pay its current debt-service obligations, without having funds left over to continue its investment program. This took the form of \$1.5 billion in rollovers and \$1 billion in new money. World Bank and New York commercial bank officials say they are extremely pleased with the results of the meeting and with the cooperativeness of the Saudis.

Also, there are rumors in the Turkish press that the Saudis have placed \$300-500 million in convertible Turkish lira deposits, which, if true, would indicate the Saudis are bailing out another hotspot for the New York banks.

On the basis of evidence available at deadline, it is not possible to make a final evaluation of the Saudis' overall

monetary stance, in particular whether they are using their reserves to cool out every trouble area in the Eurodollar debtors' list.

Japan Yields to Blackmail

Immediately following the visit to Japan of Carter's special trade negotiator Robert Strauss, the Japanese government indicated a change in its position regarding the IMF's special facility. Japanese Finance Minister Matsakawa told a press conference May 18 that the Japanese government had abandoned its previous view that the intention of the Witteveen facility was to bail out private banks. Now, the finance minister said, Japan would support the scheme, provided that the oil-producing countries provided half of the total funds.

Some press reports say that IMF managing director Witteveen told the Japanese he had pledged from the Saudis to make such contributions during his April visit to Tokyo; if these reports are true, Witteveen was being less than candid. The Saudis have not decided on a full reversal of their previous stand against such a magnitude of contributions.

Immediately before the Interim Committee meeting last month, senior U.S. State Department officials fairly boasted that the Japanese would have no choice but to pony up funds for the IMF's special facility. Japan depends on U.S. markets for 30 percent of its exports, officials said, and would be subject to trade sanctions in the event that it failed to cooperate on the bailout question.

Since Matsakawa's at least pro forma concessions about the IMF facility coincided with the announcement that Japan would voluntarily limit color television exports to the U.S. by 40 percent, the State Department's tactic seems to be having some effect.

— David Goldman

Hambro's Norland Blunders

SHIPPING

The following statement was released May 14, 1977 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr.:

According to press reports received here yesterday, the Hambros-associated Otto Norland unwisely supported the proposal that support be withdrawn for existing shipyards, as part of the measures he deemed required to restore ocean-freight price structures. Norland's proposal is all too typical of the kind of incompetent bankers' policies which got the world into the present financial mess and depression. His proposed remedies are incompetent — typical of remedies which are more deadly to the patient than the illnesses they purport to cure.

The collapse of ocean-freight price-structures is a direct result of the current world economic depression. The collapse in tanker bookings, the kernel of the present

shipping problem as a whole, dates from the 1973-1974 OPEC rise in international petroleum prices. This price rise did not cause the problem, but rather triggered it. In brief, because the debt-depressed petroleum-importing nations could not absorb the price increases at levels of petroleum-imports consistent with earlier trends, the trends in world petroleum consumption fell off sharply — excessing and beaching large numbers of tankers.

Since energy consumption is the key parameter of the total constant value of tangible industrial and agricultural output rates, the value of global production fell off sharply for reason for the fall-off in petroleum consumption trends. This was aggravated by the post-1971 speculative boom in debt-refinancing and related non-productive financial flows. The debt-equity burdens on nations and on industries, aggravated by the fall-off in constant-value production-output trends, effected a downward spiral in key categories of world commerce. This affected trends in both high tariff cargo, and in broad categories of bulk freight.

This broad fall-off in demand for ocean-freight bookings hit most directly at the estimated \$35 billion tanker-

expansion portfolio syndicated through key lower Manhattan banks. The result was a savage leap in debt income ratios in the shipping industry overall, and cannibalistic combinations of "mothballing" and competitive rate-cutting.

Properly viewed, the crisis in the ocean freight field is overall a by-product of the downward spiral of the current world depression, a special situation acutely aggravated by the unmanageable debt-overhang in the tanker field itself.

The overall situation is typified by the catastrophic downward slide in U.S. balance of trade. Highly-placed cretins in the USA and elsewhere blame that downward trend upon "excessive" petroleum import levels. In simple truth, it is most immediately a collapse of developing sector demand for capital imports, a collapse caused chiefly by the diversion of even prime costs of production in those nations to nourishing the IMF-World Bank-Eurodollar debt-refinancing bubble.

A certain base level of energy consumption by modern industrial economies is properly regarded as an element of fixed cost. Merely to keep an industrial economy and its technologically advanced agricultural sector "ticking over" and maintained in working order, a certain base level of current energy consumption is required. This includes the maintenance of the infrastructural and cultural levels of existence of the labor force. To reduce energy consumption below those levels is to destroy the future potential for economic recovery.

Savings on the production of unsavory gas by the White House is not only an admissible but eminently desirable measure of conservation; however, no significant reductions in overall energy consumption levels of U.S. industry, agriculture and households could be effected without perpetrating criminal economic insanity.

Respecting the shipping and shipyard industries themselves, the following broad policies are clearly mandatory. Any contrary policies are economic insanity.

First, we must work from the policy assumption that we are going to end the current world depression. Provided appropriate measures of international financial reorganization are promptly effected, all the means for fission-fusion technology-centered, broad, global economic recovery firmly exist. Unless that policy is firmly resolved, all issues of finance and economy are reduced to the question of whether we prefer to give a dying world-economy a cheap or glorious funeral celebration.

Second, therefore, under such necessary financial reorganization ocean-freight bookings will rise substantially above pre-1971 levels during the near-term.

Third, economy in freight rates, as well as environmental considerations, demand a fairly rapid upgrading of fleets, combined with a rational approach to using up obsolescent and becoming obsolescent units.

Fourth, therefore, this will require a maintenance of

modern shipyard production and maintenance capacities. The only relevant question here is that of modernization of shipyards.

Fifth, shipyards are not properly viewed as merely ship-building and maintenance facilities. The complex of facilities directly and indirectly associated with ship-building industries represents a working group of productive technologies for various kinds of large-scale engineering undertakings.

Instead of weeping away the hours projecting a cheap funeral for the world economy and its shipping industry, the most recent conference should have occupied its energies better with establishing planning and negotiating teams to work up appropriate, rationalized approaches in behalf of the cited five points. (1) Given indicated leaps in demands for ocean freight bookings, what is the scale of the global fleets, by category, required for near- to intermediate-term requirements, and what are the outlines for long-term requirements? (2) What is the best range of approaches to combining modernization of fleets with an economical and otherwise acceptable program of phasing out obsolete and becoming obsolescent vessels and facilities? (3) How many shipyard facilities, in what ranges of capacities, will the world require for the maintenance and development programs indicated? (4) What programs are properly defined as in sight for greater economies and expeditiousness in the ocean-freight-docking-inland transport interface? (5) What are the prospects for balanced diversification of the complexes of industries and labor forces, through which to maintain a ship-building industry of the highest rates of technological progress, by spreading the costs of developing such capacities over an appropriate range of applications to visible engineering undertakings?

The pathetic feature of Norland's reported observations, overall, is that the recommended cost-reduction approach is representative of the thinking of accountants lacking the barest insights into the realities of economics. When the world becomes uneconomical because its output has fallen overall below economic breakeven points, the remedies are absolutely not to either reduce operating levels still further, or to shift labor employment from high-productivity high-technology to socially unproductive labor-intensive occupations.

British finance would accomplish the equivalent of an astronomical-unit-sized leap upward in competence if the City of London would immediately project an official ceremony devoted to placing the works and memory of John Maynard Keynes and similarly afflicted nominalist mentalities into a museum for obscure and deranged cults. Hambros, in particular, ought to know better than to tolerate the sort of nonsense to which we have objected here.

Carter's Plutonium Ban: Fraud Versus Fact

The following is excerpted from a speech by Dr. Charles Storrs, a representative of the Connecticut American Nuclear Society, delivered at the Fusion Energy Foundation Conference May 6 at the New York Hilton Hotel.

The Ford Foundation Mitre Report (on energy, on which Jimmy Carter's April 20 address was based -ed.) fails to mention that there is a big difference between the type of plutonium produced in commercial reactors and weapons grade plutonium. They make the simplistic assumption that plutonium is plutonium and weapons are weapons.

The government has gone to great extents and cost to generate highly enriched U-235 for weapons and wouldn't do this if it weren't necessary and furthermore has gone to very great lengths to produce weapons grade plutonium. You use special reactors to produce Pu-239 (weapons plutonium -ed.) by running the fuel for only two weeks, taking it out and extracting the Pu-239. In a commercial reactor you leave the fuel in the reactor for three years during which time you not only generate Pu-239 but in addition some of the plutonium absorbs a neutron and becomes Pu-240. So at the end of three years you have about 60 percent Pu-239 and 24 percent Pu-240 which is not fissionable. For a long time it was thought that you couldn't make a bomb out of this mixture because of the high content of non-fissionable material. Also — I'm now quoting out of the Ford report which has this buried in it, but of course does not bring it out in the

summary or conclusions — commercial plutonium high neutron emitters in it, i.e., Pu-240 and when you try to make a bomb out of it bringing the two pieces together the neutron flux causes the thing to go off prematurely before you get it together. What happens in essence, is that you either get no explosion at all, or a very weak one. It's hard to predict, it's hard to calculate. The report here suggests that you have to inject a high neutron source at just exactly the right instant to make it go off, and it also suggests that to make this explosive go off, it would take one ton of TNT as the propellant. So we are not talking about a suitcase that someone left in Grand Central Station or something, we're talking about one ton of TNT with triggering mechanisms to make it all go off at once, and some subtle way of getting the neutron source to go off at the right time and you certainly get the impression that this is a very difficult bomb to make.

It is quite clear, I think, when you read this, that if you wanted to make a nuclear weapon — if you were Idi Amin or somebody or other who might decide to make one, you would not use commercial plutonium, you would take the route that everyone else has taken — and that's through a special production reactor which could be a nice innocent research reactor — as the Indians have used to produce their nuclear explosives. You get a nice research reactor and you stick some fuel in and keep shoving it out every two weeks or so, and extract some plutonium U-239.

So this business about the great danger of using commercial fuel is really not there. Furthermore, some of the people who signed this report know that. Defense Secretary Harold Brown knows that.

Will Carter's Insulation Drive Really Save Energy?

While insulation manufacturers are in understandably good humor over the White House assertion that increasing fuel costs increases the value of "energy-saving" insulation for homes and buildings, all concede that the idea is a calculated fiction. The reason is simple. Whether the insulation material selected is expanded mica, plastic foam, or the more commonly used glass fiber, insulation manufacture is a *highly energy-intensive business*.

Were Carter's insulation scheme to be implemented as proposed for homes, factories, buildings, etc. (although that is not its intention), the energy savings in dollars and cents at the consumer end would naturally be expected to increase as energy costs increase...but wait a minute. Since energy costs are a primary component in

the costs of energy-intensive insulation manufacture, the costs of production would go up in direct proportion, driving up the price of insulation to the consumer — also in direct proportion to, and therefore offsetting, the expected savings in energy cost.

For instance, let the Carter Administration spend \$8 to \$10 billion for insulation immediately — the minimum wanted to bring U.S. homes and so forth up to a good heat-loss standard; it would then be five years before a net saving of energy is realized, i.e., energy saved through insulation, over the energy absorbed in the insulation's production. While looking towards an energy saving in the winter of 1982-83 at the earliest, the program described would require an immediate energy investment (say, this summer) the equivalent of 3 billion

cubic feet of natural gas — an investment equal to the energy “shortfall” which struck the U.S. this winter.

The Housing Issue

This does not mean that insulation itself is a total fraud. On the contrary, purged of its current “zero growth” parameters, insulation is a feasible and desirable feature of a competent, technologically-vectored program of overall energy development. Generally, insulation has been under-utilized in home building and remodeling for reasons that are comparable to the precedence given the proverbial tail-fin over basic mechanical improvements in auto manufacture. A well-insulated home will cost a buyer \$1-2,000 more, and while representing a good investment in terms of annual fuel savings, the same expenditure diverted by the builder to cosmetic additions to the visible exterior of the home would add a good deal more than \$2,000 to the market price and his profit calculations when originally designing the building.

The same and additional prohibitions apply doubly in the case of an apartment building, with the difference that in the instance of most big-city apartments, the best approach for the sensible leasor would be to have his 50-100 year old building demolished and replaced with a well-built, sturdy, and well-insulated new apartment house for a net energy and social cost savings more than compensating for the overall social costs of such city-wide demolition projects.

This is not so unfeasible as it first might seem. A sensible energy program entails, at minimum, ending the obstacles to the licensing of a completion of current nuclear plant construction. The net energy increase realized on the basis of completed nuclear facilities would permit a far more rapid, continued expansion of the nuclear energy program, using fast breeder and plutonium recycling to bridge the gap into a fusion energy economy in the 1990s.

Industrial expansion and development programs consonant with that easily-achieved increase in energy supplies and consumption, place a premium on upgrading the quality of labor-power available from the present workforce, with an early emphasis on bringing our dilapidated and overly small housing supply up to modern standards (for example, the educational essential of a “room of his own” for his child).

The owner or leasor of our current, typical housing unit is principally deterred from the indicated tear-down-and-rebuild procedure by the fictitiously high market valuation attached to his present dilapidated structure, a feature of monetarism’s subjugation of the interests of capitalist development to the procedures of capitalization of rent, including mortgage refinancing, speculative leveraging and other crushing aspects of the debt problem afflicting the U.S. housing market.

Eliminating that profit-accrual to the account of debt which “values” the slums and begin a program of broad and thorough housing renovation and construction, is not only feasible but mandatory. But, to outfit the same buildings with any type of insulation under existing market conditions as Mr. Carter proposed last week (through “tax incentives,” energy price-hikes, and slave labor “public works” operations) is rather like treating a case of acute psychosis with a liberal dose of LSD. To produce insulation at present and near-term energy

costs, planning to reap savings benefits of a later, higher energy cost is to enter the insane and lethal world of monetarist finance and fascist planning.

We are faced with a fraudently elected president, who now enjoys only vestiges of that modest support he did enjoy during his campaign, appealing for popular support of a massive expenditure on insulation and solar panel manufacture to “conserve” energy. If it wasn’t so damed dangerous, it would be downright funny.

The Insulators’ Delusion

There is a rule of thumb, accepted in the insulation manufacturing field and sales community (and accepted with reservation by builders) that a unit of energy cost put into the manufacture of insulation will result in a saving of five units of energy when that insulation is put to use. This is approximately true for a severe northern climate and moderately thick insulation. As the thickness of the insulation decreases or the temperature gradient decreases, this twenty percent return on investment decreases accordingly. (On the other hand, given extremes of temperature, the first inches of insulation can result in a much higher rate of return on investment.) This, however, is only a rule of thumb. Careful consideration must be given to the development of energy production, before, or at least at the same time one considers energy saving. The current direction and thrust of energy development is clearly spelled out by the under-funded fusion program and the under-utilized fission program: in short, energy de-development. With that remains of his smile, Jimmy Carter solemnly tells us that we must have colder homes, smaller cars, more insulation and more sacrifice because of the “grave energy shortage.” However, he continues, there is no need for the fission breeder reactor, because we have lots of uranium for our energy needs.

To tax, or otherwise inhibit energy use, while providing incentives for energy saving, is exactly like giving up one’s whole income to take advantage of a special sale. To reduce spending for nuclear power development, to provide subsidies for home and business thermal insulation, is insanity. The purpose of the administration energy plan is not to save energy through insulation or any other means. It is to build a powerful energy branch of government to control energy production and use in line with a massive curtailment of industrial output and capacity.

Some insulation manufacturers and dealers still think the Carter “energy program” will benefit them by focusing attention on the advantages of insulation. As we have made absolutely clear, there is no thought nor any possibility of actually instituting a massive insulation program. The administration program is aimed at deindustrialization in the hope of maintaining Rockefeller monetarism’s debt-rollover arrangements for just a little while longer and that deindustrialization emphatically includes the insulation-manufacturing industry. The Carter “energy program” obviously has nothing to do with energy saving, or indeed anything to do with energy per se. The insulation manufacturer has simply received a little bit of free advertising from a source whose purpose thereby is to ultimately put them out of business!

— Wayne Evans

Soviet Debate On Labor Party Goes Public

The following statement was released May 16, 1977 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr.:

A Soviet internal debate over the U.S. Labor Party, which may decide indirectly the question of thermonuclear war, has broken into print in the guise of a Soviet Rockefeller booster's published attack on the nineteenth century American Whig economist Henry Carey. The attack comes in this month's issue of the journal of Georgii Arbatov's USA-Canada Institute which publishes the first Russian translation of a letter by Karl Marx on Carey and includes an unbylined introduction describing the American Whig as a "vulgar bourgeois economist." Orders for this Soviet attack on Carey came from New York City associates of David Rockefeller protégé Richard Barnet.

The background to this development is as follows.

Since the period of the 1962 Cuba Missiles Crisis, a majority within the Soviet Communist Party's Central Committee had, until Cyrus Vance's recent Moscow visit, adopted the thesis that the Rockefeller and allied financial interests were the peace-seeking "realists," and the war-booster the so-called "military-industrial complex." This wildly misguided estimation was not only in direct, and violent opposition to the views of Eisenhower acquaintance Marshal Zhukov, but was directly opposite to the firm — and correct — continuing estimation of the Soviet military intelligence.

As a result of this credulousness of the Soviet leadership majority, Rockefeller and others were able to build up a strong nest of Rockefeller "agents of influence" within various facets of Soviet and Eastern European institutions, and to launch the involuted Soviet-destabilization operation exposed as Willy Brandt-led (by high-level Italian intelligence operative Giannettini). The best-known of these Soviet nests of Rockefeller agents of influence is the so-called "American Faction" in and around the Soviet Central Committee, involving Georgii Arbatov and Kosygin's daughter and son-in-law. The Vienna-based "systems-analysis" institute, the International Institute for Applied Systems Analysis, with which Kosygin's son-in-law is directly associated, is part of the major covert operations deployed into Eastern Europe as a whole.

The U.S. end of this Soviet penetration network is David Rockefeller personally. Richard Barnet, co-leader of the Rockefeller-backed Institute for Policy Studies, is currently a key U.S.-based executive co-ordinator of that network. Barnet is also the center of a publisher's dysentery of fraudulent studies attacking industrial

interests in the USA and West Germany (most notably), on behalf of the Rockefellers.

In the aftermath of the breakdown of the Cyrus Vance "Mission to Moscow," the credibility of the so-called "American Faction" of the Soviet leadership plummeted. In this setting, the strategic analysis developed by the U.S. Labor Party was highly regarded among a significant number of the "American Faction's" Soviet and Eastern European critics. Key Soviet and Eastern European circles noted that the November 1, 1976 nationwide half-hour address of U.S. Labor Party Presidential candidate Lyndon H. LaRouche, Jr. had been proven correct, and the majority line of the "American Faction"-influenced forces around Brezhnev had been totally discredited.

As a result of this turn in the situation, Rockefeller forces in New York City launched a fresh, all-out counteroffensive against U.S. Labor Party credibility in top Soviet circles, including a massive deployment by Richard Barnet (presently on such a mission in Italy), transmitting "marching orders" and pressures both directly to Rockefeller agents of influence in Moscow and through conduits in various Communist parties in Western Europe and elsewhere.

At present, the paradoxical situation exists in Moscow, that the Warsaw Pact is on an imminent war-alert footing, but that the shattered residue of the discredited "American Faction" line is being maintained through official attacks against the U.S. Labor Party.

This situation has many important complications. The Rockefeller-linked forces conducting this campaign against the U.S. Labor Party's intellectual influence are the same forces directly involved in the current wave of international terrorism. This terrorist wave is directed by closely cooperating forces, including Interpol and the so-called "right"-fascist "Black International," Israeli intelligence, the Marcus Raskin-Barnet-headed international neo-Fabian networks of Maoists, Trotskyists and "left"-fascists generally, plus a Rockefeller-headed consortium of complicit financial institutions and "multinationals." One of the targets of this Rockefeller-network wave of international terrorism is the government of Italy, which is fighting back with massive arrests and related actions against neo-Fabian and other terrorist forces, and with direct public exposure of the Rockefeller terrorist network generally.

It is for this reason that Richard Barnet is currently in Italy, publicly spearheading a pro-terrorist campaign in cooperation with the Rome U.S. Embassy, and simultaneously launching a major public attack on the U.S. Labor Party in Italy.

The gist of the matter is this. If those Soviet forces endorsing the U.S. Labor Party strategic analysis prevail in time, the Soviet leadership will move to establish a new treaty relationship with the USA, NATO, Japan and other countries. This new Soviet policy will be based on the stated principle that the nations of the world have a common fundamental interest in global technological progress, in rapid expansion of industrial and agricultural production, and in cooperation for rapid development of fission and fusion technologies in particular.

Such a Soviet posture would provide the positive basis for political security and economic-cooperation agreements through which the adversary relationship between the USA-NATO and Warsaw Pact nations could be rapidly defused and ultimately ended.

If such a shift in Soviet outlook were introduced to such locations as the forthcoming Belgrade conference, it would provide trade-union, industrialist and farmer forces in the USA and other OECD nations with the kinds of options they require to check the brinkmanship of the Rockefeller-led forces. The Rockefeller forces are painfully aware of this.

The key problem for the Soviet leadership is that they have never understood the United States, and have no competent knowledge of the American Revolution and its deep-rooted traditional influences among the majority of trade-unionists, industrialists and technology-oriented

farmers. For this reason, the present, wide-spread circulation of U.S. Labor Party analysis of The American Revolution and its continuing impact on internal life within the present-day U.S. is an eye-opener to all top-level Soviet and Eastern European circles seeking to discover a political way out of the war-danger.

For this reason, Richard Barnet and his associates have launched a major propaganda campaign against George Washington, Benjamin Franklin, Alexander Hamilton, and the pre-Lincoln American Whigs, feeding this Rockefeller line into top Soviet circles through the agents of influence of the "American Faction." Since Whig economist Henry Carey, the major influence on Abraham Lincoln's economic thought, was criticised by Karl Marx — partially rightly, but in the main wrongly, because of Marx's own ignorance of the American Revolution and early 19th century USA— Barnet and his friends have chosen a public attack on Henry Carey, the leading U.S. anti-slavery economist, as the present leading feature of their efforts to prove that U.S. industrialists have "always been reactionary."

The grave practical danger in this situation is that unless the Soviet leadership makes an immediate and effective proposal to the pro-industrialist interests of the advanced-capitalist countries, there are very few remaining efficient options for the rest of us to stop the presently accelerating count-down toward intercontinental thermonuclear war.

Non-Proliferation—Inducing The Soviets To Oppose Energy Development

Scarcely two months ago, *Newsweek* fabricated a report that the Soviet Union was prepared to back Jimmy Carter's curbs on nuclear technology exports, then freshly announced, and would do so at the April 28 meeting of the London Club of nuclear exporters. Items in the Soviet press, notably condemnations of West Germany's nuclear technology sales to Brazil, were adduced by Administration experts and advisors to support the prediction.

Nothing of the sort took place. At the International Atomic Energy Agency (IAEA) conference on the spread of nuclear energy, held this month in Salzburg, Austria, the Soviet delegation reportedly cheered U.S. delegates who firmly *opposed* Carter's intention to ban plutonium and the development of plutonium-generating fast breeder reactors. In the wake of Western summit talks in London, where the Europeans said "no thank you" to Carter's plans, Britain's energy minister Wedgewood Benn flew to Moscow to discuss exchanges of off-shore oil know-how for advice on thermonuclear fusion development from the USSR. The Soviet ambassador in Bonn raised the prospect of reviving the stalled Soviet-West German Kaliningrad nuclear power station deal. And Japanese Prime Minister Fukuda hinted at Soviet inclusion in the nuclear matters "study group" Europe agreed to form as a sop to Carter.

1977 is not the first year in which politicians and specialists representing Rockefeller financial interests have proclaimed that they and the Soviet Union have a common interest in curbing dissemination of nuclear technology. Rockefeller-linked journalists in the mid-1960s, a Johns Hopkins survey in 1970, and the U.S. Nations Association earlier this decade pointed to this supposed convergence. In papers prepared for a 1971 conference of the respective U.S. and USSR U.N. associations, a U.S. team, of which present State Department Soviet desk head Marshal Shulman was a member, concluded that Moscow was more opposed to nuclear technology and fuel transfer than the U.S., in cases where non-signatories of the Non-Proliferation Treaty were on the receiving end.

In reality, there is not, nor could there be, a common interest against nuclear energy development between the Soviet leaders, whose primary concern is growth of the Soviet economy through technological advance, and the Rockefellers, bent on deindustrialization. Any appearances to that effect are a result of Zbigniew Brzezinski's "convergence theory" in action: the convergence is between the Rockefellers' policies and the Soviets' manipulated fears. In the major case of nuclear energy, the Rockefeller interests have played on the Soviet leadership's horror of some U.S. client state let-

ting loose (or "breaking away," as some scenarios for Israeli action in the Middle East have the script) with a nuclear weapons capability.

The proliferation of nuclear weapons is an inaccurate catch-phrase, invented largely for the purpose of making Soviet policy bend to the Rockefellers' urgent need to prevent other Western powers, not to mention the third World, from getting their own nuclear power facilities or weapons not under control of Rockefeller agencies. Like the notorious "momentum of the arms race," it suggests an inexorable danger which nations should rise to combat. The fact that the danger of war always stems from the assertion by ruling institutions of an economic and political course intolerable to someone else, tends to be shunted to the side in "non-proliferation" debates.

Like the "military-industrial complex," non-proliferation has continuously been urged on Moscow by Rockefeller agents working under left cover in and outside the Soviet Union.

The Pugwash Movement and the "Ban the Bomb" movement of Bertrand Russell did most to launch non-proliferation into international debate, beginning in the recession year of 1957. Nothing so blatant as the Baruch Plan of a decade earlier, which would have perpetuated the U.S. monopoly on nuclear technology, was possible. Britain's nuclear strike force and nuclear power industry were a fact — and a target for the Wall Street-backed efforts of Russell. There were long-term gains to be had vis-à-vis the Soviet Union: establish the Fabians as *somebody for the Soviets to ally with* in the West, *other than* the conservative politicians and industrial interests of Europe who continually represented a potential threat to Wall Street. Time and again from the 1950s down to today, proliferation of nuclear weapons, to West Germany in particular, has been waved around to dampen Soviet enthusiasm for these forces.

Soviet Nuclear Energy Policy in the 1950s

President Eisenhower's December 1953 proposal to the United Nations for an international facility for nuclear energy — what later became known as the "Atoms for Peace" policy — was viewed as ambiguous by the Soviet Union. The Soviets sniffed an intent to reinstate the Baruch Plan by taking a "privileged position" for the U.S. in the new institution, and in this way they had caught wind of what the Rockefellers indeed wanted. But the Soviets also took the official position that there could be a legitimate pro-development concern involved for the U.S. as well.

Nikita Khrushchev, then at the head of factions supporting heavy industry against Georgii Malenkov's intended radical shift of the Soviet economy in favor of the consumer sector, had high hopes for the atomic power in the Soviet Union. In June 1954 the first peaceful-use atomic power station in the world went into operation in the USSR. The journal *Atomnaya Energiya* began to be published, featuring positive coverage of research at Oak Ridge, Tennessee on the peaceful applications of nuclear energy. Khrushchev began to include international cooperation for nuclear power development in the Soviet disarmament packages of the day.

Although remaining wary, the Soviets communicated

with the U.S. on establishing the international facility Eisenhower had mentioned. The correspondence on this during 1954 initiated negotiations which led to the founding of the IAEA at the end of 1956.

Moscow was increasingly skeptical as 1955 began with the Western summit decision in Paris to rearm West Germany and the 1955-56 U.S. budget, dubbed "the atomic budget" after its weapons section. They suspected that the U.S. was out either to control the new agency or to render it a token effort, while the bulk of nuclear investment would be for arms. But peaceful use was put on the agenda for the July summit in Geneva, the first such meeting of the Big Four since the Potsdam conference. In January, the USSR decreed a policy of sharing its nuclear expertise for peaceful use and announced that nuclear technology and fissionable material would be supplied to several countries in the Soviet bloc.

At the Geneva summit, Khrushchev's elaborate proposals for general and complete disarmament were foiled when the U.S. delegation walked in with the "open skies" proposal to permit overflights of U.S. and Soviet territory for verification of disarmament agreements to be negotiated. The Soviets, inevitably, said no and the "open skies" idea was fixed in the role it played for the next seven years: the spoiler in any arms limitation negotiations.

Discussions on peaceful use, however, went ahead. The world's first international conference on the peaceful use of atomic energy was scheduled for Geneva approximately one month after the summit, but not before Moscow had succeeded in hosting a dramatic event: a special session of the Soviet Academy of Sciences devoted to the peaceful use of nuclear energy. Scientists from the bloc countries, including China at that time, as well as India, Yugoslavia, Japan, Finland, Sweden, Egypt and Israel attended. They were given a tour of the Soviet atomic power plant, and Academy president Nesmeyanov delivered a speech citing the great Soviet Russian biologist Vernadskii on the potential of nuclear power to transform human practice. Nesmeyanov raised the "elusive and inspiring goal" of controlled thermonuclear fusion power. At the Geneva conference held August 8-20, 1955, the Soviet Union dominated as its delegates presented over 100 scientific papers on nuclear energy. Here, over two years before Sputnik, the shock of speedy Soviet scientific advance made itself felt. "They have caught up," cried more than one newspaper in the West.

Following the Geneva conference on energy, the Soviets kept up a high profile campaign for international cooperation on atomic energy research and development. Soviet scientists became important diplomats: it was as part of a Khrushchev-led government delegation to Britain under the tense circumstances of the Suez crisis' early stages, that the physicist I. Kurchatov travelled to England and delivered his famous speech at Harwell. Kurchatov revealed the Soviet fusion energy research program to a shocked scientific world — the U.S. had no research on fusion so advanced.

Also in early 1956, further negotiations to establish the IAEA took place in Washington. The Soviets charged that the U.S. was seeking a weak IAEA that would not challenge the U.S. prerogative for its own bilateral deals

outside of IAEA controls — in other words continued domination of nuclear fuel supplies. Observing publicly that Britain shared the Soviet stand for an IAEA tied more closely to the U.N. — which reflected the interests of the British effort to build its nuclear program out of U.S. control — Moscow put forward a bold plan to the U.N. Economic Commission on Europe (ECE) for a European agency for peaceful use of the atom. It would be European in the sense of both sides of the “iron curtain” and only one side of the Atlantic!

Pan-Europeanism Foiled

This bold plan never got off paper. It was foiled by the formation of Euratom, the continental Western European facility linked to the European Economic Community (EEC) and aimed to make European nuclear energy dependent on U.S. reactor technology and fuel, to shut Great Britain (not then an EEC member) out of European nuclear programs, and certainly to preclude the glimmer of a move on the Soviets’ pan-European schemes. The question of Euratom’s privileges also became a stumbling block to formulating IAEA procedures.

The major Rockefeller policy initiatives launched in 1957 were aimed against the USSR and the troublesome Europeans — especially the British Conservatives, in the case of Russell’s Ban The Bomb movement. In their effect on Moscow, the prongs of the Rockefeller offensive worked in complement: the vociferous Fabians provided false “allies” for the Soviets’ disarmament and cooperation proposals, while the rapid consolidation of the EEC, NATO and Euratom under visible U.S. command got the Soviet guard up against the European conservatives. The release of the Rockefellers’ Mid-Century report, with Henry Kissinger’s section on “local wars” and “tactical nuclear warfare,” prompted immediate Soviet charges it was a Rockefeller brinkmanship policy. A spin-off effect of the “limited nuclear war” doctrine was to prepare the ground for “non-proliferation” in Soviet thinking: if Rockefeller policy was for smaller countries to begin wars, how much the more dangerous for smaller countries to have nuclear potential.

Bertrand Russell began a celebrated letter-writing campaign to Khrushchev in which Russell pushed the idea that science had made, “unrestricted national sovereignty” (which the Soviets were insisting the IAEA help *protect*) incompatible with human survival. Russell wired to a Moscow symposium on “Scientific Progress and International Relations” that the world had only two options: “one World Government or death” — again, a clever parody of the Soviets’ policy of making the IAEA, unlike Euratom, an effective international agency not controlled by the U.S. In early 1958, the gullible Khrush-

chev treated the world to the spectacle of the leader of the Soviet Union publishing open letters to organizations like the Fabian “Twickenham Council for the Abolition of Nuclear Weapons,” in which fact (U.S. Kissingerite policy was a danger to the population of Europe) and fiction (the U.S. had *imposed* nuclear weapons on Britain) were dreadfully muddled.

In 1957, Russell’s Pugwash Conferences began, targeting nuclear scientists from the East and the West for recruitment to the Ban The Bomb movement. Their Fabian organizers aimed to create feelings of guilt in nuclear scientists, in particular, for having invented the bomb. The scientists were invited to collaborate “above politics” — for the Rockefellers’ political aims. The Soviet dissident physicist Andrei Sakharov is one of such Rockefeller successes.

The NPT

Non-proliferation established as an international issue, the 1960s saw years of negotiation towards an international treaty, the Non-Proliferation Treaty (NPT). It was signed in 1968 and entered into force two years later, which established the IAEA as universal enforcer of “safeguards” on the nuclear program of nations without the bomb, if they signed the treaty. Throughout the process of negotiation, the issue of technology transfer and guaranteed nuclear fuel access for peaceful use was a constant concern of the Third World nations, and the Europeans, who feared landing in the position of blackmail victims in a reborn Baruch Plan some day. The USSR backed their aspirations for peaceful use, but never again put forward so comprehensive an international nuclear cooperation package as it had in 1955 and 1956. The Rockefellers had created an environment in which the Soviets could not conceive of one that would work.

In essentials, that is how Moscow stands today on nuclear power development. The Soviet Union and the socialist bloc economies are fully committed to developing fission power, including fast breeder technology. Their fusion effort is a matter of record. They are eager for technological collaboration, as with Italy on the breeder program, and happy to sell enriched uranium and plutonium to signatories of the NPT — doubly happy if the customer was turned away by Jimmy Carter. The USSR will not go along with Carter’s efforts to shut down nuclear power development. Whether it will move effectively against them, by a political and economic alliance on energy program with Carter’s U.S. and European foes, is a factional matter not yet resolved. How it breaks depends largely on the Soviets’ perception of the strength of those foes.

— Rachel Berthoff

West German Strategists Announce 'Total Failure Of American Security Policy'

The following are excerpts from an article in the Wehrkunde Gesellschaft, publication of a leading West German think tank. The article by Hans Rühle, is entitled "On the Political Strategic Debate in the USA" and concludes that the U.S. military strategic posture is dangerously incompetent.

Always and in every case, the days of a government changeover are periods of insecurity. Rarely, however, in the recent history of the western world, has a government changeover been accompanied by so many question marks as to personnel and conceptual matters as has been the transition from Ford to Carter. Nobody appeared to know in what direction this political voyage was supposed to go — outside of Jimmy Carter himself. And even more: all the unfermented and apolitical statements which came out of the mouth of a promising presidential candidate over the Atlantic stole speeches away from so many otherwise verbose contemporaries.

Once the election had passed, Europe, flabbergasted, had to concede once more that the USA remains the country of unlimited possibilities, in which a nobody without the aid of convincing personal qualifications, without a pressing or even partially concluded political program, and against the opposition of a major portion of his own party leadership, could become President.

The new government has been in office for a few months. To be sure, not that much has changed. Certainly, Carter, his cabinet and his 'kitchen cabinet' have formulated clear positions in a few political areas. However, intimate observers of the American scene still find it impossible to identify a concept behind the statements and measures issued thus far — which would allow American policy to assume a relatively consistent and predictable path. This insecurity necessarily effects security policy especially strongly. Not only because the national fate of numerous allies depends on American security policy, but also because even relative security in the present system of mutual deterrence can only be achieved if American policy is predictable to a greater degree — in the sense of rational calculability.

And thus we come to the theme: the political-strategic debate in the USA. For this could and can — in its unusual and outbroken hecticness — be explained through the initial incompetence of candidate Carter, and the present practical eclecticism on national security policy of the President. Yet, this appeared and still appears to signal that the phase of conceptualization of the new American security policy has not yet been concluded — and thus that further influence can be exercised on its formulation.

The presently discussed themes are not all new, nor were they before. For years, a few of them were regular

items in the tables of contents of nearly all leading journals. ...Now, however, since the problem was to program a President unprepared on security policy, and to put him forward for the upcoming SALT talks, every hesitation was given up...Nuances no longer played a role. The issue was addressed directly. The single and only question was: 'Who leads?', the USA or the Soviet Union...This unfruitful debate should not be emphasized and analysed. Rather, the major points of this debate will be isolated and given historical grounding. At the conclusion, an attempt should be undertaken to come to a general evaluation on a higher level of political abstraction.

'Civil Defense: the New Debate

Since the early 1960s, when the USA established the concept of 'mutually assured destruction' for the prevention of a nuclear war, civil defense played practically no role any longer...Of course, in 1967 McNamara undertook active protection of the American civilian population for protection against China's 'primitive nuclear weapons,' through the construction of an anti-missile system; however, by 1969, Nixon gave this concept up again...

As a result of statements by the former American defense secretary Schlesinger, whereby a Soviet counterforce attack against all American land-based intercontinental rockets would possibly kill 'only' 800,000 people, new speculations were provoked starting in 1974 based on calculations and counter-calculations as to the number of victims which would result from a Soviet missile attack. However, this new debate would have petered out without much interest and without practical consequences after a time had new information on the state of passive Soviet civil defense not been made known. In an interview with the *New York Times*, the retiring chief of U.S. Air Force Intelligence General Keegan pointed out that (the Soviet Union has a massive civil defense program...ed.)...

Upon inquiry by the Congress, the Joint Chiefs of Staff then rejected several of the overall statements by Keegan as incorrect; however, they were unable to refute the data on the cited concrete civil defense measures. The less so, as Keegan did not remain without support. T.K. Jones, a former member of the American SALT delegation, and presently with Boeing, went so far as to claim that 98 percent of the Soviet population could survive a nuclear war. (Source: *Science Magazine*, vol. 194, 1976). General Keegan has had the last word in this debate for the time being. A few weeks ago, he issued an imploring appeal to a group of journalists. Repeating again his data on Soviet civil defense, he called upon them to openly contradict him. Keegan on his concern

and on the reason for his decision to go to the public with his information: "The time has come to warn our population and its leaders." That this is so, becomes clear from the official yearly report of the American Defense Department for the financial year 197(6?), in which it states: "During the last six months, the actual extent of Soviet civil defense has become known to us..." Apparently, for many years we had underestimated the problem of active, but even more, of passive Soviet civil defense. ...

(Dr. Rühle then quotes from a CIA report cited in the 1976 yearly report of former Secretary of Defense Donald Rumsfeld. The CIA statement asserts that the Soviets are striving for a 'war-winning capability,' based on emphasizing their counterforce capacities. Importantly, the CIA estimation also asserts that: 'The Soviet Union has never accepted the strategy of 'mutually assured destruction' as a desirable and lasting basis for stable strategic-nuclear super-power relations.' — ed.)

The Threat Analysts in Open Contradiction

For months, America's secret services went for banner headlines. Scarcely a day passed by on which a member, sympathizer or opponent of these otherwise so silent networks did not issue a public statement. The issue was the extent of the Soviet threat.

The leaders in the debate were and still are, as noted, the secret services. This is unprecedented in recent American history....Until the end of the 1950s, there were, just as among the secret services of all countries, occasional rivalries of numerous origins. The Threat Analyses, however, were generally undisputed. This changed at the beginning of the 1960s, when during the Kennedy Administration some of the so-called 'Whiz Kids', that younger generation of intellectuals — to which moreover the newly appointed American Secretary of Defense Brown belonged — were flooded into the CIA.

The old battle horses of the military secret services not only established a natural distance to those self-confident egg-heads, stomping around with their systems analyses and use-cost-risk evaluations, but soon enough there were opportunities for controversial, objective discussion. The most important accusation by the DIA (Defense Intelligence Agency), the central military secret service, as well as the secret services of the three armed forces was that the CIA (Central Intelligence Agency) underestimated that extent of Soviet arming in general, and the tempo of Soviet arms development in particular. Of course, the CIA rejected these accusation in a year to year analysis on the occasion of the 'National Intelligence Estimate' (NIE). Today, however, we know that the accusations were justified. (Dr. Rühle then lists a number of chief studies and books released on this subject since 1974, featuring Albert Wohlstetter's work. The account traces numerous CIA misestimates of both the numbers and technological expertise of Soviet weapons — ed.)

The Future of American Security Policy

Whatever current one follows in the present American strategic debate, each leads unavoidably to the core of American security policy. And there, where for a long time the apologists of 'Mutually Assured Destruction' strategically 'order' the international system from their standpoint without consideration of the theory and praxis of Soviet military policy, one becomes increasingly uneasy. Justifiably. It is presently one of the unholy inheritances of the McNamara period that the American administration certainly believes in an overall expansive Soviet foreign policy whose conceptual and material translation into the military dimension they continually deny.

Thus, it is argued that since in the nuclear age war between the superpowers can no longer be a means of politics, any single effort for military superiority is superfluous. Only a system of stable deterrence, it is argued, makes any sense, and furthermore only on the foundation of mutually guaranteed second strike capacity. To be sure, the Soviet Union has never positively welcomed this conception, but nevertheless the planners in the Pentagon presumed that Soviet military strategy was identical with the American. Not because the Soviets wanted it so, but because according to the viewpoint of accredited American military strategy no alternative existed for a 'rationally' thinking and acting Soviet Union. There was never any questioning in Washington as to whether a politically dynamic Soviet Union by virtue of its ideological role would accept a static military concept as 'rational.'

Thus, it was resisted in the U.S.A. as entirely conforming with the system that the Soviet Union was working its way up from its inferior status to parity with the USA. The rude awakening occurred — and that is where we stand today — when new information in the area of Soviet civil defense as well as on the forced expansion of Soviet strategic nuclear weapons potential could only lead to the conclusion that the Soviet Union is striving for military superiority. Now, it has suddenly been realized in the U.S.A. that for several years, Soviet weapons development had been equated with conceptual explanations which Moscow silently indulged in, but never affirmatively answered...

The fact that the Soviet Union, via its visible striving for military superiority, has obviously not accepted the system of mutual deterrence means no more and no less than the total failure of American security policy. The participants in Washington are still defensively denying this viewpoint. The fight of the secret services ... illustrates this. However the present controversy may end in the short-term, in the mid-term those will be proven correct who simply represent the viewpoint which the Soviet Union has always expressed: that the Soviet Union, which has undertaken a world-wide mission in its spirit, only sees security in its own superiority.

Schmidt NATO Policy: Almost Good Enough

The following statement was released May 15, 1977 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr.:

Although German Federal Republic Chancellor Helmut Schmidt's May 12 London NATO policy is absolutely correct in opposition to Rockefeller-Haig-Giscard policies, it contains one potentially fatal weak flank which Schmidt's opponents will unquestionably attempt to exploit to the fullest advantage.

The most efficient way in which to define the weak flank of the Schmidt NATO policy is to compare his May 12 London statement with the contents of a May 13 Brussels dispatch to the *Frankfurter Allgemeine Zeitung (FAZ)*. The latter dispatch projects an extended discussion of possible "humanization" of the Hague Convention for the NATO Brussels meeting of May 16, 17, and 18.

To understand the overall problem confronted by Chancellor Schmidt, to understand why his policy includes this critical weak flank, one must appreciate the political reasons why Schmidt would consider it unthinkable to withdraw the BRD from the NATO alliance. It is unnecessary for this writer to advise Chancellor Schmidt on that point in itself; the Chancellor is most painfully aware of such facts, and for the moment adopts the view that it is beyond his immediate power to alter that side of the situation. However, it is necessary to emphasize the point — not for Chancellor Schmidt's instruction — but to other forces, inside and outside the BRD, who have the power to aid the Chancellor's government in securing new, suitable strategic options by which the difficulty might be eliminated.

Schmidt's Weak Flank In General

The specific weakness in Schmidt's policy is identical with the absolute folly of the proposed "humanization" agenda proposed for the Brussels NATO discussions of May 16-18. The essence of the matter is as follows. The MBFR (Mutual and Balanced Force Reduction) negotiations are important as well as useful, because they represent the chief diplomatic conduit through which the risk of triggering a general war in the European and Mediterranean theaters can be significantly minimized. If successful, such MBFR agreements between forces led respectively by Chancellor Schmidt and Brezhnev can reduce the ability of the Rockefeller's puppet-Carter Administration and France's Giscard to launch World War III. However, under conditions in which World War III is triggered, none of Chancellor Schmidt's doctrines could conceivably function to eliminate hideous damage to the BRD.

What MBFR can accomplish militarily for the case of World War III is delimited to the following.

There will never occur a theater-limited military confrontation between USA-NATO and Warsaw Pact

forces, either in Europe or any other part of the world. Any war between the USA-NATO and Warsaw Pact forces is a full-scale intercontinental ABC war from the first hour of war-fighting. A "conventional war in central Europe," just as much as a theater-limited nuclear war in any theater of the world is an imbecilic fantasy.

Under conditions of war, there is no possible treaty agreement which can induce the Warsaw Pact command to "respect" certain zones of USA-NATO allied nations as "non-combatant" zones. Once war begins, the sole objective of the Warsaw Pact command is to win thermonuclear intercontinental war as rapidly as possible, with the aid of maximum necessary destruction of first-line and in-depth war-fighting capabilities of every nation allied with the USA-NATO forces. Hence, the proposed agenda for the Brussels NATO meeting of May 16-18 is nothing but an obscene joke on anyone credulous enough to take the matter seriously.

For the conditions of war, in a war in which the BRD — for example — is part of NATO, the only preparation which could reduce the extent of Warsaw Pact targets in the BRD is the reduction of the number of priority Soviet targets in the BRD.

The first, obvious step, is to eliminate every possible USA military force-concentration from the BRD, since every such concentration is a priority target of concentrated Warsaw Pact strategic and tactical ABC measures. (For example, the Frankfurt-Weisbaden-Mainz area, and its populations, are virtually assured of the maximum rate of civilian casualties and related destruction as a by-product of USA forces' deployments. Bremerhaven is a similar case, and so forth.)

The second, also obvious step, is to eliminate every nuclear deployment from the BRD, since every such deployment is a high-priority target for Warsaw Pact saturation of the target and adjoining areas with ABC sanitization.

The third, related and obvious step is to eliminate all elements of forward defense from the internal-BRD NATO military posture, and to limit the internal BRD posture to the traditional NATO-attempted "conventional forces" line of containment on the West Bank of the Rhine. This and related measures minimize the destruction of civilians and economic-recovery potential in the BRD during an actual war between the USA-NATO and Warsaw Pact forces.

In short, BRD military posture is shaped properly by the following strategic realities. The combined USA-NATO forces represent sufficient deterrence, a sufficiently high threshold of deterrence that no *unprovoked* military or related provocation by Warsaw Pact forces is objectively possible. However, for conditions of actual general war, the Warsaw Pact command has presently a small but distinct marginal military war-fighting advantage, and decisive war-winning advantage in depth based upon its civil-defense potential. Therefore, under *any present or intermediate*

future conditions in which David Rockefeller and his allies provoke the Warsaw Pact to general war, the BRD is stuck in the position of a front-line losing position in World War III.

Hence, every sane person inside or outside the BRD must support Chancellor Schmidt on two vital points. *Point One:* wreck to the maximum the Carter Administration's potential for provoking World War III; that is the first-line and only effective defense of the BRD. *Point Two:* in anticipation of the worst case, general war, reduce the number of civilian targets within the BRD, to ensure thus the maximum potential for survival and recovery of the majority of the nation.

It is unnecessary to list here the reasons why the BRD government does not seek the only certain avoidance of the danger: pull-out from NATO, into the neutral policy China will, for example, most probably follow during World War III.

Strategic Imbecility In NATO Circles

Since European NATO countries, especially the BRD, are faced with losing a war if they remain in NATO, and since they are unwilling — for obvious reasons — to pull out of NATO, the natural reaction-formation among military and related circles typified by the *FAZ's* "strategically schizophrenic" Adelbert Weinstein is to attempt to revert to mid-eighteenth century military doctrines of "set-piece wars." That miserable atavism among terrified general officers and others is the essence of the proposed "humanization" agenda for the NATO May 16-18 meeting.

The root of this "humanization" agenda nonsense is the Anglo-American "utopian" military doctrine in general. It flows from the same strategically-incompetent mentalities who first created and credulously swallowed the idiotic "flexible response," "forward defense," and related parodies of mid-eighteenth century military "set-piece war" doctrines. More specifically, one of the best-known efforts to put across the "humanization" agenda with the Soviets was Rockefeller's silly attempt to induce the Soviets to set aside certain zones in both the USA and the Warsaw Pact nations as non-target zones under conditions of war. All such proposals are childish imbecility, which could not possibly be honored under actual conditions of general war.

Let it be emphasized once again: The Soviet military command is operating on the proven basis of the Soviet Clausewitzian strategic doctrine through which it won World War II. Consistent with that doctrine, since the early 1960s, the Soviet command and Warsaw Pact command have not only adopted a thermonuclear war-

winning policy, but have developed Warsaw Pact forces and the order of battle to afford the Warsaw Pact forces a margin of war-winning advantage.

Several points must be emphasized in that connection.

First, the Soviets have a deployable current war-winning advantage and are two to four years ahead of the US-NATO forces in basic physics technology of strategic military relevance. The Warsaw Pact command will, under no circumstances, either negotiate away any portion of that marginal advantage nor will they yield that advantage through theater-limited deployments.

Second, whenever Rockefeller's Carter-puppet Administration and its Vichy-OAS and Israeli allies cross the threshold into general war — as combined Middle East and African operations would do — the Warsaw Pact command will go to general, full-scale intercontinental war in a way and at a time of its own choosing within the framework of choices available to it.

Third, when that war is launched, the first objectives are objectively-determined to be the following: (1) The immediate deployment of all available, relevant strategic ABC throwweight to eliminate the United States as a functioning nation — 160 to 180 million USA civilian casualties in the first hours of war; (2) Total destruction of USA-NATO naval ABC capabilities; (3) Total neutralization of all USA-NATO bases and force concentrations in every part of the world — especially in the European and Mediterranean theaters. Everything which represents a target of initial strike by ABC forces will be immediately and full struck in the opening hour of war, because the realization of a Warsaw Pact military war-winning potentiality absolutely demands that all such targets be "over-destroyed" to more than offset penalties inflicted upon Warsaw Pact forces by the USA-NATO forces.

No doctrines or previous treaty agreements to the contrary will survive the first hour of war.

From that initial opening of general war, onward, the next, follow-up objective will be the total occupation of Western Europe, apart from an England which has virtually ceased to exist as a nation — there will be nothing to cross the channel to conquer. The further destruction effected by the Warsaw Pact forces will be determined by the resistance met.

The agenda at Brussels this week will therefore be nothing but foolish babbling among those too frightened to face simple strategic realities. The only way to defend Western Europe is to prevent war. Schmidt is pushing in a fruitful direction in a most important way. Others must act to absolutely stop Carter, Giscard and the lunatic Israelis.

IPS Terror Scandal Rocks Italy

Italy has been shaken by a scandal that has exposed the Institute for Policy Studies in Washington, D.C., — the Trilateral Commission's "left wing" terror outfit — as the primary source of international terrorism.

The scandal broke out as Italian Premier Giulio Andreotti, in collaboration with leading factions of the Communist Party (PCI), launched a multi-pronged campaign of press exposés and internal security measures as the most effective way of defusing the extensive destabilization operation against his government by the Rockefeller-controlled Carter Administration.

The exposés in Italy function as an international test case. If Andreotti's tactics succeed in stemming terrorism in Italy, it will act as an example for the checking of terrorism throughout the world. For precisely this reason, U.S. Ambassador Richard Gardner has been deployed full-time to refute the press accusations in an attempt to halt the success of the exposés and internal security measures. Last week immediately following the *Giorni Vie Nuove* articles which appeared in Milan, Gardner, a Trilateral Commission member, went to that city to hold a press conference on "How the CIA does not direct terrorism."

The Italian Case: How To Fight Destabilization

For years now, but particularly after Andreotti came to power nearly a year ago, Italy has been submitted to a systematic, Interpol-Institute for Policy Studies-coordinated wave of "blind terrorism," recently including an attempt against the life of Premier Andreotti himself. Terrorism has been escalating consistently as it has become clear to all that Andreotti and the PCI anti-Atlanticist factions linked to the labor movement and public sector industry are heading for a government alliance based on an explicit anti-monetarist economic-industrial policy.

Andreotti and the PCI have met the destabilization attempts head on. As the Premier said in an interview last week, "the best way to disappoint foreign plots and plotters who hope to destabilize our democracy is by consolidating at all levels the means by which our security can be restored."

A series of articles published over the last few weeks by the magazine *Giorni Vie Nuove* — the official weekly publication of the PCI-controlled national cooperatives — has identified the Institute for Policy Studies and its director Marcus Raskin as the Rockefeller-founded creator and controller of terrorist groups in Italy, as well as in other countries. The *Giorni* articles documented Raskin's role in the training and deployment of terrorist gangs in behalf of the Rockefeller family and allied interests and identified the names of the top Institute controllers operating in Italy, singling out Gianni Agnelli of FIAT as a major Rockefeller-Institute conduit for money to terrorists and hinting that Interior Minister Francesco Cossiga has provided the cover for such

operations.

Giorni listed among its sources for the exposés a report prepared by Italy's Security Services and "leaked" from the Interior Ministry, as well as "traditionalists" in what *Giorni* terms the "Nixon CIA" in the U.S.

The magazine states that the report cites 115 subversive groups, and between 1972 and 1976, "260 attacks against the police barracks and 6000 attacks on the headquarters of the constitutional parties. In 1972, there were 700 dynamite attacks, in 1973, the number rose to 800, in 1974 to over a 1000, in 1975 to almost 1500, and in 1976, finally the attacks reached a level of 2300. For 1977 the experts of the Security Services foresee an increase of 50 percent over the level of 1976."

"The proliferation of clandestine subversive groups is a tragic reality. We speak of at least 30,000 guerrillas who carry out attacks against the State, 24 hours a day..."

Simultaneously, constitutional forces within Andreotti's government have moved to pass from words to actions. Massive round-ups of terrorists have been conducted over the last month in Milan, Padua, Bologna, and other important Italian cities. The arrests have included so-called "intellectuals" charged with being the instigators of the student violence which has swept Italian universities during the recent period. Furthermore, the police has received orders to confiscate in "all national territory" 36 psycho-drugs used to "cure" depression — a major blow to Italian brainwashing doctors who have used drugs as the means to control terrorist formations — while the entire ultra-left faction of the national judicial profession has been brought under investigations for its well-known links to and defense of terrorist groups.

In the latest development of international implications, the Italian forces have pointed at the heart of Interpol's illegal arms traffic networks responsible for conducting weapons to the terrorists. Last week Rome judges had arrested 15 out of 19 members of a gun-running gang working under the cover of an international import-export company with subsidiaries in all European countries, Africa and the Middle East. This investigation, together with others before it, has begun to uncover a more fundamental network of Interpol's Italian and international terrorism, pointing directly at Swiss banks conduits tied to leading New York banks.

The Trilateral Response

The Trilateral Commission has responded to these heavy artillery attacks by identifying the European Labor Party (ELP) as the source of the anti-terrorist press campaign. Former Carter speech writer and the IPS co-director Richard Barnet charged May 16, in a press interview with Italy's *Il Messaggero* that the *Giorni* articles in fact originated from the European and U.S. Labor Parties, therefore forcing Communist Party collaboration with the ELP as the major issue of heated

internal debate within the PCI. Barnet also announced that the Institute was beginning a pressure campaign against Communist leaders to seek a retraction from *Giorni Vie Nuove*.

The Institute's campaign was not late in coming. Immediately after Barnet's interview, the newspaper of Avanguardia Operaia — one of the Institute's most "respectable" terrorist organizations — published an article identifying by name the PCI leaders slated for attack by the Atlanticist wing of the party. Avanguardia Operaia accused PCI President Luigi Longo and Central Committee member Armando Cosutta of cooperating with The European Labor Party's "provocateurs" in an attempt to destroy the "comrades" of the Institute. In turn Barnet also identified as the person who would right the wrongs of *Giorni*, Secretary General Enrico Berlinguer. Simultaneously, Trilateral ambassador to Italy Richard Gardner initiated a tour through the northern industrial belt to pressure PCI leaders to stop work with the ELP. Gardner announced that "if anyone thinks that terrorism might be tied to the CIA and the U.S., then the answer is no... Don't think about the CIA..."

Terrorists Unite In Paris

To complement these activities within Italy and counteract the shock-wave effects that the actions of the Italian pro-development faction are bound to set in

motion in Europe, the Institute for Policy Studies-connected Committee Against German-U.S. Imperialism held a conference May 17, in Paris where the Carter Administration made public its determination to overthrow the progressive governments of Helmut Schmidt in Germany and Andreotti in Italy. Every terrorist outfit in Europe gathered to hear speeches calling for "armed resistance in Western Europe... (and) war in all the metropolises." Leaflets were distributed by the Red Army Faction (RAF) and the Italian ultra-left lawyers group Soccorso Rosso. The RAF claimed credit for the assassination of West Germany's Federal Prosecutor Friedrich Buback and warned of future murders to be carried out against high government officials. The head of Soccorso Rosso in his speech denounced Andreotti and the Italian police as fascists and called for "war against the police." Among the attendees were Jean Paul Sartre's Temps Modernes, and the conference received a telegram of support from none other than MIT's Noam Chomsky, the man who perfected "linguistics" as the means of brainwashing youth into terrorism.

The commitment of the Andreotti and Schmidt governments to development, and against the Carter war and austerity policies, have not yet been shaken by the IPS terrorism. In fact the reputation of the Institute for Policy Studies has rapidly deteriorated and publication of further materials on IPS in Italy or the U.S. would sound the death knell for this synthetic group.

Why Does The Name 'Mr. Fiat' Appear On Many Desks Always Under The Terrorism File?

The following is an article which appeared in the latest issue of Giorni Vie Nuove May 18, the third in a series on Rockefeller control of Italian terrorism. The article was written by Guido De Luca.

"Why does the name 'Mr. Fiat' appear on many desks always under the terrorism file?"

"We are in the eye of the cyclone but we will get out of it; Turin has had some terrible moments in the last 50 years, but it has never capitulated. Just imagine if the Red Brigades succeeded in KO'ing us. Not even the Gestapo succeeded at that, and yet Curcio and his band were going to do this?"

The person who erupted in this manner is a noted police official in the Turin city police force, a "tough guy who has found a second city in the shadow of the local monuments. He is sincerely bitter. He felt sick when they told him that the popular judges of the trial of the Red Brigades "copped out" and did not want to be part of the jury called to judge the Red Brigades. "Everything fits," the police official of Vinzaglio Street went on to comment, "in a plan which was worked out deliberately by those who want to hit a city for what it represents. Here there is Fiat, an industry which gives jobs to a high number of southerners. If international fascism has set its sights on Turin, it means that a spark is supposed to come from this city. But it is clear that this won't happen because we in the police are determined to be vigilant and any subversive attempt will be choked at its inception."

Here is the unfortunate point: Why have the forces of international "coup-ism" chosen Turin itself as guinea pig city after Reggio Calabria, Milan, Rome, Bologna? Why are the "Red Brigades" headquartered in a city that never conceded to fascism?

The Report from CIA Sources

Let us leave aside Edgardo Sogno and his "peace and liberty" movement, financed by British espionage, and talk instead of the Agnelli family. From many sources, and with the help of information provided directly by the CIA, "lawyer" Gianni is confirmed as one of the brains of a certain "respectable" operation, not too clearly defined, so they say.

Also according to CIA sources linked to Richard Nixon, the Fiat "patron", Gianni Agnelli, could serve as many screens for the carrying forth of the Italian discourse on "fascism with a human face." Thus, the Agnelli Foundation was born in 1966, above all to cover up — so says the Nixon CIA — the failed Sogno coup, willed and financed by Wall Street. According to these same sources, the Agnelli Foundation was sired by the Rockefeller Foundation, the Ford Foundation, the Atlantic Institute, the

Rand Corporation, the Institute for Strategic Studies, the Massachusetts Institute of Technology, Research and Engineering, the Institute for Policy Studies, Telos Magazine, founded in 1969 by a guerrilla expert in the Rockefeller's service, as a press organ to exalt terrorism in Europe, the Catholic University, founded in 1919 by Father Gemelli, with the assignment of brainwashing against the working class, the sociology faculty of Trento University (where the Red Brigades were born), founded in 1962 by Aldo Moro, then slipped from his control after so-called 'psychological' writers created monsters like Curcio, Semeria and others. Now, and this seems clear, that in and around New York they are trying to demonstrate that Italian terrorism is supplied by the Agnelli family. In the U.S., Agnelli is openly spoken of as the 'head of the snake,' who manipulates the Red Brigades, particularly in the strategy of tension in his native Turin.

The "lawyer" is said to be the major silent partner in newspapers like the "Quotidiano dei lavoratori" and "Lotta Continua", as a supporter of exclusively left-oriented subversive groups. "But why would Agnelli," at this point one might ask, "be boss of the tension? And what could he or would he derive?"

Above all, they reply in America and also in well-informed Italian political circles, (he would get) a form of government presided over by someone like Edgardo Sogno. A President of the Republic who would take orders only from him, Agnelli, lawyer Gianni. In the second place a State that is made to measure by the Fiat machinery. It is not chance that in many Italian police departments, and on the desk of the Carabinieri Generals, the name of Gianni Agnelli recurs with a certain facility. Not that precautions must be taken against him, according to some sectors of the Security Services, but he must be under surveillance.

Too Easy to Say... Agnelli

Naturally, it is easy to say the name of Gianni Agnelli and to connect him to the strategy of tension in many ways. But the fact that this name is "taboo" echoes in the police and Carabinieri barracks, and then actually it is always in relation to the "tension."

It is clear that honest informers must spell this out clearly if we are to root out subversion, even the untouchable names that especially in Turin have an enormous weight. There must be no delay, and the Agnelli family can, if they desire, explain why the name of some member of the family recurs with preoccupying frequency on the desks, under the heading terrorism, of the Security Services officials. Together with that of Renato Curcio.

IPS' Barnet Defends Himself

Il Messaggero, Monday, May 16

"He's a CIA agent, the CIA Says So"

by Guido Moltedo

'Marcus Raskin created the Red Brigades, the NAP and almost every other subversive group which has taken part in the criminal activities which have occurred in Italy from 1969 till today.' This and similar affirmations are contained in a recent article on terrorism in a Milanese weekly. Richard Barnet, who with Marcus Raskin co-directs the Institute for Policy Studies, headquartered in Washington, D.C., was also accused in the article. Therefore, we have asked Mr. Barnet to comment on these clamorous revelations. Barnet, one of the most noted international experts in the field of multinational companies, is in Italy presently for a series of seminars and conferences.

'Strangely,' Barnet says, 'the statements on Marcus Raskin and the Institute for Policy Studies which are contained in the article are identical to those contained in an article by a periodical of the U.S. Labor Committee (sic) a political organization of highly ambiguous funding and a massive budget. They assert they are of the left, but in reality they act otherwise by attacking and defaming leftist and democratic organizations as well as intellectuals like Noam Chomsky. In fact, they never attack rightwing organizations or individuals. In Italy there is a group linked to the U.S. Labor Committee and it is the European Labor Party.'

'Mr. Barnet, the article asserts that your organization is financed by the Rockefeller family, and that it organizes, controls and maintains subversive groups of the right as well as the left for some ten years...'

'Our institute is financed by its members and by small private cultural foundations. It was founded in 1963 and since then our studies and research were never appreciated by the government, by the CIA or the FBI. We criticized the foreign policy of Kennedy; we were strenuous opponents to the Vietnam War. We are on the famous "Enemies of Nixon" list. Besides we have always sought to tighten relations with the democratic forces and organizations of other nations. Above all, this last aspect of our activities, with its ongoing work of counter-information on foreign and economic policy is quite a nuisance to the CIA. The slanders to which we are subjected come from there.'

The CIA, according to Barnet, is served by ambiguous groups like the U.S. Labor Committee ('This group is financed by the Rockefeller family for sure') to discredit organizations like ours both domestically and abroad.'

Richard Barnet could not fathom why an Italian weekly, particularly one which is very close to the Italian Communist Party, evidently published statements so grave without checking the sources. 'It must be treated as a journalistic error. The fact is that another very widely circulated weekly has also published the statements. I am sure that there will be denials. In the U.S. the leaders of the Institute and many famous intellectuals are organizing a campaign against such defamations. This campaign will consist of sending telegrams to the PCI secretary to recommend he pressure the responsible persons for denials. During these days, Barnet has met authoritative exponents of the PCI and the PSI all of whom were shocked by the publication and have guaranteed their interest in this event.'

Terror Scandal Spreads In Italian Press

Avanti, May 13: statement authored by Socialist Party (PSI) leaders Balzamo and Mancini attacking "left fascism:" "It must be said that the party cannot become the mouthpiece of a "left" anticommunism which is replacing the rotten, traditional anticommunism."

Il Giorno, May 14: Communist Party of Italy (PCI) Central Committee document condemning the Radical Party's illegal demonstrations, calling the participants "provocateurs and devastators who wish to destroy the democratic parties, institutions and the Republic... we give them no cover, we do not minimize them. We must realize an immediate alliance between the democratic parties, trade unions, the population and the police..."

Il Popolo, May 14, attacks Radical Party leader Marco Pannella for his role as chief organizer of the demonstrations that resulted in violent clashes between the police and demonstrators, along with Pannella supporters grouped around PSI leader Radice Lombardi, Cicchitto Querci, and UIL head Benvenuto. *Il Popolo* stated that Pannella is "...morally responsible for the death of a bystander... the same must be said for the PSI members Cicchitto, Querci and Benvenuto...for if they continue to exalt the struggle against the State, they will be accomplices to the terrorists."

Il Giorno, May 17, covers a press conference given by the Vice-President of the Italian Chamber of Commerce, Di Giulio at Montecitorio. DiGiulio stated, "The police know the names and addresses of the terrorists and their leaders and can arrest them; the citizens will support the police. (Interior Minister) Cossiga will have an easy task if he will strike...the offices of the terrorists must be searched; the judges will give a thousand search warrants if necessary..."

Carter Government Harbors International Terrorism

The Italian press' recent exposé of how Marcus Raskin and his Washington D.C.-based Institute for Policy Studies (IPS) control international terrorism has been met with a scandalous silence by the Carter Administration. While the necessary information to open a fullscale investigation into the IPS terrorism ring has been in the hands of the relevant State Department and White House officials for several weeks, no investigatory action has been initiated by those quarters.

Since the Justice Department and other relevant law enforcement agencies — all of whom have been appraised of the facts — do not appear to be taking action, it is incumbent on Congress to undertake the investigation of IPS.

A close inspection of the Carter Administration reveals that members of IPS and associated organizations are harbored in important policymaking positions throughout the Executive Branch of the government. Due to this situation, all serious investigations into this international terrorist coordinating center must include the accomplices in the Carter government.

Any competent investigation must include the following list of leading IPS-related terrorist planners and controllers currently in the government.

National Security Council

Robert Pastor, National Security Council Staff member: Pastor is a member of the IPS-run Latin American Round Table, a policy board composed of IPS, David Rockefeller's Council on Foreign Relations and similar individuals involved in preparing counterinsurgent operations against Latin American governments. He also was staff director of the Linowitz Commission on Latin America which formulated the Carter policy of Latin American debt collection supplemented by provocations against Cuba, headed by Trilateral Commission member Sol Linowitz, now Ambassador at large to Latin America.

David Aaron, Deputy Assistant to the President for National Security Affairs: Aaron was formerly an influential behind-the-scenes Fabian operative in Washington, D.C. in his capacity as aide to Senator Walter Mondale. Recently he has been identified as a longstanding collaborator of IPS "New Left" networks.

United Nations

Brady Tyson, Latin American Advisor to Ambassador Young: Tyson is a longtime Ford Foundation counterinsurgent who the Brazilian government identified as such and threw out in 1966. Tyson then helped to found the North American Congress on Latin America (NACLA), the first IPS project directed toward international penetration and espionage operations, which still functions as a profiling adjunct to the Latin American Round Table.

Don McHenry, Special Assistant to Ambassador Young:

McHenry previously served as a member of the Carnegie Endowment for International Peace; a leading counterinsurgency funding and planning organization headed by Trilateral Commission member Thomas Hughes.

Allard Lowenstein, Assistant to Ambassador Young: After serving as a CIA operative in Africa during the 1950's, Lowenstein was a leading organizer of the Mississippi Freedom Democratic Party and co-founder of SDS, the "roots" of the IPS-directed anti-war-terrorist operations in the U.S. Lowenstein lent his support to the 1968 Eugene McCarthy presidential campaign which split the existing Democratic machine making way for a total corporatist reorganization and Jimmy Carter.

State Department

Anthony Lake, Director of the State Department Policy Planning staff: Lake, one of the top IPS-Transnational Institute operatives, is a founding member and director of the International Volunteer Service, the Africa-oriented branch of the Transnational Institute involved in profiling, destabilizations and terrorism. IVS functioned as an integral intelligence gathering feature of Operation Phoenix in Vietnam. Lake has served the National Security Council as an aide under Henry Kissinger, and as a member of Nelson Rockefeller's Commission on Critical Choices.

Brian Jenkins, paid consultant to the State Department Cabinet Committee for Combatting Terrorism: Jenkins is a Rand Corporation scenario writer for terrorism. One of the first think-tank planners to retail the idea of a "nuclear Pearl Harbor" terrorist action, Jenkins' career began with a project of infiltration and profiling for destabilizations of left-wing radical groups in Latin America.

William Maynes, Assistant Secretary of State in Charge of United Nations Affairs: Maynes, the main coordinating link between the State Department and U.N. Ambassador Andrew Young, was recruited to State from the Carnegie Endowment for International Peace.

Leslie Gelb, State Department Director of Political and Military Affairs: Gelb, a former Brookings Institution member and member of the Council on Foreign Relations, is best known for his position as editor of the *New York Times*. In this capacity Gelb played a crucial role, in coordination with IPS, in bringing the Vietnam War home, including the creation of the Pentagon Papers "scandal" by *New York Times*' publication of the papers.

Justice Department

Patricia Wald, Assistant Attorney General for Legislative Affairs: Wald is a former partner of the law firm Arnold, Porter and Fortas, which founded IPS. As a trustee of the Ford Foundation, she both founded the

Drug Abuse Council and authored "Dealing with Drug Abuse" advocating government-controlled drug proliferation. She is presently a member of the IPS legal adjunct, the Center for Law and Social Policy, which combines the legal and intelligence talent of the top Wall Street law firms backing IPS and various environmentalist operations.

Barbara Babcock, Assistant Attorney General in charge of the Justice Department Civil Division: Babcock is a former associate of the Anthony Amsterdam National Lawyers Guild grouping at Stanford University that was developed to support left political cover terrorist countergangs. A specialist in "woman rights," she then became a member of the terrorist troubleshooting law firm of Williams, Connolly, and Califano which has represented IPS extensively, most recently in events surrounding the assassination of Transnational Institute leader Orland Letelier. This law firm has also provided legal defense for the Croatian nationalist terrorists who hijacked a plane from New York last September and planted a bomb in Grand Central Station which killed a policeman, and defense of FBI agents indicted for illegal activities.

Wade McCree, Justice Department Solicitor General: McCree was appointed to the Federal bench in Detroit in 1961 by President Kennedy. From this position he was responsible for managing the provocative busing decisions leading up to the 1970 Pontiac bus bombing and riots. He was then appointed to the Sixth Circuit Court where he wrote similar busing decisions for Louisville, Ky. which resulted in widespread violence. More recently, McCree ruled in favor of the useless two-inch snail darter fish stopping construction of the massive Tellico Dam project, which was 80 percent completed.

Drew Days III, Assistant Attorney General in charge of the Civil Rights Division: Days is a former attorney with the heavily Ford Foundation funded NAACP Legal Defense Fund in New York, where he participated in several projects for the Rockefeller Foundation. NAACP LDF was the conduit of \$50,000 to the Socialist Workers Party and other IPS-allied countergangs for the aborted racial provocations in Boston in May 1975.

White House Staff

Hamilton Jordan, Special Advisor to the President: Jordan is a former member of Anthony Lake's International Volunteer Service wing of IPS.

Ann Gutierrez, Member of the White House Policy Staff: Gutierrez is a former aide to California terrorist sympathizer Governor Jerry Brown.

Government Accounting Office:

David Rosenbaum, GAO Energy Advisor: Rosenbaum is a leading Wall Street think-tank specialist in nuclear terrorism, and is the author of the 1975 MITRE Corporation report on nuclear terrorism. Rosenbaum's most recent work is reflected in an article in the latest issue of "International Security" magazine detailing the "most likely" nuclear terrorist extortion demands against the U.S. government. Rosenbaum also is a principal conduit of the line that the Soviet Union is behind all terrorism.

Department of Human Resources

Sam Brown, head of ACTION (the combined Peace Corps and Vista): Brown, a longtime leader in the anti-war movement organized the Vietnam War Moratorium in 1969 in Washington, D.C., after serving as the campaign coordinator for the 1968 Eugene McCarthy presidential campaign. Brown was recruited to ACTION from his job as treasurer of the State of Colorado, where he reorganized local banking structures with the help of the IPS local control front, the Conference on State and Local Public Policies (of which Brown is a member) and the Stern Fund, a Wall Street conduit which has heavily funded IPS and terrorist groups.

John Lewis, Deputy Director of ACTION: Lewis is an IPS provocateur beginning with his founding of the Student Non-Violent Coordinating Committee (SNCC) in the 1960s from Atlanta. During this period he was arrested over 40 times. He is also a founding member of the IPS Southern branch, the Institute for Southern Studies, and the Ford Foundation's Voter Education Project — which implemented much of the Nov. 1976 vote fraud in the South.

Mary King, Director of Human Resources Division: The wife of top Carter drug pusher, Dr. Peter Bourne, King is deeply involved in the mental health "reform" movement, closely connected with terrorist brainwashing. King was also a staff member of SNCC during the 1960s and openly advocated "black power" racial provocations.

Department of Commerce

Ann Wexler, Undersecretary of Commerce: Wexler is a former editor of the counterculture Rolling Stone magazine, and a founding member of New Directions, the Rockefeller family's pet project for international food control, deindustrialization, and genocide.

Department of Health, Education and Welfare

Joseph Califano, Secretary of HEW: As a domestic affairs advisor to President Lyndon Johnson from 1965-69, Califano prepared the "Garden Plot" plan for a domestic police state takeover of the U.S. based on provoked urban student riots. In 1967, Califano advised Johnson to deploy paratroops into Detroit to quell rioting. Califano is also a co-founder of the terrorist defense law firm Williams, Connolly and Califano. (see *Barbara Babcock*)

Department of Housing and Urban Development

Msgr. Geno Baroni, Assistant Secretary of HUD for neighborhoods, non-government organizations and consumer protection: Baroni is the founder of the Ford Foundation financed and directed National Center for Urban Ethnic Affairs which organized local control-oriented white ethnic groups across the nation. These groups have served as an umbrella for hard core Nazi terrorist immigrants such as the Croats, Ustashis, and other Nazi quislings in exile, provoking racial tensions, and are representative of ethnic union busting operatives such as Ed Sadlowski, himself a product of Baroni's Calumet Community Congress in the northern Indiana steel belt. Baroni is also a founding member of New Directions.

Arch Parsons, Assistant Secretary of HUD for Public Affairs: Parsons is a former member of the Rockefeller-experiment, the Appalachian Regional Council, which employed IPS personnel in the early 1970s violent takeover of the United Mineworkers Union.

Department of Transportation

Joan Claybrook, Undersecretary, Department of Transportation, in charge of national highway safety administration: Claybrook is the former head of Ralph Nader's Public Citizen Congress Watch, a lobbying group which harasses legislators into accepting incompetent consumer and environmental protection legislation.

Council on Environmental Quality

Gustave Speth, Staff Advisor: Speth is formerly a leading lawyer working with Laurance Rockefeller's Natural Resources Defense Council specializing in anti-nuclear power cases. Speth has worked closely with nuclear maniac energy czar James Schlesinger, and is an

outspoken proponent of the Rand-IPS nuclear "Pearl Harbor" scenario.

Charles Warren, Director, CEQ: Warren was formerly an environmental activist for California Governor Gerry Brown in that state's legislature.

Marion Edey, Staff Advisor to the CEQ: Edey is a former ranking member in the League of Conservation Voters, a front group for the Sierra Club variety of the Ford and Rockefeller Brothers Foundation's environment movement.

Department of The Interior

Joseph Browder, Special Assistant in charge of the land and water division: Browder is a leading organizer for Ralph Nader's Environmental Policy Center, which coordinates anti-technology lobbying efforts on Capitol Hill. He also temporarily served on the Carter transition team under Ford Foundation energy specialist David Freeman, leaving over his proposal to appoint an unqualified American Indian to handle land management issues.

European Trade Doomed To Collapse Within The Confines Of The Dollar

The four major economies of Europe, making up one of the most export-oriented sectors in the world, are now suffering from a trade collapse and "constrained economic growth" whose chief cause is continued toleration of the bankrupt dollar monetary system presided over by the New York banks, the International Monetary Fund, and the World Bank. In lieu of a break with the bankrupt dollar, Italy, France, West Germany and Great Britain have elected tentative accommodation to the aversive monetary conditions which are crippling their industrial development and threatening the 27.2 percent of total world commodity-exports which they collectively represent.

The current trade policies of these nations therefore rest on "second best" choices of monetary measures, artificial currency under-valuations to minimize direct losses on foreign markets, but which imply domestic austerity and a correspondingly higher cost for the import supplies on which they are also heavily dependent.

The defensive tactics of the EEC countries have been coordinated, based on the notion of "share the poverty" at the least possible cost to the sector as a whole. West Germany has maintained a "strong" deutschemark and low interest rates, impairing its vital exports of capital and consumer goods, while France, Italy and Great Britain to varying extents have promoted their own exports with "weak" currencies at the expense of labor's living standards and the development of national industry.

But such tactics, based upon a conception of the world as an ever-contracting pie around which various partners are "struggling for economic life," will lead to trade war and "protectionism." This final solution would be a disaster for the export-oriented economies. European governments' fears have been exploited by the Carter Administration, which talks of free-trade, but uses protectionist threats to arm-twist its potential and actual opponents.

Italy's "Weakness"

The weakest *financial* element in the EEC is Italy, the only country which has otherwise managed to maintain *high levels of industrial investment* (12.6 percent in 1976 and still 1.1 percent in January 1977). For Italy this means industrial growth without markets and, as a result, an increasing indebtedness with no related profit-generating ability.

Italian exports have increased by 35.5 percent in 1976, but with an internal rate of inflation above 20 percent. The East Bloc, EEC, and other European countries have not been able to absorb the sizeably increased quantities

of Italian products, and the Italian exports have therefore been developed with the backing of OPEC and the Third World. Italy is now unable to generate of itself the required new credit toward additional trade transactions with the Third World, while the OPEC countries represent as a whole a relatively small portion of the world market.

This situation is aggravated by the domestic side of the economy. Italian exporters and industrialists have engaged in massive short-term borrowing since mid-1976 to compensate for the cited long-term credit restrictions, in order to purchase high-priced raw materials to maintain current high levels of industrial production. There is no way that these debts can be paid, with a more than 40 percent increase in the cost of import-supplies and an accelerating deterioration in Italy's balance of payments: its deficit, at lire 678 billion in February after being in balance on January, climbed to lire 839 billion in March.

Austerity conditions demanded by the International Monetary Fund, if implemented, would be the final blow to the fragile "Italian growth."

British and French "Equilibrium"

Great Britain and France have apparently improved their overall trade positions during the first months of 1977. Unfortunately, this appearance does not express a healthy economic situation.

In both cases, the gain in exports is accompanied by a notable setback in imports — the nation's industry is not being properly supplied.

The largest increases in British exports have been to consumer nations. Instead of boosting machinery and heavy-goods exports, the British government's "export drive" is cashing in on quick returns on oil exports and exports to the textile and chemical sectors to continental Europe. This indicates a de-emphasis on capital-intensive, growth-inducing sectors of the British economy in favor of labor-intensive, low capital sector. This fact is confirmed by a severe decline in fixed-capital formation in the advanced sectors of the economy.

Given the depression in Western Europe, British labor-intensive industries, stimulated by a weak pound, have taken over already existing markets on the European continent *against* continental industries belonging to strong-currency economies — for example, West Germany.

France's situation seems to be slightly better at first sight. The largest increases in French exports have been to the East Bloc, OPEC, and Third World sectors. By issuing trade credit to the Third World and Comecon, France has been able to increase substantially sales of

Total World Exports Compared To Total Exports Of The Four Leading EEC Countries

(millions of U.S. dollars)

	1973	1974	1975	1976*	IMPORTS 1976*
WORLD TOTAL	524,400	772,400	794,700	890,000	910,000
FRANCE	36,659	46,255	53,118	57,162	64,391
WEST GERMANY	67,566	89,253	90,166	101,977	88,209
ITALY	22,224	30,240	34,815	36,958	43,322
UNITED KINGDOM	30,659	38,881	44,109	46,254	55,978
TOTAL 4 EEC COUNTRIES	157,108	204,629	222,208	242,361	252,000
PERCENT TOTAL OF WORLD TRADE	30.0	26.6	27.9	27.2	27.6

SOURCE: INTERNATIONAL FINANCIAL STATISTICS-APRIL 1977 * ESTIMATED
INTERNATIONAL MONETARY FUND

equipment goods, compensating for the stagnation of its exports of those products to the EEC and North America.

But the French model is now limited by France's ability to issue credit on its own account. Furthermore, there is evidence that French exports have not been carried forward by new markets, but have taken over already existing ones — against industries based in strong currency economies.

Worse, during recent months French exports started switching to the "British model," as the rate of growth of capital goods exports has started to decrease and sales of semi-finished products has upsurged.

Finally, the evolution toward trade equilibrium in France has been accompanied by domestic austerity.

West Germany's False Strength

The comparative strength of West Germany in relation to Italy, France, and Great Britain is an economic myth. As shown in the included table, West Germany traditionally enjoys a trade surplus while the three other European countries are deficit-ridden. But under present circumstances, West Germany has been forced to share the weakness of its closest partners.

West German "weakness" is partly deliberate. West Germany's maintaining a strong mark, agreeing to lose markets abroad against French and Italian capital

goods, and permitting Britain and Italy (primarily) to dump semi-finished products on the West German market, is calculated to bail out the other European economies and avoid a general collapse in Western Europe — otherwise West Germany's major trading partner.

West Germany is thus progressively losing its trade surplus from capital and basic goods exports, and West German firms no longer have the base for new investments. As a consequence, the ability of West German industry to invest is crippled. The West German index of all industrial production is now at a level of about that of 1974-1973, while the industrial workforce has steadily declined since 1974. The mechanical engineering sector — vital engine of industrial development — is the most badly affected.

European Self-Interest

By now, European industry as a whole has reached the limits of the "share of poverty" schemes before entering in a phase of abrupt economic breakdown. This could be precipitated by a financial crisis in Italy or by a political-economic destabilization in a country like France, where a confidence crisis can detonate, in a very short period of time, an overall collapse — as suggested by the 25 per cent drop in the French stock market since January.

The situation is all the more dangerous in that within the confines of the dollar system, the Third World will drastically reduce its imports in volume, while the East Bloc has already started to implement import cutbacks up to 10 percent to "improve its trade balance with the West and stop its descent into debt." The CMEA's purchases in the West last year rose by only 4 percent, this mainly due to grain imports from the U.S.

If this trend is allowed to continue, not only will West European industry lose its best long-term market but it will be "attacked" at home by other products, and feel the need to defend itself with protectionism. This danger

is already apparent with the restrictive measures imposed by various European countries against Spanish steel and textiles, Japanese steel and industrial consumer products and East Bloc shoes, clothing and vehicles.

The only possible "protection" for an economy is that granted by high levels of capital formation. In turn, this requires the creation of viable markets in the Third World and East Bloc, which can only be brought into being through the proper issuance of hard-commodity-only credit by an International Development Bank-type institution.

East Bloc Cooperation Needed To Consolidate Italy's Economic Recovery

ITALY

Italian exporting producers, operating under the illusion of an "economic recovery" in 1976, borrowed massively on the short-term domestic market in order to purchase high-priced raw materials to maintain current high levels of industrial production. As of April 30, 1977 this short-term indebtedness figure reached \$5 billion — a spectacular jump in domestic lending — despite the International Monetary Fund's demand that domestic lending be frozen (see table 1).

The only way these borrowers will be able to repay these short-term debts is if the Italian government signs pending credit agreements with the East Bloc, in particular, to facilitate massive exporting. Without the realization of these credit lines, these exporter-producers will be faced with massive debts, full inventories and no outlets for their products. Already, the momentum of Italian export is waning. Major importers of Italian products are closing the Italians out (see table 2).

Table 1
Short-Term Indebtedness,
Domestic Market

(IN MILLIONS OF U.S. DOLLARS)						
	1972	1973	1974	1975	1976	JAN-APRIL 1977
SHORT-TERM DEBT *	-1232	-961	- 54	-2052	-3015	-5000

SOURCE: IMF *MINUS SIGN (-) INDICATES DEBIT

A key example is trade with the East Bloc, from December 1975 to December 1976. Foreign Trade Minister Rinaldo Ossola is expected in Moscow in early June to finalize a three-year \$650 million credit line to the Soviet Union. Presently, the Soviet Union has gone to the French for products it would have been purchasing from the Italians, had credit been available.

The so-called economic recovery in 1976 was, on one level, a fraud, premised on dumping of crude steel on the European Economic Community (EEC), as well as the January 1976 lira devaluation which favored exports (see graph 2). Export figures showed a 35.5 percent increase in 1976; but the devaluation contributed to a 46 percent increase of the cost of imports as producers were forced to pay higher prices for raw materials (see graph 1). The actual volume of exports nowhere near compensated for the rate of increase in the cost of raw materials. (see graph 2).

In fact, the May 1977 newsletter of the Banca Nazionale del Lavoro (BNL), while predicting that in the immediate period ahead there would be a slight expansion of imports and a surge in exports, concluded that this trend won't continue for long, and could be easily

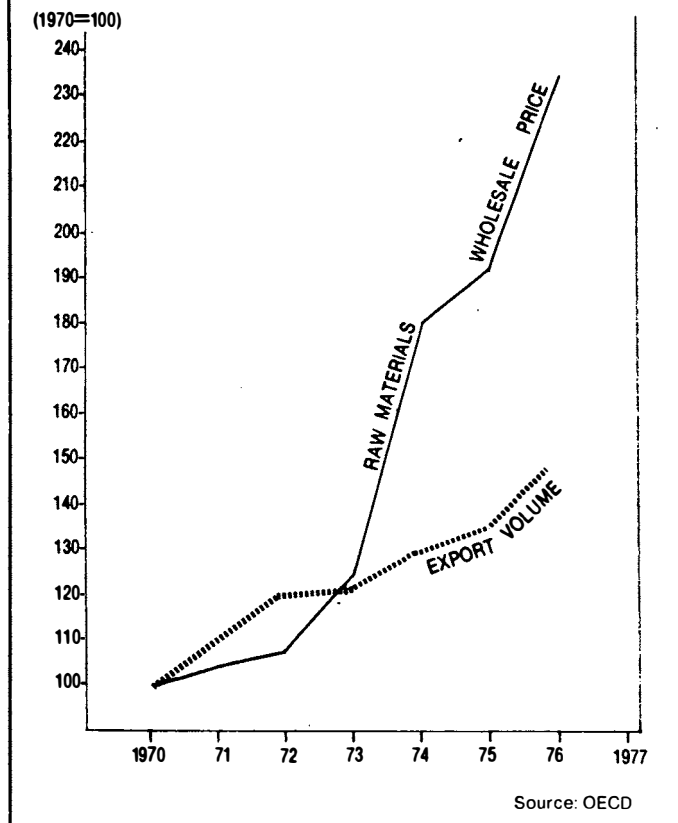
Table 2

Italian Exports (millions of U.S. dollars)				
ITALIAN EXPORTS TO:	1974	1975	JAN-SEPT 1976	1976(E)
EAST BLOC	1486.1	1975.7	1277.9	1845.0
OIL EXPORTING COUNTRIES	2264.6	3766.1	2851.7	3700.0
U.S.	2299.6	2270.4	1721.5	2270.0
JAPAN	323.0	298.3	224.3	270.0
E.E.C.	13,714.7	15,676.4	12,731.3	16000.0

SOURCE: IMF "DIRECTION OF TRADE" DEC. 1976

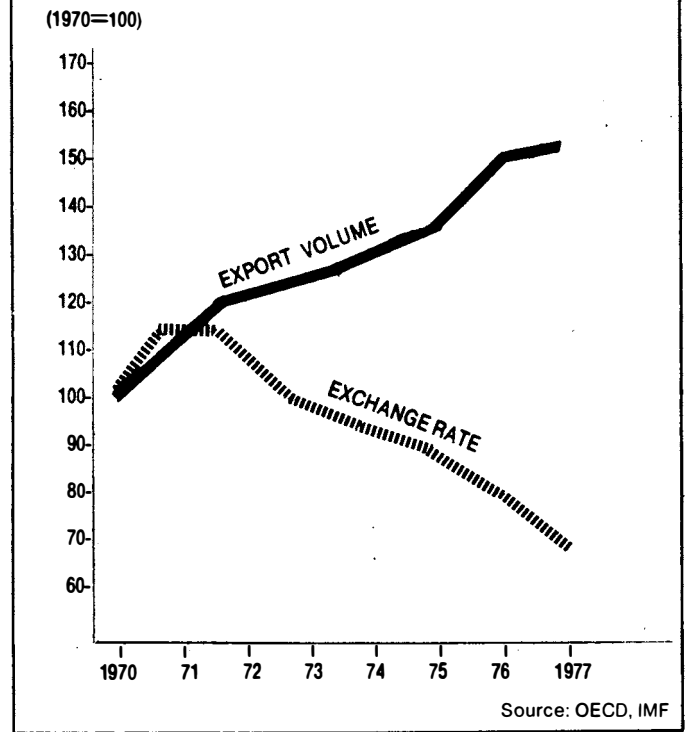
Graph 1

Raw Materials Price Increase
Compared with Export Volume



Graph 2

Export Volume Compared
with Exchange Rate



reversed. BNL said in part: "The Italian economy is in a very delicate balance and it could be upset at any time by unpredictable political or economic events, such as an unexpected exchange market turmoil." This statement basically concurs with the position that unless major credit lines are opened there will be a collapse of the Italian economy.

However, the economic recovery did have some basis in reality, since part of the export increases resulted from the initial deliveries of large trade deals to the Soviet Union. Italian bankers — despite the IMF's pressure — have extended short-term credit to their producers in anticipation of continued massive trade as sane political forces have come to realize that the IMF's imposition of zero-growth economy would necessarily worsen the Italian situation. Realizing that the triage of the state's productive base would be suicidal, the Italians have decided to maintain capital investment as a means to continue development.

Sane bankers and industrialists have an ally in ruling Christian Democratic Prime Minister Giulio Andreotti who declared at the May London Summit that Italy would use any future loans for increasing the productive

base and not for debt service. Said Andreotti, "The need for financial aid would come up only around specific projects like Italy's great nuclear power program... We will not ask for aid to cover the balance of payments deficit but only for financing big projects."

The ability to pay back debts is actually premised on the increased expansion of the economy. The expansion of trade through additional credit lines is the only answer to Italy's short-term credit situation now. The Italian banking system otherwise will face an incredible bind.

To generate the necessary short-term domestic credits, the banking system borrowed massively from the international markets. From October 1976 to May 1977 the indebtedness to the Eurodollar market rose by \$4 billion. Total Italian foreign indebtedness is officially listed at \$13.5 billion but is actually closer to \$18 billion when other government foreign debt and that of agencies guaranteed by the government are added. (Taking into account the large amount of short-term foreign debt, the final figure is said to be over \$25 billion and is probably in the vicinity of \$30 billion.) Non-banking debt includes \$2.5 billion to the IMF; \$2.4 to the EEC and \$1.5 billion to the Bundesbank. If credit negotiations fall through, however, the subsequent heavy pressure on Italian producers to pay back their short-term debt will have major repercussions on the foreign market.

Equipment Exports Contract, Crippling Domestic Capital Formation

WEST GERMANY

During 1976 the West German trade surplus narrowed considerably as the volume of exports stagnated while imports increased significantly in both volume and value terms. This situation, which was heralded in the Bundesbank's annual report as the West German contribution to recovery from the world depression, is only a share-the-poverty scheme to accommodate West Germany to a shrinking world economy. West German exports stagnated because demand is low for its major exports — basic goods and capital goods — and West German imports increased solely due to currency manipulations which made foreign goods cheaper for domestic purchasers.

Exports to the Third World have stagnated around 36 billion deutschemarks (DM) for the last three years, while exports to the Council for Mutual Economic Assistance (CMEA) countries and China have stagnated at 17 billion DM for the last two years. (Table 1)

Previous to 1974, there was a linear relationship between the amount of West German credit to these two areas and their purchases of West German exports. West Germany was directly financing the sale of its exports to them. By 1976 however, several factors caused exports to these areas to stagnate. Although DM credit to the Third World and Comecon countries rose (Table 2) in 1976, exports did not, indicating that although West German firms had booked some advance credit for these customers, a lot of it was not used as the CMEA, China and

Table 1
West German Exports to
Six Major Markets

(IN BILLIONS OF DEUTSCHEMARKS)

	1972	1973	1974	1975	1976
TOTAL EXPORTS	149.0	178.0	230.5	221.5	256.1
WESTERN EUROPE	94.2	112.1	138.7	133.0	156.7
E.E.C.	69.9	84.0	103.0	96.0	117.0
THIRD WORLD	24.8	30.0	36.2	34.2	36.1
OPEC	4.6	5.9	10.4	16.7	20.6
C.M.E.A. AND CHINA	7.6	10.8	15.8	17.4	17.4
UNITED STATES	13.7	15.0	17.3	13.1	14.4

SOURCE: DEUTSCHE BUNDESBANK

the Third World finally made cheaper purchases of capital goods and basic goods from other sources, such as France and Italy. The stagnating export situation of 17.4 billion DM for two years in a row to the CMEA and China is also due to these countries' desire to reduce their

Table 2
West German Trade with CMEA and the Third World

(IN BILLIONS OF DEUTSCHEMARKS)

	WEST GERMAN:			EXPORTS TO C.M.E.A.	WEST GERMAN:	
	EXPORTS TO THIRD WORLD	IMPORTS FROM THIRD WORLD	CREDIT TO THIRD WORLD		IMPORTS FROM C.M.E.A. & CHINA	CREDIT TO C.M.E.A. AND CHINA
1972	24.8			7.6	5.3	
1973	30.0			10.8	6.6	
1974	36.2	22.8		15.8	8.4	
1975	34.2	23.4	28.2	17.4	8.6	8.9
1976	36.1	29.2	32.4	17.4	10.9	10.9

SOURCE: DEUTSCHE BUNDESBANK

imports and credit from the West.

Exports to the United States (Table 1) dropped by 16 percent from 1974 to 1976 because of the U.S.'s slump in capital spending and the continued setback to imports of West German cars, which are no longer low-priced to U.S. consumers as the Volkswagen was in the 1950s and 1960s.

Although exports to the OPEC countries has steadily increased from 4.6 billion DM in 1972 to 20.6 billion DM in 1976, the rate of increase has slowed down, as OPEC

countries pick up cheaper orders from other European countries.

Exports to Western Europe, West Germany's most important trading partner, increased by 17 percent from 1975 to 1976. But this increase occurred almost entirely in monetary value, as the DM appreciated. Any increase in volume was due to massive inventory restocking after a disastrous 1975, and to a few giant contracts for industrial projects that are one-in-a-lifetime occurrences. These isolated giant contracts altered the order charts so disproportionately that the economic statistics survey of the Bundesbank, Series 3, noted them as "anomalies" in their statistics for orders in 1976.

Orders for the first three months of 1977 (Table 3) show that this pattern will not change, since present orders are future exports. Foreign orders were spectacularly down in January and February — by 15 to 20 percent — although the index (1970 = 100) went up again in March (201), the average for the first three months of 1977, which is 192, is still far below the average for the last three months of 1976 (201). While the January-February 1976 balance of payments had a .6 billion DM surplus in West Germany's favor, the balance of payments for January-February 1977 is a deficit of .6 billion.

This Bundesbank policy of encouraging a West German balance of payments and trade deficit has been building up for several years as the monetarist solution to stimulating other Western European economies. Britain, Italy and France have all been encouraged to make the best of the currency devaluations that were forced on them by dumping primarily steel and machine tools on the West German market (Table 4). Italy is the best example of this method of distributing the shrinking pie of world trade, for with a 40 percent currency devaluation against the DM since 1972, Italy has been able to create a trade balance with West Germany in 1976 for the first time in recent history, with its exports to West Germany of 18.8 billion DM matching its imports

Table 3
West German Orders to Industry
(1970=100)

	TOTAL ORDERS	DOMESTIC ORDERS	FOREIGN ORDERS
1976 SEPT	158	144	203
OCT	157	143	200
NOV	155	143	196
DEC	162	148	204
1977 JAN	148	138	180
FEB	148	136	188
MAR	150	135	201

SOURCE: DEUTSCHE BUNDESBANK

Table 4
Currency Impact on West German Imports

(IMPORT FIGURES IN BILLIONS OF DEUTSCHEMARKS)
(DEPRECIATION BASE: 1972=100)

	LIRA DEPRECIATION AGAINST DEUTSCHE-MARK		POUND DEPRECIATION AGAINST DEUTSCHE-MARK		FRANC DEPRECIATION AGAINST DEUTSCHE-MARK	
	IMPORTS FROM ITALY	IMPORTS FROM BRITAIN	IMPORTS FROM FRANCE	IMPORTS FROM ITALY	IMPORTS FROM FRANCE	IMPORTS FROM FRANCE
1972	100.0	13.8	100.0	4.5	100.0	18.1
1973	87.7	14.0	91.7	5.1	102.0	18.9
1974	77.2	14.9	89.8	6.2	100.0	20.8
1975	76.6	17.2	80.0	6.9	106.0	22.1
1976	60.9	18.8	66.7	8.5	98.0	25.8

SOURCE: DEUTSCHE BUNDESBANK

Table 5

Decline in West German Industrial Workforce

(MILLIONS OF EMPLOYEES)

1972	1973	1974	1975	1976
8.3	8.3	8.1	7.6	7.4

SOURCE: DEUTSCHE BUNDESBANK

from West Germany of 18.9 billion DM. As the result of 33 percent devaluation in the British pound against the DM since 1972, Britain has been able to double its exports to West Germany in the same period, to 8.5 billion DM.

West German steel merchants have charged that 30 percent of all steel sold in West Germany in 1976 was imported, primarily from Britain and Italy. The president of the huge West German DEMAG machine tool firm charged at the Hannover Trade Fair recently that foreign firms are underbidding West German firms by about 30 percent — the approximate amount of Italian and British devaluations.

The collapse in world markets has taken its toll of domestic West German capital formation as well. Of the 1976 export total of 256 billion DM, approximately 139 billion were in investment goods, and another 66 billion were in basic and producers' goods. Approximately 75 percent of West German exports are capital or basic goods, making it the economy most dependent on increasing sales of capital and basic goods to finance increasing capital investment. Without this trade surplus from capital and basic goods exports, West German firms no longer have the base for new investments, and it is this trade surplus that has been destroyed in the last few years through the collapse of world markets and dumping on the West German domestic market.

Table 5 shows the effect of this destruction of West German industry's ability to invest. The industrial workforce has steadily declined since 1974. In the crucial mechanical engineering subsector, which alone accounts for 20 percent of all exports, the workforce has dropped

Table 6

West German Industrial Production to Trade

(IMPORTS AND EXPORTS IN BILLIONS DEUTSCHEMARKS)
(INDEX BASE: 1970=100)

	INDEX OF ALL INDUSTRIES	INDEX OF MECHANICAL ENGINEERING	IMPORTS	EXPORTS
1972	105.9	97.5	128.0	149.0
1973	113.1	100.8	145.0	178.0
1974	111.5	101.5	179.0	230.0
1975	104.5	95.7	184.0	221.0
1976	111.5	95.0	221.0	256.0

SOURCE: DEUTSCHE BUNDESBANK

from 125,000 to 100,000 today, outpacing the drop in the industrial workforce as a whole. In this same sector, firms have only been able to spend 2.5 percent of their total sales on Research and Development, and capital equipment age has crept up from only 32 percent of all West German machine tools being 11 years or older in 1960 to 45 percent being that age or older in 1974.

As a result of this lack of investment, West German firms have been recently losing both foreign and domestic orders to foreign firms. The Hannover Trade Fair report of the Krupp steel firm complained that 20 percent more capital goods were imported in 1976 than in 1975. It also admitted that West German firms, which were investing an average of 35 billion DM per year up to 1971, have been investing much less since then. This investment gap is now 35 billion DM, and the report indicated that it could only be closed through increased export-generated investments.

Table 6 shows the effect of this lack of investment in the mechanical engineering sector. Although general industrial production, along with imports and exports for the reasons mentioned above, were able to register some improvement after 1975, the mechanical engineering index actually showed a slight decline from 95.7 in 1975 to 95.0 in 1976. Even given the one shot giant factory contracts in 1976, mechanical engineering has not been able to compensate for contraction of world markets and lack of investment.

The Predicament Of French Foreign Trade

FRANCE

The recent evolution of French foreign trade — with a decrease in import-volume by nearly 10 percent since the

beginning of the year accelerating to an 11.7 percent fall in the value of total French imports in April, and an approximate 10 percent increase in exports through the stimulation provided by a "weak" franc — reflects a temporary *financial* success of the Giscard government in cutting down an endemic deficit. But the "success" has been obtained with an incompetent strategy. The

Table 1
French Foreign Trade — Total Figures 1972–1976

(MILLIONS OF FRENCH FRANCS)						
	1972	1973	PER CENT EVOLUTION 1973/1972	1974	PER CENT EVOLUTION 1974/1973	
IMPORTS	126,360	155,832	+ 23.3	239,611	+ 53.8	
EXPORTS	133,387	162,462	+ 21.8	222,741	+ 37.1	
BALANCE	+ 7,027	+ 6,630		- 16,870		
EXPORT IMPORT RATIO (PERCENTAGE)						
	105.6	104.3		93.0		
	1975	PER CENT EVOLUTION 1975/1974	1976	PER CENT EVOLUTION 1976/1975	PER CENT EVOLUTION 1976/1974	TREND IN 1977
IMPORTS	220,434	- 8.0	291,590	+ 32.3	+ 21.6	FALLING
EXPORTS	227,198	+ 2.0	270,890	+ 19.2	+ 21.6	RISING
BALANCE	+ 6,754		- 20,700			
EXPORT IMPORT RATIO (PERCENTAGE)						
	103.1		92.9			

SOURCE: DEPARTMENT OF CUSTOMS, FRENCH FINANCE MINISTRY

export drive is based upon currency undervaluation and credit to develop sales in the East Bloc and Third World, a dead-end process in the absence of an International Development Bank, while the cuts in imports have implied a contraction of the domestic market now leading France toward *economic* collapse.

The total figures of French foreign trade (see Table 1) reflect a situation of economic stagnation from 1974 up to the end of 1976. The notable increase in imports during 1976, and the apparently satisfactory development of exports, should not misguide the reader. The key figure is that of the percentage evolution of trade figures between 1974 and 1976: both imports and exports have increased by about 21.6 percent. This is a zero-growth situation or worse when one takes into account inflation, which stood at a rate notably beyond 20 percent over the same period.

This is directly confirmed by the evolution of French imports and exports in volume as reported by the International Monetary Fund (see Table 2). The volume of French exports was, at the third quarter of 1976 (140.4), under the level of 1974 (149.4). The present level is, according to authoritative estimations, at about that of 1974, while today's index of imports (at 139) is around the figures of 1973. Such a stagnation is confirmed by the index of French industrial output (Table 2), now

decreasing from its present level (127) which is comparable to that of 1974 (123).

Worse, the recent evolution of French foreign trade (see Graph 1) shows a sharp decline of French imports *in value* since the fourth quarter of 1976, while the fall is still more spectacular in volume, at a yearly pace of more than 10 percent. The subjective aspect of the situation is pathetic. The French government is posing the evolution as a success because it permits them to reduce the overall French trade deficit! True enough, exports are meanwhile increasing at a pace of about 10 percent volume, but Table 2 reveals that they are artificially spurred by the six- to nine-month delayed consequences of the devaluation of the French franc in the 1975-1976 period.

Furthermore, an in-depth analysis country by country shows that French exports are *not* "conquering new markets," but mainly taking portions of certain already existing markets out of the hands of countries with "strong" currencies, such as West Germany. In the not so long run, such an evolution leads nowhere, because West Germany — which is also and by far France's number one customer — will be economically weakened, and in turn reduce its purchases of French goods, contributing to lead world trade toward a new round of collapse.

France's Actual Vulnerability

By accepting as a given fact of life the contraction of international trade and production, the French government only aggravates the immediate vulnerability of the country's foreign trade structure in a period of general crisis.

Table 3 shows how the French economy works on a world scale. The advanced sector — Japan, the U.S. and the European Economic Community (EEC) — represents an accelerating source of deficit: French francs 31.89 billion in 1976. This deficit is balanced, or partially balanced, by a trade surplus gained against the

East Bloc and the Third World, which ran at francs 24.4 billion in 1976. A case in point is Algeria, toward which French exports reached francs 7.03 billion (916,000 metric tons) in 1976, French imports being limited at francs 3.32 billion (7,497,513 metric tons) to produce a spectacular francs 3.71 billion surplus.

There is nothing wrong per se with this development, certainly not with vital French exports of equipment goods being sustained by East Bloc and Third World imports, which as a whole absorb about 40 percent of total French exports in this sector, as much as the EEC and U.S. altogether. Moreover, if French exports of

Table 2
Comparative Trends of French Trade Volume, Industrial Output and Value of French Franc in Relation to U.S. Dollar

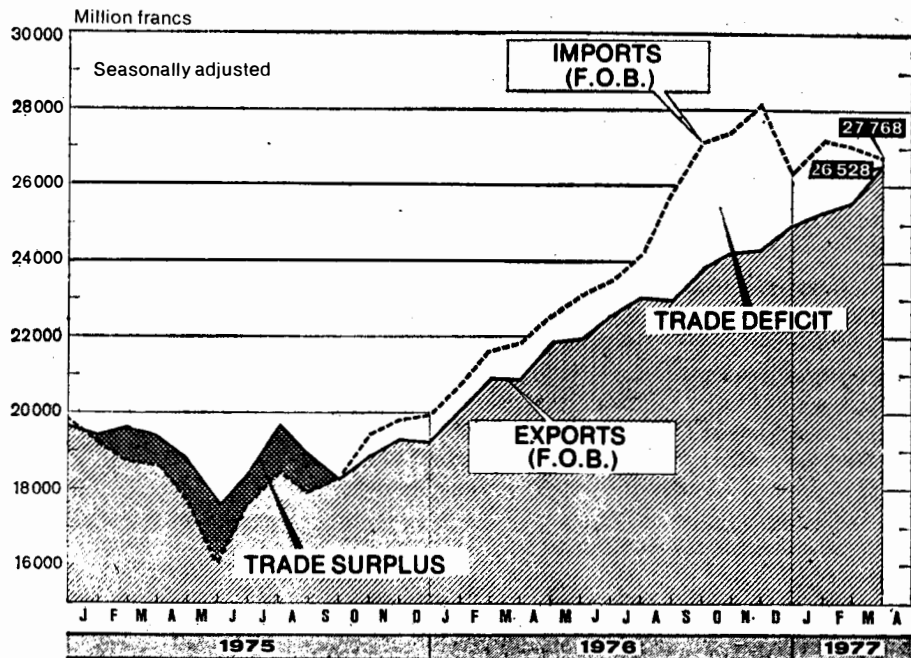
	1970	1971	1972	1973	1974	1975	1976 3RD QTR.	MARCH AND APRIL 1977*	TREND 1977
VOLUME OF EXPORTS	100.0	108.4	123.8	136.5	149.4	144.1	140.4	150.0	RISING
VOLUME OF IMPORTS	100.0	107.6	122.7	139.4	131.6	131.6	148.3	139.0	FALLING
FRENCH INDUSTRIAL OUTPUT	100.0	106.0	112.0	120.0	123.0	112.0	126.0	127.0	FALLING SLIGHTLY
VALUE OF THE FRENCH FRANC COMPARED TO THE U.S. DOLLAR AT MARKET RATES	5.5200	5.2240	5.1250	4.7080	4.4445	4.4855	4.99	4.99	FALL IN 1975-1976

SOURCE: INTERNATIONAL FINANCIAL STATISTICS, APRIL 1977
INTERNATIONAL MONETARY FUND * ESTIMATED

Graph 1

Recent Evolution of French Exports and Imports

GROSS TRADE FIGURES — FRENCH FRANCS, BILLIONS	FRENCH		
	March 1976	March 1975	% 1976-1975
Exports	29.2	23.4	14.4
Imports	31.4	24.9	16
Deficit	2.2	1.5	



Source: Department of Customs, French Finance Ministry

Table 3
French Foreign Trade Deficits and Surplus (Oil Transactions Excluded)

(MILLIONS OF FRANCS)

	EXPORTS TO THE EEC, JAPAN AND U.S.	IMPORTS FROM THE EEC, JAPAN AND U.S.	DEFICIT VIS-A-VIS EEC, JAPAN AND U.S.	EXPORTS TO THE EAST BLOC AND 3RD WLD.	IMPORTS FROM EAST BLOC AND 3RD WORLD	SURPLUS VIS-A-VIS EAST BLOC & 3RD WORLD
1973	98,340	107,546	- 9,206	31,384	26,738	+ 4,646
1974	132,036	145,372	-13,336	45,927	43,523	+ 2,404
1975	122,356	135,255	-12,899	58,842	36,609	+22,233
1976	149,200	181,090	-31,890	72,200	47,800	+24,400

SOURCE: DEPARTMENT OF CUSTOMS, FINANCE MINISTRY

Table 4
Trends of French Exports, by Key Manufacturing Sectors

(AVERAGE FOR 3 MONTH PERIOD) IN MILLIONS OF FRANCS

	1974	1975	1976	PERCENT EVOLUTION 1975/1974	PERCENT EVOLUTION 1976/1975
TOTAL EXPORTS	54,296	55,188	63,850	+ 1.7	+15.7
GOODS FOR INDUSTRIAL EQUIPMENT	11,500	14,600	17,330	+27	+18.5
TRACTORS, CARS, OR OTHER VEHICLES	5,500	6,700	8,100	+21.8	+20.9
STEEL INDUSTRY	4,800	4,300	4,500	- 1	+ 0.4
SEMI-FINISHED PRODUCTS	15,100	13,300	15,600	-11.9	+17.3

SOURCE: BULLETIN MENSUEL DE STATISTIQUE, INSEE (FRENCH NATIONAL STATISTICS)

goods for industrial equipment have still increased as a whole by 27 percent between 1974 and 1975, and 18.5 percent between 1975 and 1976 (see Table 4), despite a near-stagnation on the markets of the advanced sector, it is because of a sharp and continuous expansion of sales toward the East Bloc and Third World; exports toward the East Bloc increased by around 75 percent between 1974 and 1975, and by approximately 50 percent between 1975 and 1976. As a whole, French exports toward the USSR have increased by more than 40 percent during the first months of 1977, and they are expected to triple, with France buying more Soviet oil in counterpart arrangements.

The actual "vulnerability" of France's foreign trade structure is that it can only work under circumstances of

worldwide economic development, where the Third World and the East Bloc receive an adequate amount of *credit* to buy a steadily increasing amount of equipment goods from the advanced sector. This is in direct opposition to the acceptance of world trade contraction by the French government, which is thereby ruining the basis for its own economic existence.

The recent evolution of French trade by world regions makes the point (see Table 5).

Exports Dead-end

The EEC still represents about half of French total exports, but its share is progressively declining. Although this reflects in part the opening of the French economy to extra-European trade, it is also a consequence of the decrease of the French competitive posi-

tion among the EEC nations. Between 1973 and 1976, the French deficit vis-à-vis the other EEC countries increased from francs 2.5 billion to francs 17 billion. France runs a francs 13 billion deficit with West Germany and francs 5 billion with the Netherlands, while her surpluses with Great Britain (francs 2.40 billion in 1973 against francs 1.02 billion in 1976) and Italy (francs 3.76 billion in 1973 against francs 1.59 billion in 1976) are progressively shrinking. This situation is due to France's failure to improve its balance of trade with other EEC countries in the capital goods sector, where she runs a francs 11.5 billion deficit together with an export-import ratio of around 65 percent. The traditionally successful exports of French cars and trucks are themselves beginning to be impaired by the West European crisis, while sales of consumer goods to other EEC nations are also falling, with a trade war between French and Italian producers threatening to erupt in the sector of household appliances.

French exports to the rest of the developed sector are also doing very badly. The following figures show the situation with the U.S. and Japan:

French Trade in 1976 (billion francs)		
	exports	imports
U.S.	12.1	22.6
Japan	2.0	5.9

The last resort for expansion of the French economy is the Third World and East Bloc. Together, they

represented 26.7 percent of French total exports in 1976, against only 19.6 percent in 1973. But the debt-service situation of those sectors leads the French economy toward a dead end within the framework of the dollar system.

Official French policy up to now has been to finance the maintenance and limited investment of the public sector and production of equipment goods through foreign borrowing. The total French foreign debt now totals \$25-30 billion, and this year the government is expected to push French companies to borrow as much as \$15 billion abroad, according to *Business Week* May 16. Then, to sell the products of those borrowing industries, France issues sharply increasing amounts of trade credit to the Third World and East Bloc with the guarantee of the French Eximbank, Coface. According to sources in the French administration, during the years 1975 and 1976, Coface had to guarantee an amount of credit of around francs 120 billion, the equivalent of \$24 billion. This sum is roughly equal to two years of French exports toward those sectors and also to the total amount of the French foreign debt. The French government is thus trying to keep some kind of equilibrium between the French foreign debt and the total trade credits allowed to the Third World and East Bloc. This means, in terms of the dollar system, to play the role of a "connection" on behalf of the New York banks.

Table 4 shows the recent trend toward a decline in the rate of growth of French equipment goods exports, while

Table 5
French Export Value and Percentage Increases by World Sector

	(IN MILLIONS OF FRENCH FRANCS)				1976	
	1974 FF MILLIONS	% 1974/1973	1975 FF MILLIONS	% 1975/1974	(ESTIMATES) FF MILLIONS	% 1976/1975
E.E.C.	117,069	+31.6	109,936	- 6.1	135,020	+22.7
OTHER EUROPEAN COUNTRIES	33,016	+44.9	30,546	- 7.5	32,800	+ 7.4
NORTH AMERICA *	12,736	+43.1	10,795	-15.2	14,100	+30.6
OTHER DEVELOPED COUNTRIES	5,840	+39.1	4,944	-15.3	5,100	+ 3.0
EAST BLOC	8,978	+38.6	12,917	+43.9	14,700	+14.0
OPEC-MIDDLE EAST **	5,625	+60.7	8,299	+47.5	11,600	+39.8
OTHER DEVELOPING COUNTRIES	27,200	+56.6	34,911	+28.3	42,700	+22.9
DEVELOPING COUNTRIES OF THE "FRENCH FRANC ZONE"	9,749	+29.3	11,014	+13.0	14,800	+34.6
TOTAL	220,213	+37.9	223,362	+ 1.4	270,890	+21.3

* (U.S. AND CANADA) ** (ISRAEL EXCLUDED)

exports of French semi-finished products are growing again in 1976 at a pace above that of total French exports. This evolution is confirmed by the first three months of 1977: French semi-manufactures are further sustaining the relative recovery of the whole of French exports, and this in an environment of trade contraction. This means that, as in the case for Great Britain and Italy, a "weak" currency is subsidizing a type of "labor-intensive exports" which otherwise would not sell. A strategy of that sort cannot last very long without ruining all the trade partners following the rules of the game, and worse, as long as it works, it develops at the expense of domestic demand and ultimately of production for the domestic market.

As for the Third World markets, the French government is now not only limited by decreasing capacity to lend money but functions exactly like Wall Street on the issue of debt moratorium and tries to deliberately sabotage trade with the "radical" countries susceptible to take initiatives of that sort. For example, the French government has deliberately reduced its oil supplies from Algeria and Libya (20.6 million metric tons in 1972, as against 7.8 million metric tons in 1976), while increasing its purchases of Saudi Arabian and Iranian oil (24.3 million metric tons in 1972, as against 44 million metric tons in 1976). This led to a decrease in French exports toward Algeria (francs 1.1 billion in 1976), Libya and other progressive countries, which has not been balanced by a corresponding increase in Saudi or Iranian purchases. French exports toward Saudi Arabia tend to stagnate at a low francs 1.6 billion, while exports toward Iran were already tending to decrease as of the beginning of 1977.

A sharp decrease in overall equipment-goods orders since mid-1976 epitomizes this recent, declining trend. Worse, while the French economy is about to run out of steam, it faces severe domestic contraction as a consequence of the austerity measures imposed.

Domestic Breakdown

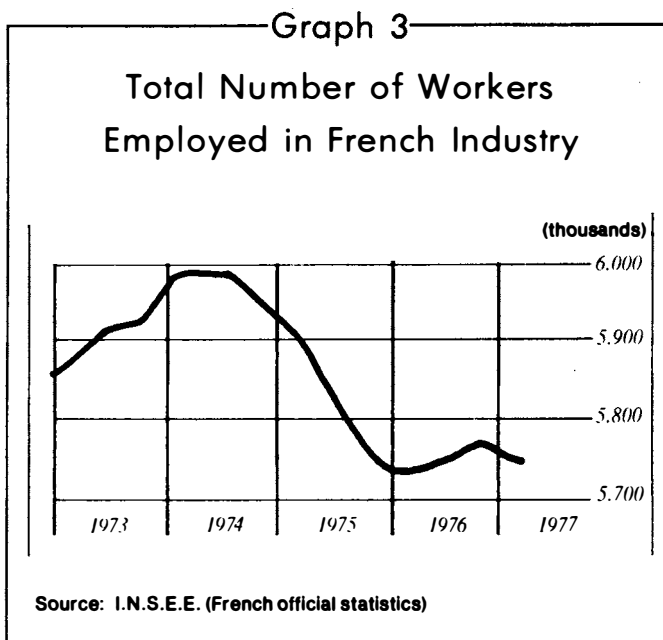
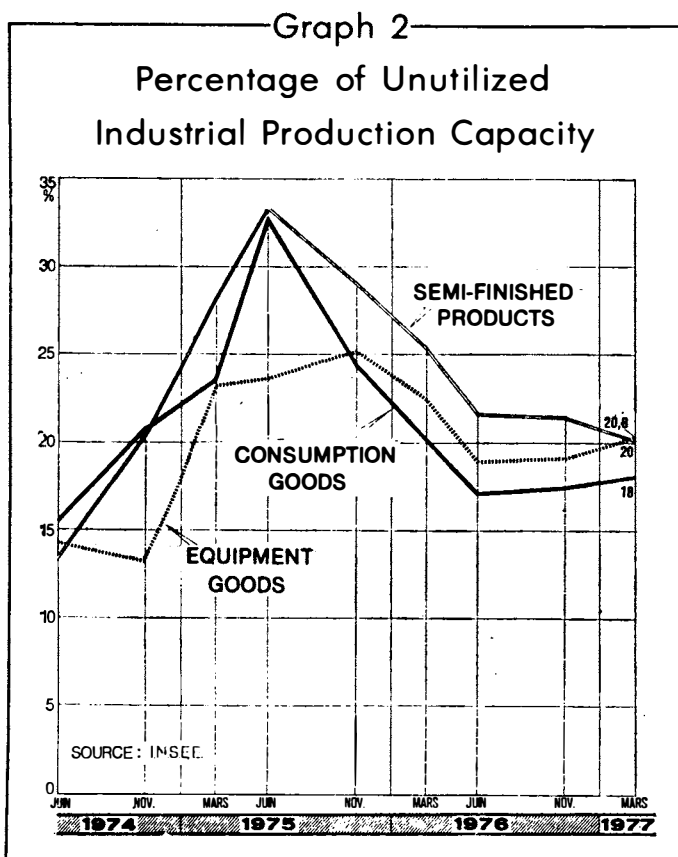
The counterpart of the artificial but apparently somewhat satisfactory performance of French exports up to now — and the trend toward equilibrium of the trade balance — is, anticipating a more general crisis in Western Europe, the setback of the domestic economy. The high rates of credit imposed to defend the franc and a parallel undervaluation of the national currency stimulate exports but increase the cost of imported supplies.

Graphs 2, 3, and 4 illustrate the cost incurred by the French economy as a whole from the world trade downturn and the artificial export drive and import cuts imposed upon it.

Graph 2 shows that the excess production capacity in the French industry as a whole is today at over 20 percent, far above the 5 to 10 percent rates reached during periods of normal industrial development. The equipment-goods industries are the more badly hit, indicating the limitations of the government strategy in promoting exports of those goods. Such basic sectors as steel production (stagnating in terms of exports according to Table 4) and the machine-tool industry are semi-paralyzed at rates of excess capacity around 40 and 35 percent respectively. The more advanced sectors in the French industry — aeronautics, electronics and nuclear production — have been deliberately decapitalized by the government.

Graph 3 shows the consequences of those policies on French industrial employment. Starting in mid-1974, the number of workers employed in the whole French industry has declined, a relative stabilization at the end of 1976 being followed by a further drop at the beginning of 1977.

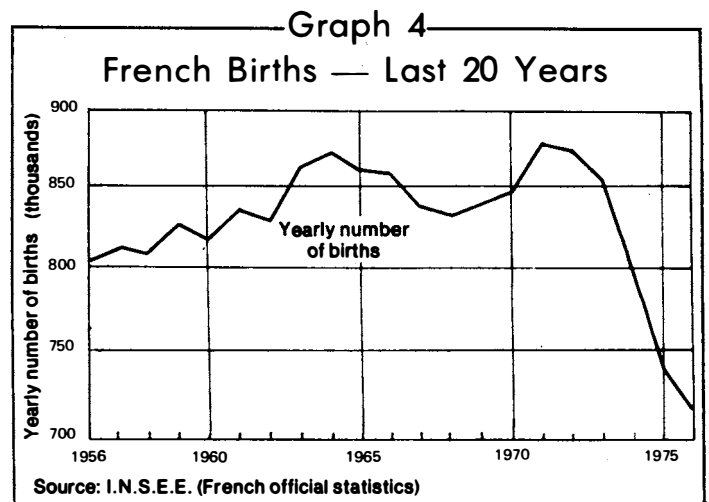
This depressive atmosphere is directly reflected in the



parallel decline of French births since approximately 1971 (see Graph 4), a trend aggravated since 1973-1974.

The notion of trade protectionism is a by-product of this general context of world crisis. It corresponds to the suicidal concept that in an ever-contracting world, you survive at the expense of others and by protecting your market from their interference. The French government has already shown its susceptibility to those schemes and proved it by imposing import restrictions on Spanish and Japanese goods.

An estimated \$4 billion has already fled France under fears of political destabilization. An orientation of those flows toward Third World development, together with a *political* attitude of support — and not “protectionism” — would be the only way for France to stabilize herself and capitalize upon actual economic development provided by a new world monetary and credit system.



Export Trends Show Skew Towards 'Third World' Model

BRITAIN

“Given an expected growth of world trade of the order of 6-7 percent it can be reasonably hoped that British exports will rise by about the same amount,” the latest OECD report on the United Kingdom forecasts cheerfully, and in fact, this view coincides with the British government’s belief that an “export-led” recovery will generate domestic industrial growth. Even leaving aside the clear indication that world trade will probably not even begin to grow by this rate (given the rejection of reflationary measures by the stronger developed nations and the continuing indebtedness of the Third World), the current trend of British export growth indicates a deemphasis on capital intensive, i.e., growth-inducing, sectors of the economy in favor of labor-intensive, low capital sectors.

Simply put, while rejecting a “consumer-led” boom for the British economy, the British government is basing its recovery hopes on consumer booms in *other* countries, instead of embarking on a strategy of vigorous expansion of capital-intensive machinery and other exports to the industrially starved developing and Comecon bloc nations. Such an approach is doomed to failure: firstly, because other countries have made it abundantly clear that consumer goods are not import priorities; secondly, the industries involved in such a boom, primarily textiles and chemicals for example, do not demand the kind of domestic investment in infrastructural capacity which would generate the economic recovery the country is waiting for.

Trade Trends

It cannot be denied that the overall British balance of

trade position is improving. The April figures show a trade surplus of £111 million, the highest surplus in five years. Over the last three months, the overall trade surplus has risen to £126 million compared with a deficit of £565 million for the first quarter last year. At the same time, the aggregate level of imports is beginning to fall, indicating the start of a balance of trade equilibrium. Recent statements by Prime Minister Callaghan and Chancellor of the Exchequer Denis Healey indicate the government’s strong belief that Britain will be confidently in the black by the end of the year.

Yet, even a preliminary breakdown of the export and import figures shows a disturbing trend in British trade patterns.

The most important contribution to the British trade balance was the effect of North Sea oil. Not only has domestic oil production allowed oil imports to fall from an oil balance of £1,004 million in the fourth quarter of 1976 to £814 million in the first quarter of 1977, but oil exports have formed one of the major import items of several European countries with whom Britain’s trade deficit has been widening. In particular, the value of exports of petroleum and petroleum products to Denmark, France, West Germany, and the Irish Republic and Italy has risen sharply.

The largest increase in British exports has been to consumer nations, i.e., countries which are net exporters of capital equipment, like the U.S. and EEC countries. In all other areas, including OPEC, other Third World, centrally planned economies and “other” western countries (primarily Commonwealth), exports are still increasing but at decidedly slower rates (see table 1).

While the volume indices of exports by commodities show little change either way in most commodities, it is still clear that fuels, chemicals (linked to oil production) and textiles are on the upswing, while the critical area of machinery and transport equipment was stagnant in the

Table 1
Exports by Regions

(MILLIONS OF POUNDS)												
	EEC	% IN-CREASE YR/YR	NORTH AMERICA	% IN-CREASE YR/YR	OTHER DEVELOPED	% IN-CREASE YR/YR	OPEC	% IN-CREASE YR/YR	OTHER DEVELOPING	% IN-CREASE YR/YR	CENTRALLY PLANNED ECONOMIES	% IN-CREASE YR/YR
1972	2,940		1,600		2,674		645		1,560		309	
1973	4,034	27	1,937	17	3,485	23	800	19	1,792	13	411	25
1974	5,516	27	2,263	14	4,652	25	1,210	34	2,384	25	516	20
1975	6,417	14	2,329	3	5,248	11	2,277	47	2,925	18	667	29
1976	9,174	30	3,098	25	6,218	15	3,143	27	3,362	13	727	8

SOURCE: MONTHLY DIGEST OF STATISTICS

Table 2
Exports — Volume Index
(1970=100) seasonally adjusted

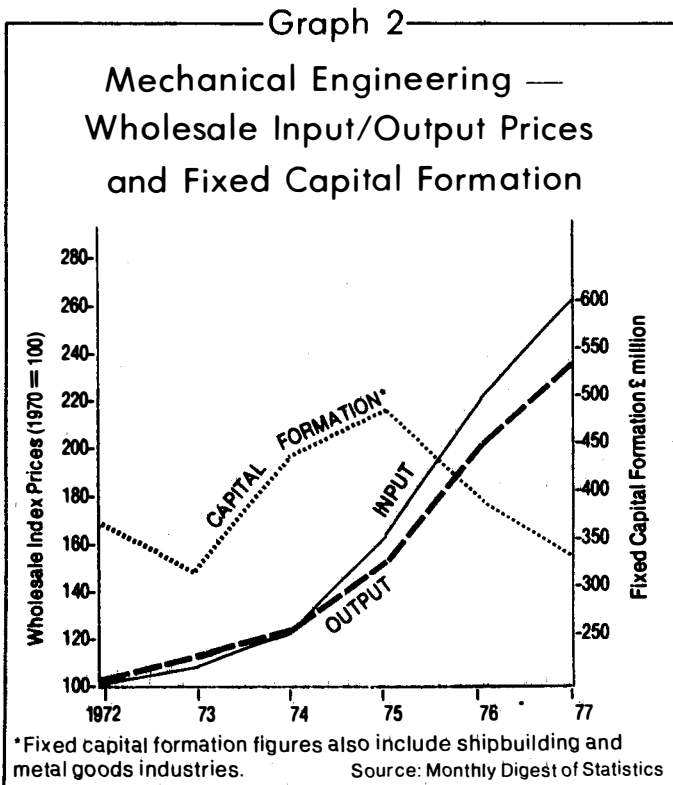
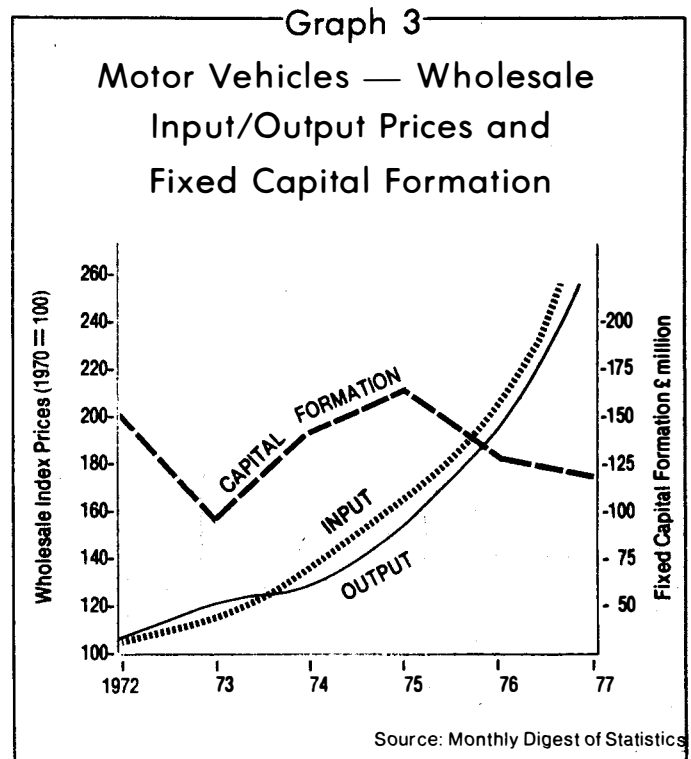
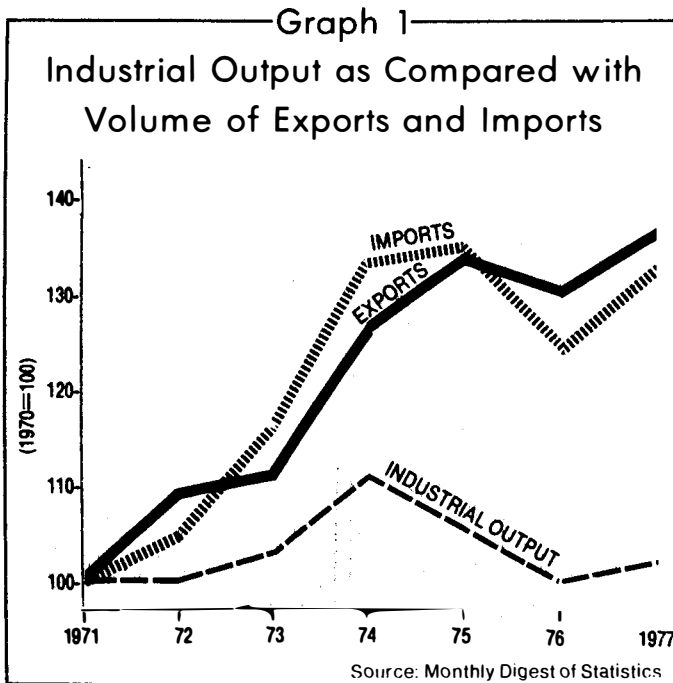
	TOTAL	FUELS	MACHINERY AND TRANSPORT EQUIPMENT	CHEMICALS	TEXTILES
1972	111.3	102	106	118	111
1973	126.5	107	117	143	127
1974	132.9	101	125	169	125
1975	129.8	93	133	142	105
1976	139.4	108	133	171	124
I	135.4	92	134	164	116
II	140.3	104	135	167	122
III	137.3	114	130	171	126
IV	144.6	121	134	180	130
1977 JAN	144.9	133	128	174	135
FEB	143.1	133	126	175	131

SOURCE: MONTHLY DIGEST OF STATISTICS

last year, and decreased in the first two months of 1977 (see table 2). More graphically, the OECD reports that in 1976, while manufactured exports increased by 8 percent in volume and 21 percent in price, chemicals recorded a 20 and 14 percent increase respectively, textiles 18 and 14, machinery -5 and 25, and transport equipment 1.5 and 24.

Clearly, instead of promoting a conscious effort to boost machinery and other heavy-good exports to the developing and Comecon sectors, the government's

"export boom" has taken the shape of cashing in on quick returns on oil exports to Europe and textile and chemical sectors where the domestic infrastructure required to increase production is minimal. At the same time, the most basic of the country's capital goods industries continue to stagnate. Although orders for metal working machine tools in the last quarter of 1976 showed an increase of 75 percent for home and 57 percent for export orders, total sales were up only 27 percent at home and fell by 3 percent for export orders, while orders



dustry. As seen in Graphs 2 and 3, the gap between wholesale prices for materials to the mechanical engineering and motor vehicle sectors, and wholesale output prices has put a squeeze on cash flow, forcing a severe decline in fixed capital formation in these sectors.

Despite continued buoyant forecasts of a recovery in industrial investment in the next year, even the OECD report suggests that there will be an overall drop in fixed capital formation of 3.5 percent. It could be much worse.

So far, the policies followed by the Callaghan government, while placing verbal emphasis on the desirability of increased investment in engineering and other capital-intensive industries, have failed to significantly lower domestic inflation, a basic hindrance to investment confidence. Wholesale prices are continuing to rise at yearly rates of close to 30 percent, while the elimination of food subsidies and the devaluation of the green pound (the EEC agricultural unit of account) will alone boost retail prices by approximately 5 percent in the next year.

Belying the theory of wage-induced inflation, the combined effects of the government's policies, including the "social contract" with the trade unions, has depressed real disposable income by 4 percent in 1976-77, and is expected to fall by at least another 1.75 percent over the next year, assuming the continuation of the income policy.

With domestic demand more than sluggish, and in fact actually falling, the government's industrial recovery goal — anticipation of only 1 percent growth in GDP (Gross Domestic Product) in 1977 — is completely dependent on the strength of export demand. Without a major push towards capital-intensive industrial demand, which would come primarily through a growth in developing and Comecon sector demand, any benefit Britain incurs from an increase in world trade will fail to spark a recovery in basic industrial health.

still outstanding fell by 3 percent and 22 percent respectively.

The minimal impact of the export recovery on industrial production can be seen clearly in Graph 1. While exports have risen over 1976 by 7 percent, industrial production has risen by less than half that amount.

This fundamental skew in the British economy towards labor-intensive industries is, of course, the result of a steady decline in the productivity of existing industrial equipment, which has been exacerbated by still high levels of inflation and costs of basic materials to in-

Horn Of Africa War Designed To Cross Israeli Tripwire

In preparation for the outbreak of war — which could be sparked by the independence of the French colony and military enclave of Djibouti in June — the Red Sea and Horn of Northeast Africa region has been officially designated a hot spot by the U.S. press.

According to the scenario, the upset or threat of upset of the socialist government of Somalia would lead to the sabotage of that country's good relations with the Soviet Union, and the fomenting of a war between Somalia and neighboring pro-socialist Ethiopia over longstanding territorial disputes — which Djibouti's independence could trigger.

The outbreak of such a war, as the *Baltimore Sun*, for one, emphasizes, and the probable concomitant closing of the Red Sea shipping lanes, would be a tripwire for Israel, which receives most of its petroleum imports — from Iran — through the Red Sea.

The tripwire is tightened by the avowed intention of Saudi Arabia to lead a move by the Arab countries to turn the Red Sea into an Arab lake. The Israeli military has already deployed F-15 jet fighters and long range missile boats to patrol the Sea, and under Likud leader Menachem Begin they can be expected to use them at the first minor provocation. "If a war on the Horn of Africa closes the Red Sea to shipping," the *Sun* quotes a Western diplomat, "Europe, the United States, the Soviet Union, Egypt, Saudi Arabia, Israel and a lot of other countries are affected, and the potential for war here must be counted as rather large at present."

During his recent visit to Paris, Sudanese President Nimeiry made clear his willingness to serve as a NATO-surrogate to set up the war in Northeastern Africa. "The French government has discovered," said the daily *Matin de Paris* May 16, "that like Mobutu in Zaire, Nimeiry represents an ace in the hole." Nimeiry charged, among other things, that "Cuban advisors, with some Soviet," are backing an Ethiopian plan to attack the Sudan. Nimeiry was referring here to the efforts of the beleaguered Ethiopian regime to suppress the monarchist Ethiopian Democratic Union, which is waging a guerrilla war against the central government, with Sudanese backing.

Nimeiry has ordered the expulsion of a Soviet advisory mission to the Sudanese army, and the cutting by half of Soviet embassy personnel in his country. Nimeiry is also calling for a Red Sea "Arab lake" and has proposed the federation of Sudan, Somalia and North and South Yemen, creating an "Arab Federation." Such a move would almost certainly provoke military retaliation from a surrounded Ethiopia, as well as from Israel. Nimeiry's proposal is also a convenient counterproposal to a peace and development federation between the socialist gov-

ernments of the Red Sea area — Ethiopia, Somalia and South Yemen — which was proposed in March by Cuban President Fidel Castro.

Nimeiry also signed a joint communiqué with French president Giscard d'Estaing expressing his approval of

Somali President Asks Détente With Ethiopia

Somali President Mohammed Siad Barre made the following statement to the first congress of Somali trade unions on the tension in the Horn of Africa, reported in the May 16 issue of the bi-weekly magazine *Afrique-Asie*:

"Imperialist forces are trying to create confusion and crisis in the Horn of Africa, with the goal of pitting the two countries of the region against each other. The imperialist forces are stirring up unresolved conflict between Ethiopia and Somalia. Somalia has no intention of attacking Ethiopia, and the differences between the two countries should be reconsidered in a humanist socialist spirit, of Africanism and realism."

France's military intervention into Zaire, which the communiqué said was "aimed at helping this country (Zaire) to assure its security and territorial integrity." Nimeiry praised the "wisdom" of Giscard's policy over the tension-ridden independence process in Djibouti, wisdom which includes dispatching the aircraft carrier *Clemenceau*, 18 other French warships, and 6,000 extra troops to the colony. The communiqué established a joint Franco-Sudanese Commission to periodically review cooperation, which includes the provision of French jet fighters, helicopters and military vehicles to the Sudan.

Somalia Under Pressure

As a result of an apparent misinformation campaign, Ethiopian radio this week broadcast gross denunciations of the Somali government whom they alleged were supporting secessionist guerrillas in southern Ethiopia's Ogaden desert — a disputed territory between the two countries. This prompted Somali President Barre, under pressure from a chauvinistic, backward right wing, to hold a press conference in which he denounced the Ethiopian regime as "mad" and to criticize Soviet deliveries of weapons to Ethiopia. Although U.S. press reports tried

to discern indications that Barre was "moving toward the West," Barre was restrained in his criticisms of the Ethiopians, and roundly denounced the Saudi-Sudanese "Arab Lake" idea saying that no power has a right to monopolize the Red Sea.

The option of overthrowing Barre if he refuses to play out the war scenario was indicated by an article in the

French daily *Le Figaro* May 17. The paper charged that pro-Soviet army officers were plotting against Barre, who has been at the center of his country's relations with the USSR since he came to power in 1969. Such a charge provides the pretext for right wingers in the hierarchy to plan a "defensive coup."

'State Of War' In Southern Africa

Following a campaign of military threats and incursions by the white supremacist Smith regime in Rhodesia, Zambia's President Kenneth Kaunda announced last week that a state of war existed between Zambia and Rhodesia.

Three of the five front-line African states were attacked this past week, as the military pressure against them mounts. Pro-Soviet Angola was hit the hardest, suffering multiple attacks from Zaire. Botswana and Zambia were attacked by Rhodesian forces.

Coincident with the attacks on the front-line states, U.S. Ambassador to the United Nations Andrew Young and Vice-President Walter Mondale are in southern Africa to impose a U.S. "settlement" of the Rhodesian crisis on the front-line states. A breakaway ally scenario in which the Republic of South Africa, in ostensible opposition to U.S. policy, would provide the muscle for full-scale war against the front-line states, is the club with which Mondale and Young are attempting to intimidate the Africans.

The Military Situation

French- and Egyptian-piloted Mirage jets have conducted bombing runs into Lunda province of Angola, according to the Cuban press agency *Prensa Latina*. Lunda province adjoins Zaire's Shaba province, site of the April military buildup coordinated by French President Valery Giscard d'Estaing.

Well-informed diplomatic sources reported this week that attacks by the U.S.-backed FNLA and its U.S. Special Forces back-up have once again resumed attacks into northeast Angola from Zaire. The goal is to cut rail and road traffic, making the area ungovernable.

In addition, the U.S.- and French-linked terrorist gang, the Front for the Liberation of the Enclave of Cabinda (FLEC) is threatening to destroy Gulf Oil's operation in the Angolan province of Cabinda. "Gulf Oil must die within the next month," said a FLEC communique released this past week in Lisbon, and addressed to Gulf. "If we stop the royalty payments, the MPLA (Angolan government — ed.) will fall. If we do not receive a reply from Gulf, the order will be given to destroy all pumping stations, rights and installations as well as the docking quays."

Ian Smith's outlaw Rhodesian regime was the source of threats and attacks against Zambia and Botswana. British Foreign Secretary David Owen, who is working closely with the Carter regime, delivered a note from Smith threatening an attack on Zambia to Zambian

President Kenneth Kaunda. Referring to Rhodesian national liberation forces based in Zambia, Smith's note to Kaunda threatened that Smith "might have no alternative but to strike against bases in your country."

A few days later Kaunda put his armed forces on alert, and declared that a "state of war" existed with Rhodesia. On May 19 Kaunda charged that Rhodesian forces had placed land mines in Zambia which claimed several Zambian victims. Fifty Rhodesian troops also carried out a raid against Botswana, ostensibly pursuing ten guerrillas, and attacked a Botswana police base.

Military backup has been pledged to Kaunda from several countries, undermining Smith's efforts to terrify Kaunda into breaking ranks with the other front-line presidents, the necessary first step towards isolating Angola for continued attacks.

Angolan Foreign Affairs Minister Paolo Jorge pledged to stand by Zambia in case of further attacks by Smith, adding that Angola considered an attack on one front-line state an attack on all of them. Tanzanian Defense Minister Rashidi Kawawa said Tanzania would not sit with crossed arms while Rhodesia attacked Zambia, and also pledged military support. Tanzania has demanded that Britain stand behind the front-line states militarily in case of attack by Smith. The Yugoslav ambassador to Zambia has said Yugoslavia would come to the aid of Zambia if it were attacked by Rhodesia.

Fearful of the consequences of a war in southern Africa, British Prime Minister James Callaghan, indicating he did not approve of his Foreign Minister's complicity in Smith's threat to Kaunda, sent Smith a strong message condemning any preemptive strike, and warning him of the "grim consequences" that would ensue.

The London *Financial Times*, also worried about war, warned that "there are grave worries about the potential destabilizing effects of Rhodesian military action against Zambia." A May 18 *Financial Times* editorial raked Foreign Secretary Owen over the coals for his role in the Smith provocation to Zambia. "The only justification for communication between London and the illegal Smith regime is in pursuit of a negotiated settlement on Rhodesia's future, and that end is hardly likely to be promoted by the transmission of belligerent messages... Dr. Owen can only have made matters worse" by his actions, said the newspaper. The *Financial Times* added that the goal of British diplomacy in southern Africa should be "to bring about a change of regime in Rhodesia."

The *Financial Times* ridiculed the attempt to use imminent attack from Zambia as the pretext for striking into Zambia, observing that Kaunda had always been the most willing to enter into negotiations with Rhodesia and South Africa to arrive at a settlement, and noting that Kaunda is supporting the guerrilla movement "because of the failure of the responsible powers to bring about a peaceful settlement to the Rhodesian problem."

Amos 'n Andy

Coincident with the attacks against the front-line states, Trilateral Commission ambassador to the U.S. Andrew Young, and Vice-President Walter Mondale are coordinating their efforts in an attempt to dupe Africans into finding Carter's solution to the southern Africa crisis an acceptable alternative to that of general war.

Young is attending a U.N. conference on Namibia and Zimbabwe (Rhodesia) in Maputo, Mozambique which began May 16. Young has been trying to convince the African delegates that the nonviolent methods of the civil rights struggle in the U.S. could achieve success in southern Africa. He has also been peddling the line that the Carter Administration is fundamentally different from past U.S. administrations and can be counted on to bring about acceptable resolution of the southern Africa situation.

Young's shenanigans occurred simultaneously with the Vienna meeting between Mondale and South Africa's Prime Minister Vorster, which has been widely billed as a showdown in which Mondale would demand concessions by South Africa in Namibia and Rhodesia, as well as changes in South Africa's apartheid system of racial separation. This Mondale 'hard line' feeds the 'breakaway ally' mentality in South Africa. But it has also been widely reported that despite the much-touted differences between Mondale and Vorster, Vorster will

"concede" some kind of formula for granting independence to Namibia.

Young will use any Carter Administration "accomplishment" to aid his selling job at the Maputo conference to achieve the real goal of the entire operation as revealed by the May 19 *Christian Science Monitor*: "...Young is trying to transform the entire chemistry of U.S.-Africa relations to grab the initiative from the Soviet Union in southern Africa."

Claiming in his May 19 speech to the conference that the struggle in southern Africa "brings tears to my eyes." Rev. Young made a plea for time by self-righteously claiming he knew all about exploitation because of his experience in the U.S. Young also claimed that Carter understood the Africans' situation because he had grown up in the South, and had played with black children. He also attempted to convince the Africans that a "revolution in America" had taken place with respect to racial matters, evolving slowly due to economic boycotts. As proof of the success of this tactic, he said "the hands that used to pick the cotton now pick the President."

The delegates were not taken in. "It was a collection of platitudes," said the U.N. Ambassador from the moderate state of Nigeria, Leslie O. Harriman, who is also the head of the U.N. committee on apartheid. "I would have listened to such a statement 10 years ago in Atlanta with patience, but I listened today with some irritation," said Harriman. "One had hoped to see Young contribute to this conference, rather than lecture us."

Robert Mugabe, co-leader of the Patriotic Front for the liberation of Rhodesia was not convinced either: "He (Young) speaks of an internal fight, we have an external struggle. He speaks about U.S. civil rights, we are talking about a colonial struggle." As for economic boycotts inside Rhodesia, Mugabe said: "We have tried those methods; our people got shot."

Cubans Expose U.S. African Policy

Prensa Latina, the Cuban press service, released three dispatches last week which clearly state Cuban and Angolan perceptions of U.S. policy in Africa and African rejection of the policy. The dispatches are reprinted below.

Luanda, May 13 (PL) — Less than three days before the opening in Maputo of a conference on southern Africa, the U.S. representative at this meeting, Andrew Young, has indicated that the U.S. "should increase its presence" on this continent.

The ambassador of Washington to the United Nations, who made these declarations at a meeting of U.S. ambassadors in Africa held in Accra, called for a greater "economic interchange" between his country and African states.

"The government of the U.S.," he said, "is concerned about the current situation in southern Africa and supports British negotiations in the region."

Young's pronouncements, in the opinion of specialists, constitute a variant of U.S. policy for this continent which indicates the intention of the current administration.

Shortly after his designation as ambassador to the UN, Young undertook a tour of Africa which was called an "exploratory trip to learn the realities at first hand."

From that point on, Young has reiterated the "necessity" for his government to participate actively in African questions, in apparent contradiction with the position adopted by President James Carter.

The U.S. President has not publicly retracted the statements of his ambassador, however. On the contrary, Young figures *de facto* among those responsible for Washington policy for this part of the world...

Concerning Namibia and Rhodesia, Young stated that the future of these territories "depends on the efforts of all parties to achieve a rapid solution."

In this regard, the Patriotic Front of Zimbabwe, a

nationalist organization representative of the Zimbabwe people, has rejected U.S. participation in any discussion on Rhodesia, on the grounds that this will lead to a neocolonial solution.

SWAPO, the revolutionary vanguard in Namibia, also has condemned Washington's diplomacy for this territory, which it identifies as allied with the racist regime of South Africa.

U.S. Policy Toward Africa

Luanda, May 14 (PL) — U.S. policy toward Africa has as its objective the arrest of the national liberation struggle and the division of independent African states, the *Jornal de Angola* indicated today.

The daily dedicated its editorial to an analysis of Washington's most recent steps on this continent, and in particular, its maneuvers in southern Africa.

Jornal de Angola referred to Andrew Young's declarations yesterday in which he called for a kind of Marshall Plan for Africa.

After noting that the White House is a partisan of neocolonial solutions for Namibia and Zimbabwe (Rhodesia), the daily urged increased vigilance against the plans of international reaction and consolidation of the union of revolutionary forces.

Commentary — Strategy of High Finance Toward Africa

Luanda, May 14 (PL) — The Angolan press has denounced the intense drive to destroy the liberation struggle in Africa and break the correlation of forces favorable to socialism on this continent.

The *Jornal de Angola* enumerated today five factors which it says constitute the new strategy of the developed capitalist countries against Africa.

It cites, first, the strengthening of "moderate" governments by means of direct loans or financing by international monetary institutions controlled by high finance.

The daily also draws attention to the creation of regional organizations which serve as bases for assault on independent African states. In this regard, the periodic France-African summits can be included. Their character is neocolonial, and observers regard the recent conference in Dakar as an exemplar.

The paper also identified among the plans of international reaction the massive sale of arms to the racist regimes, the preparation of a southern Atlantic military

pact and the increasing linkage between the intelligence services of several African states with those of the West.

All of these maneuvers have as their fundamental objective, according to the paper, the creation of new foci of tension and assault upon independent African states.

Within this strategy, in the opinion of specialists, also emerges the intent to draw attention away from the principal problems of the area, centered in southern Africa.

The current position of the U.S., which calls for the establishment of supposed administrations of the African majority in this region, can lead to false evaluations of the real policy of Washington, analysts say.

These observers consider that the current position of France in the Zaire conflict and the diplomacy of Britain concerning Rhodesia conform to the current policy of the West for Africa.

This formula is complementary with the use of reactionary governments in this region that are converting themselves into executants of those plans.

Fidel: Africa Ripe For Revolution

The following is an excerpt from an interview with Fidel Castro, published in the May 16-19 issue of Afrique-Asie.

Africa today is the weakest link of imperialism. It is there that in the last period the greatest crimes have been committed against the people. It is there that excellent perspectives exist to progress from near tribalism to socialism without having to traverse diverse stages that other regions of the world had to go through. If we are revolutionary militants, we have the duty to support the anti-imperialist, anti-racist, and anti-neocolonial struggle. Africa is assuming an extreme importance today. Imperialist domination is not as strong there as in Latin America. Therefore, the possibilities of a fundamental evolution in the African continent are real. And if there is an increase in fascism in Latin America, it is because it is the last recourse to impede the triumph of socialism. If the struggle remains very difficult in Latin America because the bourgeoisie dominates the economy, the universities, the press and all the sectors of national life, this phenomena does not really exist in Africa, where there is not a bourgeoisie, properly speaking. Uruguay and Chile, which yesterday were considered as the Switzerland of South America, what has become of them today? Bastions of fascism!

Castro, USSR Warn Carter:

U.S.—China Second Front Means Nuclear War

CHINA

"We have received very reliable information that the Chinese secret service works in closest collaboration with France, the U.S., West Germany and NATO," Cuba's Fidel Castro charged in print last week. Two days later, the Soviet Politburo issued the same charge.

The two statements follow numerous recent indications that the Carter Administration is attempting to conclude a U.S.-Japan-China entente and covert military alliance against the USSR, in a deal that might even involve some arrangement between the U.S. and China concerning the disposition of the Korean Peninsula. They also coincide with heightened anti-Soviet polemics in Peking, and follow China's collaboration with several NATO powers in Zaire, and its coordination with the U.S. in attempted destabilization of the Bhutto government in Pakistan.

From within China, riven by a deep factional and policy dispute, there appeared signs this week of a compromise which seems to have unified most of the military high command behind an arms buildup directed at the Soviet Union.

Castro's attack appeared as an interview in the weekly *Afrique-Asie* May 12. The Cuban President charged that China's current foreign policy was not the product of "errors," but "a policy conscious of its treason to the principles of internationalism . . . an alliance with imperialism." The Soviet Politburo statement appeared two days later in *Pravda* (see excerpts below), and claimed that "the leaders of the military industrial complexes of the U.S.A., West Germany, Japan and some other capitalist countries are actively discussing the possibility of supplying China with arms and military equipment. *Pravda* warned the Western circles so implicated of the dangers inherent in forming a military alliance with the Chinese, reminding them that Chinese Han chauvinist policy envisions a world war in which the superpowers destroy one another and China emerges the paramount world power; therefore if China allies militarily with the West now, it is only to threaten what's left of it later.

Far from heralding a mere *resumption* of full-fledged

anti-Chinese polemics on the part of the Soviets, as reported in the West, the Politburo statement is *stronger* than any pre-Maoist polemics, and confirms that the Soviets perceive the conclusion of a U.S.-China military alliance as an operational policy in imminent danger of being consummated. The statement is aimed far more toward the West than toward China, indicating the strategic concern felt in Moscow.

Multiplying examples of military and intelligence collaboration or apparent collaboration between China and Carter-allied circles in the West substantiate the Cuban-Soviet charges. The direct collaboration of the Chinese with Belgium and the Giscard regime in France in shipping arms to Zaire for intended use against Soviet-supported Angola is an open secret. The significance of the visit of the two Japanese military delegations to China in the last month — sanctioned by pro-Carter Japanese prime minister Takeo Fukuda — has also not been lost on Moscow. The Japanese military, closely tied to the U.S., has not set foot in China since World War II. A military and intelligence interface between the U.S., NATO and China has been the avowed policy of the Rockefeller circles behind Carter, including James Schlesinger, since at least 1975, as the Soviets know.

Recently, China's Premier and party chairman Hua Kuo-feng, in apparent direct coordination with State Department and National Security Council operations to destabilize the Bhutto government of Pakistan, sent a note to Bhutto threatening to "hold him responsible" if any harm should come to several thousand Chinese road workers in Pakistan held hostage by anti-Bhutto tribesmen, according to a well-informed source fresh from confidential talks with representatives of the People's Republic of China in Washington. The tribesmen failed to carry out their threat to kill all the Chinese, after Bhutto refused to capitulate to their demands and sent the Pakistan army to the rescue instead.

China Prepares for War

Hua Kuo-feng, engaged in a factional war with the supporters of the twice-ousted Teng Hsiao-ping and those who wish to see an open repudiation of Maoism in China, is staking his political future on a full defense of the Maoist myth and political style domestically, and renewal of the Maoist alliance with the United States against the Soviet Union in foreign affairs. The latest

indications are that he may have succeeded in buying off or coopting at least a major portion of the military elite formerly supporting Teng by shifting his own stance on the question of military procurement, and directing a campaign for military buildup against the Soviet Union.

Following Teng's failure to reappear in public in early April, when his return was widely expected within China, a mass campaign to glorify Hua Kuo-feng as Mao's true successor was launched in the Peking press. This was followed by a spate of warnings about Soviet intentions to invade China. In late April, Hua Kuo-feng toured the Chinese border with Siberia; he railed that "the wild ambition of Soviet revisionism to subjugate China will not die," and rallied the Chinese army to the anti-Soviet cause.

The first indication of compromise was the reappearance in public of Defense Minister and second-ranking Politburo member Yeh Chien-ying on May Day, accompanied by Hua. Yeh, one of Teng's strongest supporters for the past several years, had been out of sight for two months in probably protest at the blocking of Teng's return by Hua and his faction. It appears that the Hua faction's opposition to diverting substantial economic resources into modern armaments was dropped as the condition for Yeh's (and presumably others') support — at least for the time being. In a major theoretical article released on May Day and designed to establish his credentials as Mao's successor, Hua included in the midst of a generally carbon-copy rendition of Maoist platitudes the sentence: "In order to safeguard the socialist system, it is imperative to have a powerful national defense and therefore a powerful economic force." This linking of a strong economy with defense violates a Maoist precept on the primacy of men over modern weapons. Under Mao the military budget was kept relatively small, and the equipment quite backward.

On May 9 Yeh spelled this out explicitly in a speech to the nationwide conference on industry in Peking. "We must take steel as the key link and speed up the development of the basic industries so as to put our defense industries on a strong basis and enable them to make greater progress," he said. Such a policy has not been emphasized in China since the 1950s.

In the same speech, Yeh supported Hua's anti-Soviet ravings with a warning of likely early thermonuclear war: "At present, the Soviet Union and the United States are locked in an increasingly fierce struggle for hegemony; a war will break out some day. We must be clearly aware of this situation, keep war in mind and get prepared for it, for a big war that will break out at an early date."

The relation between the Yeh-Hua show of unity and the underlying factional struggle is not presently known. The Teng forces, based predominantly in the southern Chinese provinces, are known to want a general sweeping away of all aspects of Maoism, a move that would undermine Hua's claim to leadership. Recent broadcasts in two coastal Chinese provinces saying that the widespread denunciations of Maoism must cease testify to the undercurrent of support for the Teng faction's perspective. But the critical factor remains the Chinese military, and it appears for the moment that they are at least acquiescing in the anti-Soviet campaign.

Carter to Support Hua!

The chief obstacle to consummating the alliance between the Hua regime and the Carter Administration is the problem of Taiwan. It has been reiterated in numerous locations that Brzezinski, Schlesinger and other Atlanticist observers see Taiwan as just a bargaining chip for China; their real concern is the Soviet Union. So far, these U.S. circles have attempted to maneuver without acceding to China's demand for a total break with the Taiwan regime, including breaking the military security treaty. But it has recently become clear to these circles that Hua cannot afford to compromise on the Taiwan question for fear of giving his factional opponents the rallying cry that Hua "sold out Taiwan." On the other hand, if Hua can conclude the establishment of normal relations with the U.S. on China's terms, he will have a tremendous "victory" with which to consolidate his rule. If he can bring this about in the near future, before having to bring Teng back, he would command the leverage to insure that Teng never regained a powerful post from which to challenge his own authority.

A well-informed source has indicated to EIR that a policy discussion in the NSC is being conducted on just this question: should the U.S. throw its support to Hua against Teng by abandoning Taiwan, or not? The rationale for such a step is the presumed more pro-U.S. stance of Hua. Teng is generally thought to be harder to deal with, tougher on the U.S., and more open to an "even-handed" policy of equal opposition to both Washington and Moscow.

The question in Washington is ultimately not *whether*, but *how*, and at what price, to recognize Peking. For the moment, there is no indication of official policy to shift to the "abandon Taiwan" position, and it may have been in response to this perception in Peking that an unnamed top Chinese official recently gave the *Washington Post's* Hong Kong correspondent Jay Matthews an on-the-record interview in which the official laid out in no uncertain terms that no compromise on the Taiwan question is acceptable. Less an attack than a plea to Carter to bail out Hua, the interview nonetheless betrayed the Chinese worry about Carter — they are not quite sure who he is or what he will do.

The response in Washington was to say officially that the interview carried no particular significance, while trying to mollify the Chinese with statements from the Administration that an improvement in relations is strongly desired by Carter; and to publicize the now-ongoing talks about the problem of assets frozen in both countries. It remains to be seen whether this latest attempt to stall on the Taiwan question will meet any success in Peking. But the Chinese were reliably reported to have been greatly alarmed when the U.S. House of Representatives voted down aid to Vietnam despite Executive Branch support for it — because of the implications that when dealing with Asia, the Administration is subject to being overruled.

Japan and Korea

Perhaps because of the obstacles to official U.S.-China collaboration, China has made a strong push to make a deal with Japanese military circles. The latest story, reported by *Prensa Latina* May 18, is that Peking is

pressuring the visiting Japanese military delegation to form a Japanese version of the anti-Soviet "Committee on the Present Danger." Any collaboration with such circles is a subterfuge for direct U.S.-Chinese ties.

The basis for such ties is the regime of Japanese Prime Minister Fukuda, an ally of Carter. In addition to the military visits, Fukuda sent a top aide, Shinsaku Hogen, to hammer out the final details of a "peace treaty" desired by China that includes a clause attacking the Soviet Union as "hegemonist." On May 16, it was indicated that Fukuda himself is definitely considering a trip to China in August to sign the treaty, assuming it is ready to be signed by that time.

Fukuda's "China turn" is an attempt to revive the Kissinger "Peking-Tokyo-Washington axis" against the Soviet Union. But one sticking point has always been the Koreans, which remains a major point of global strategic confrontation. Some solution to the problem of the divided peninsula, which would place Peking, Tokyo and Washington on the same side of the issue — Peking now supports North Korea, Washington and Tokyo South Korea — is now sought. Kissinger had previously proposed the outlines for such a deal in a "four-power" agreement whereby China, the U.S., North and South Korea would concur on a formula guaranteeing the security of the peninsula and joint recognition of the two Koreas. Japan was to be included and the Soviets added on at some later date.

There are signs that discussions along these lines are again underway, with the Chinese being probed as to a possible Taiwan-for Korea tradeoff. A North Korean government delegation is presently making a first-ever official trip to Japan, with the express approval of Fukuda, and the delegation is headed by North Korea's long-time Ambassador to Peking, whom one Korea expert described as a virtual agent of the Peking regime. The same expert felt that Japan in this case was acting as a go-between for North Korea and the Carter Administration, with the Chinese and North Koreans both looking for firmer guarantees of the seriousness of the Carter Administration's plan for the withdrawal of U.S. troops from South Korea. North Korea's bizarre imitation of Mao Tse-tung, President Kim Il-sung, recently gave an interview to the Japanese daily *Yomiuri* in which he praised Jimmy Carter and, Chinese-style, asked for a clear expression of Carter policy on Korea.

The one obvious roadblock in this byzantine course is South Korean President Park Chung-hee, who would resolutely oppose any such deal and is already resisting plans for the withdrawal of the U.S. military presence from his country. President Park has been at the top of the National Security Council's "wanted list" for some time, and his removal via NSC machinations is becoming an increasing priority.

Fukuda's emphasis on developing closer relations with China has led to strained bilateral Japan-South Korean relations. In particular, the ruling LDP of Japan has thus far failed to push through the Diet ratification of a 1974 agreement with the Republic of Korea to jointly develop the oil reserves off their respective coasts, in large part out of deference to opposition to the accord voiced by China. China claims that it must be included in any discussions concerning the demarcation of the waters of the Yellow and China Seas.

While the Lower House of the Diet has ratified the accord, and Fukuda himself has nominally endorsed it, Fukuda's LDP has pursued a parliamentary "strategy" toward the ratification bill that will likely see the current Diet session end without the bill being passed — for the third year in a row. Fukuda has gone to great lengths to prevent his public endorsement of the bill from angering the Chinese, instructing his Ambassador in Peking to "explain" his position on the issue to Chinese officials.

The South Koreans, for their part, have strongly hit the filibustering by the LDP on the continental shelf bill and President Park has publicly committed the country to unilaterally begin development of the oil reserves on the shelf if the Diet fails to ratify. Park has threatened to abrogate the Japan-South Korea fishing accord if the bill does not go through.

In dealing with Park, the NSC also confronts considerable resistance to the implementation of Carter's "human rights" policy within the U.S. government itself — for example, in the State Department — and among conservative circles within Congress and elsewhere.

The lengths to which the National Security Council is willing to go to construct this edifice in the Korean peninsula signals their determined commitment to bring the Chinese "second-front" into play.

— Peter Rush
— Daniel Sneider

USSR: 'Western Circles Delude Themselves ...'

Below are excerpts from a 3,000 word article headlined "Peking: Course to Wreck International Détente Under the Cover of Anti-Sovietism" published in Pravda May 14. The article was signed by I. Aleksandrov, known as a pseudonym for the Politburo of the Soviet Communist Party.

...The present leadership of China, jointly with the most reactionary forces of imperialism, is issuing attacks on the socialist countries, attempting to aggravate the international situation, to return humanity not only to the times of "cold" but also of "hot" war.

In Peking, an anti-Soviet campaign is continuing, taking on an ever more unruly character. The issue, however, is not only anti-Sovietism, but also the fact that, covering themselves with the flag of anti-Sovietism, the Chinese leaders are trying to undermine the international relaxation of tensions, to aggravate the situation in the world to the maximum.

Recently the fifth volume of the *Selected Works of Mao Tse-tung* was issued in China, and on May 1 the present chairman of the CCP, Hua Kuo-feng, wrote an article commemorating this volume. In this article Hua proclaims the loyalty of the new Chinese leadership to

the internal and foreign policies of Mao, the nationalist, great-power, militaristic course....

In May, Hua Kuo-feng repeated his call for "preparation for war" during an inspection visit to the north-east provinces of China....

The staggering shortsightedness of some people in the West is truly amazing; they are so blinded by anti-Communist prejudices that they pay no heed to the enormous danger of Maoist policy for their own people....

It is not clear that the nuclear missile race being carried out by China, not without the approval of the military-industrial circles of the USA, BRD, several monopolies of France, Japan and Great Britain, is directed at creating a threat not only to the Soviet Union and China's other neighbors, but to worldwide peace? Doesn't the radioactive dust from nuclear weapons tests in China fall over Japan, the USA, and the countries of Southeast Asia?

Judging from everything, Western circles instead of soberly looking the facts in the eye, delude themselves that they can successfully ward off Peking's expansionism and direct it in another direction. They are forgetting the bitter lessons of recent history, when appeasement of the aggressor turned into a catastrophe for the very "appeasers" and for the whole world. Where is the guarantee that history will not repeat itself?...

"We must conquer the globe," said Mao Tse-tung at the conference of the Central Committee of the CCP as early as September 1959....

The Maoists poeticize war....Mao said at the Second Session of the VIII Congress of the CCP: "War is fine. There is no reason to fear war. War means people will die....In my opinion, the atomic bomb is no more frightening than a great sword. If half of humanity perishes in war, this has no significance. It is not frightening if only a third of the population remains...."

The successors of Mao have picked up this militaristic baton. They continue to affirm: "Sooner or later war will break out...We must prepare to fight."

It is extremely dangerous since these are not only words, not only poetry and prose, but also real deeds, and practical politics....

The Chinese economy is being put on a military footing; the military industry is given priority....Seeing this, the bosses of the military-industrial complexes of the USA, West Germany, Japan and several other capitalist countries are actively discussing the question of possible supplies of weapons and military equipment

to China. Their lobbies are exerting pressure on the ruling circles of their countries, demanding agreements with China on the development of cooperation in the military sphere.

We would like to ask these people who, delighted by Peking's anti-Soviet attacks, have become deaf to its other, truly expansionistic statements and are eager to ally themselves with Peking for the struggle against "Soviet hegemonism": whom do such aims of the Chinese leaders threaten, against whom are they directed?

...The real meaning of Peking's advances to Washington was revealed in particular by the head of the international affairs department of the CCP Central Committee Hen Byao in a speech before graduates of the diplomatic academy: "At the present moment let the USA defend us against the influences of Soviet revisionism...When we think that the time has come, we will say to Uncle Sam: "Be so kind as to pack your bags...."

To contemplate these cynical statements of Peking would be useful for those Western leaders who, encouraging the military preparations of the Maoists, naively suppose that the sword of Chinese militarism has nothing to do with them....The Peking hawks nourish illusions that in a nuclear war most of China's population would remain intact.

Cynical but futile hopes! If a world thermonuclear conflagration were to arise provoked by the Maoists, it would bring incalculable sufferings to all the people of the earth, not sparing the Chinese people.

The adventurism of Peking's policies is all the more obvious since its vain hegemonistic efforts are not backed up by the slightest solid material basis; it is perfectly well known that the Chinese economy, its industry, its armed forces are very far from any modern level. In this regard it is all the more obvious how unworthy is the striving of the Peking leaders to push other peoples and states into the abyss of a new world war, to — as they say — use the hands of others to feed the fire....

It would be an unforgivable mistake to take an impulsive position towards Peking's reckless policy, and to wait until the danger has grown to disastrous proportions. All to whom peace is dear, who want to peacefully pursue their constructive labor, must jointly direct their efforts to unmasking and suppressing the most dangerous designs and actions of the Maoists and other provokers of war.

Open Letter to China

The following statement was released May 15, 1977 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr.:

To The Central Committee Of The Communist Party Of China!

The immediate danger of general thermonuclear war, which your leadership has recognized publicly, obliges me to break my recent standing policy of avoiding direct intervention into internal Chinese affairs.

Up to this point it has been my policy, insofar as possible, to work to create for China that global environment of economic development which would be most favorable to China's urgent internal interests. I have been correctly assured that under such global circumstances, the leading social forces of China, the industrial workers, the dedicated officer and non-commissioned officer corps of the Chinese army, and the scientifically oriented professionals, would be successful in winning a majority of forces within China to an improved domestic and foreign policy.

Now the interests of China, as well as those of the world, oblige me to openly and directly criticize your strategic orientation.

First, there is, as you fear, a high probability of a general thermonuclear war between the United States and the Soviet Union before the end of August 1977 — as I warned a nationwide U.S. television audience during a half-hour address on November 1, 1976. David Rockefeller's puppet, the Carter administration, its running-dog, the French Giscard government, and their accomplice, Israeli intelligence, are following an operational policy which will indeed lead to the ABC (atomic-bio-logical-chemical) warfare extinction of the USA and major parts of Western Europe before August 1977. David Rockefeller and his financier allies are hopelessly bankrupt, and therefore their puppets have turned wildly insane — as the presence of Jimmy Carter in the White House exemplifies.

Second, you are not entirely unjustified in seeing the war as inevitable during 1977. Although certain forces inside the U.S. and Western Europe are determined to prevent the war from occurring, they have so far exhibited vacillation, have limited themselves to cautious half-measures which — because they are half-measures — are well-meaning impotence. Only I and my associates represent a qualified rallying-point for stopping the war danger; if other forces lack the perception and courage to rally openly around my forces, they are all going to die mewling in their own vacillation and cowardice.

Third, despite your approximate correctness on the basis of those two points, your stated policies and postures are not only politically, strategically wrong, but suicidal in implications. *It is morally inconceivable and monstrous that a nation of over 800 million people should not be a major positive factor in moving to prevent general thermonuclear war from occurring.*

Under such circumstances, I have not only the right but also the obligation to be as impolite and even cruel toward your nation's political leadership as necessary, to point to the visible causes of your present strategic follies.

Chinese "Oblomovism"

Leading circles of your Central Committee, especially of the older generations, are generally informed of V.I. Lenin's ruthless denunciation of the phenomenon of "Oblomovism" within Bolshevik circles. No doubt, during times of embittered relationships between the Chinese Communist Party (CPC) and the Communist Party of the Soviet Union, private jokes concerning Soviet-leadership "Oblomovism" have been widespread among such leading CPC circles. However, I must insist that the worst Soviet Oblomovism is a miracle of Promethean cosmopolitanism by comparison with the more profound expressions of backward-peasant Great Han Chauvinism which have frequently dominated your nation's policies.

Do not console yourselves that I might represent a variation on the notorious Hong Kong School of political studies of modern China. I know the character of those imbeciles even better than you do.

They pile up great dung-heaps of petty gossip concerning intimate relationships within China, from their spies proximate to China's leading circles down to the spies who are friends of William Hinton and similar types at the village level. Such Hong Kong scholars shape these dung-heaps of gossip into various shapes, as a young child with clumsy fingers sculpts in mud or clay. Having made such shapes, these Hong Kong gossip-consumers then announce: "See what a wonderful conclusion I have been able to fashion from my accumulated China intelligence!"

I do not subscribe to such practices.

My analysis of China is a class analysis. I see the continuing struggle between the interests of China's industrial workers and the continuing forces of the "idiocy of rural life." I see how strata of the CPC and professionals take sides in guiding this class struggle within China in a positive or backward direction. I am also one of the world's leading experts in economics and industrial technology, and am able to judge the relative competence or incompetence of various policies announced by the CPC, both on broad issues of China's domestic policy and its foreign policy. I look at China "inside-outside" in this way, and judge China's policies accordingly.

In this way — I tell you most frankly — I understand China better than a majority of the members of your Central Committee.

My method is best broadly identified as the method of crucial scientific investigation — the method of "unique experiment" as this was identified by the great Bernhard Riemann. For this reason, I am able to reach correct conclusions with absolute certainty even from what might appear to some as little things.

For example, the campaign against the birds. Birds eat grain. That is true, but birds also consume insects. Kill the birds and you will have more insects, which are a greater danger to the food supply than the birds over which you have foolishly triumphed. That folly affords me crucial insight into foolish thinking within a majority of the CPC and other responsible strata. It reveals the influence of the peasant mentality — the “idiocy of rural life” — on your leading bodies.

“Go to the people, learn from the people.” That is not Marxism, that is populism. One deals with the backwardness of the peasantry by bringing the peasant up to the level of culture of the industrial worker, not by dulling the minds of industrial and professional cadres with village ideology. “Understand the peasantry, know the psychological and political effects of the ‘idiocy of rural life’ on the masses of the peasantry — ‘develop insight into the peasant’s mind.’” Absolutely! The question is: Which *class* is the teacher and which class is the student?

To emphasize my sympathy for such problems of China and its CPC leadership, I add the following observations.

The army of China is an important political weapon against the backwardness of peasant life. An army commanded by representatives of the highest levels of industrial classes and culture, based on industrial-worker officer and noncommissioned officer cadres, and an industrial-worker militia system, is not only the most effective military force possible for defense of China, but is an instrument for assimilating the backward peasantry into modern industrial culture. It is indispensable, of course, that the commanders and leading military cadres understand the mentality of the peasantry — *in order to overcome this mentality* — and use the peasant elements of the militia system to raise the cultural level of the peasantry as a whole.

It is unfortunately true that China has been obliged to emphasize what the Nazis praised as “*primitive Bauweise*” in major rural and other engineering undertakings. However, it is a different thing to say, “Comrades, since we lack modern technology, we are obliged to resort to such primitive methods of engineering since the work cannot wait,” than to praise such primitivism as in some way desirable.

I also have possession of another crucial piece of information, upon which I can rightly construct the most rigorous and meaningful conclusions by methods of “unique experiment.”

One of my associates, presently a leading member of our organization’s executive, some recent years past spent months in China as a visiting journalist. She has reported on that experience with a deep sympathy for the Chinese people and the deepest appreciation of the hospitality she enjoyed there. Among the questions she asked of all responsible sources of the government and CPC was why China’s commitment to the Vietnamese struggle was so limited. The uniform answer she received was that the securing of Taiwan was the primary issue in China’s struggle against imperialism.

Is it possible that at this date you do not see how monstrous that attitude, that policy is? Unfortunately, I find it all too possible that you would still defend such a monstrously immoral policy. It is a *nationalist, racist*

outlook on foreign policy matters, not a Marxist outlook, not a sane outlook.

I also have extensive (although by no means complete) knowledge of the way in which the internal affairs and policies of China and its Communist Party have been manipulated over decades by Anglo-American intelligence networks penetrating your political organizations down to the village level. Just as Rockefeller and allied intelligence networks — working through Canadian and other intermediaries — lead 800 million Chinese around by the Taiwan Mandarin’s queue, so every capitulation to national and racial chauvinism, to the “idiocy of (Chinese) rural life,” is a feature of the psychological profile of Chinese leadership which the psychological-warfare technology of Rockefeller and allied specialist agencies can exploit to manipulate China almost as an animal trainer controls a performing circus animal. The fact that some of you for so long imagined that William Hinton was a friend of China is an example of the way you are so easily duped and manipulated by these Rockefeller and allied agencies.

It is exemplary of the same principle that your government has stressed the military policy of hordes of an ill-armed Chinese militia — with well-maintained weapons 20 years old and more — as compensation for a lack of the technology of modern warfare. Against the present “all-volunteer U.S. Army,” the Chinese Army would undoubtedly be more than a match on the ground, and also against such politically rotten armies as that of France. Against the Soviet forces, such a “Chinese armed peasant horde” would be a tragic military obscenity — as every qualified Chinese military commander knows! Apparently, according to evident Chinese strategic posture, your CPC leadership has forgotten the *political* ABCs of the distinctions and connections between partisan and regular warfare. You should restudy Clausewitz, the associates of Tukachevsky, Tito, and Giap more carefully once again.

The gist of the argument of those who praise China’s strategic policy from the outside is relevant to this problem

It is argued by these incompetents that the primitiveness of much of Chinese rural life, its adaptation to a low level of labor-intensive technology, is in effect a civil-defense survival potentiality under conditions of modern ABC warfare. The cretins who praise Chinese strategic policies on this account are, not accidentally, those same circles which governed the U.S. Pentagon in the 1961-1968 period, under Schlesinger, and under the present Administration. It is those ignorant, neo-Malthusian accountants, typified by McGeorge Bundy and genocidalist Robert S. McNamara, who indirectly aided the Warsaw Pact in developing a marginal thermonuclear war-winning advantage over the U.S.-NATO forces. If one’s military policy is praised in such circles of manifest gross strategic incompetence, one already has strong reason to reexamine the competence of one’s strategic posture.

Contrary to cretinous strategists of the neo-Malthusian, Bundy-McNamara tradition, backwardness is the greatest vulnerability under conditions of ABC warfare. I develop this point here as it bears most directly on the

problem of Great Han Chauvinism — Han “Oblomovism.”

If you had studied European history during the 14th century or during the 16th and 17th centuries, and had also studied American and European military history from 1776 through 1871, your leadership could not have tolerated the tragic blunders which are China’s strategic posture to date. The 14th and 16th to 17th centuries’ developments, especially the Black Death and the experience of the Thirty Years War, directly discredit the present Chinese strategic posture as incompetent.

The existence of the human species depends on the ratio of free energy represented by applied, encultured levels of productive technology. This is both the objective meaning of *labor-power* and the objective reflection of the subjective side of labor-power, culture. It is the power to rapidly reproduce the highest levels of technology in agriculture and industry, on the basis of the assimilation of such modern culture subjectively by the population, which is the basis for the power of a society to progress and to survive — most emphatically including survival under conditions of thermonuclear war.

If the stresses of thermonuclear war, and its included broader range of ABC measures, were to strike China, the very backwardness of Chinese agriculture would transform the masses of the population of China into biological forcing-cultures for the most massively genocidal pandemics in all human history — this precisely because of the backwardness of Chinese rural life.

Therefore, if China were to either ally itself with the Rockefellers in a war against the Warsaw Pact, or if China were to foolishly contemplate emerging, as a neutral, from such a war with a strategic advantage, then such a policy would represent in either case criminal strategic incompetence by the leadership of the CPC.

As you and I know — but as certain Rockefeller circles hysterically refuse to believe — it is the second sort of folly, “neutrality,” which coincides with the present profile of the CPC leadership. Great Han Chauvinism, and all Oblomovist political tendencies adapted to such chauvinism, prescribe that the entire non-Chinese-speaking world is a world of “strangers,” an “outside world,” outside the great national family of China. “Let the foreign devils destroy one another” is the natural policy of Great Han Chauvinism in all its guises, including the professed socialist guises.

It doesn’t function. China, as you ought to know most clearly, is moving toward a deadly internal economic crisis and social byproducts of such crisis, precisely because of inadequate technological progress during recent decades.

The various grand gestures of desperate folly, beginning with the so-called “Great Leap Forward,” did not succeed because they could not succeed. They were conceived in folly and produced consequences agreeable to that quality of conception. The “Great Cultural Revolution” not only failed to deal with the real problem, but did grave internal psychological and political damage to China’s previously existing potentialities for overcoming the problem of technological backwardness.

The impetus for both self-destructive gestures is well

known. The “Great Leap Forward” was a chauvinist act of autarkical desperation, directly correlated to deterioration of China’s relationships to and economic cooperation with the Soviet Union. (I do not discount Soviet errors in that connection, but the China response was worse than any Soviet contributing mistakes involved. One does not behave like such a backward peasant as to allow subjective reactions to fluctuations in foreign policy relations to undermine an essentially sound long-term foreign policy.) The “Great Cultural Revolution” was aggravated into an internally self-destructive obscenity in a turning-inward flight from the “Berkeley Mafia” coup in Indonesia and related developments. In both cases, it was a flight from global realities to hiding inside the bedroom of the Great Han family. “We do not need the outside world! The outside world has rejected us. Very well, we reject all foreign devils and their affairs!”

Although China is, in part, one of the world’s greatest industrial powers, the cost of food — in respect of the proportion of the population required for agricultural production — makes China one of the major backward economies of the world. With this great lump of rural backwardness on the back of the Chinese industrial workers, it is most difficult to develop sufficient industrial surplus within China to meet, simultaneously, the needs of industry, the army, and agriculture.

From my study of your government’s publications, and of the wretched dogmatic propaganda of the “Great Cultural Revolution,” I know that much of the creative mental potential of the young adult generation of China today was systematically destroyed by the “Great Cultural Revolution.” You openly degraded the achievements of China’s creative professionals and industrial workers in favor of the idiocy characteristic of rural life, calling forth from the ranks of China’s youth the most hideous, nihilistic potentialities of the petit-bourgeois social stratum.

As a result both of the objective strategic economic conditions and the monstrous aggravation of those problems through the nihilistic insanity of the “Great Cultural Revolution” and its aftermath, you have monstrously aggravated the problems of technological progress, and are on the verge of a crisis of the type erupting under the Bukharinist policies during the middle 1920s in the Soviet Union — but a far vaster and more deadly crisis.

If we get the world through the present crisis without a general war, and establish a new world economic order of the type I have proposed, we shall enable China to solve these economic problems. Unless that occurs, the accumulated mistakes of past Chinese policy will confront you with the most savage crisis imaginable.

I have the most profound concern for China and its people, but my present powers are limited to ideas and the political influence I and my associates are able to exert with correct ideas. To aid China at this moment, I can therefore only aid you by giving you those ideas which you desperately require to assist yourselves in escaping from the looming horrors before us.

You must immediately cease to defend the influence of rural, chauvinistic idiocy in your past policies on grounds that the critics are “foreigners.” (Karl Marx, I

remind you, was not of Chinese descent, nor did he ever master the Chinese language.) China was a monstrously backward culture until it was confronted by European civilization and ideas. It was a decaying, degenerating culture, of great sweeps of "yin-yang" ebb and flow under the rule of Oriental despotism and the degenerate Mandarin system. The Chinese peasant — as I personally knew him casually as a soldier during World War II — was degraded to an animal-like existence, with fewer rights than prized cattle. *The ruling ideas of old China were the Mandarin ideology, which rationalized the perpetuation of the animal-like existence imposed upon the people of China.*

It was the touch of European ideas, largely mediated through Chinese intellectuals of the strata typified by Sun Yat Sen, who assimilated that European culture and European humanism. On the basis of European humanism, *they rejected the traditional bestialist ideologies of Mandarin China, and led a struggle to bring European culture to China*, so that the Chinese coolie and peasant might at last realize his potential to rise above his Mandarin-ideology status of a "talking animal."

To go back to Chinese traditions, to Mandarin ideology, is to reject those European influences through which heroic Chinese leaders led China as a nation out of the mud and human dung-carrying bestiality of its degenerated Mandarin past. To turn inward, to the past, the Han Chauvinism, to the rural "roots," is to repudiate the only hope of the people of China, to escape at last, fully, from the bestial traditions of the Mandarin past.

European culture is not some "foreign thing" for China. European culture is the precious, highest advancement of the rise of the human race from the Pleistocene millions of years ago.

European culture is still the apex of man's upward advance from the baboon-like existence of our pre-Paleolithic ancestors.

It is not merely "European." The great rise of European-Mediterranean culture began in Ionian Greece over 2,500 years ago with Thales, on the basis of the Mesopotamian and Egyptian (and Indus River valley) foundations accumulated since the rise of neolithic cultures in those regions. With the fall of Greece, and the decay of degenerate Rome, the further progress of humanity was perpetuated by the great Arab Renaissance. On the basis of the Arab Renaissance, through Ibn Rashid, the transmitted influence of Ibn Sina, and the great Egyptian Fatimids, the European Renaissance was built.

What was brought to China from Europe during the 19th century — apart from British and New England opium peddlers — was the return to China of part of its rightful share of the accumulated achievements of the entire human race over preceding millions of years.

To repudiate that European culture is to repudiate humanity. To repudiate European cultural achievements is to repudiate Sun Yat Sen and every other greater leader of modern China's struggles to assimilate *the power of European culture* for its own. The Mandarin past is a bestialist past, from which China must escape to survive. To repudiate European culture as a "foreign thing" now is to repudiate China's potential for even mere physical survival.

Proper Policy of China

To sit back and prepare for the war in which "the foreign devils destroy one another" is immoral and monstrous, Mandarin-like fatalist bestiality. Your duty — to China and to the human race — is to put what power and influence China has openly in the balance against this war, against David Rockefeller and his war-making allies. In return for that service to humanity, China has the right to demand of the world a new world economic order, in which the massive technological-development potentialities of China can finally be realized.

Venezuela-Argentina Summit Disrupts Carter Strategy For Latin America

Scarcely a week after his successful organizing tour through the Middle East, Venezuelan President Carlos Andres Perez (CAP) has masterminded the creation of an anti-Wall Street development axis in Latin America. CAP and Argentine President Lt. Gen. Jorge Rafael Videla ended a three-day summit in Caracas May 12 with a joint declaration advocating the regional development of nuclear energy and other high technology industries. The communique also endorsed the Non-Aligned movement's Colombo Action Program, which calls for Third World debt moratorium and the creation of a new international monetary system.

In speeches at a state banquet prior to the signing of the joint declaration May 12, both presidents warned the New York banks that they are actively considering debt moratoria: they praised the 1903 Argentine "Drago Doctrine," through which the Argentines at that time protested the use of European gunboat diplomacy to enforce the collection of Venezuela's foreign debt, after that country declared a moratorium. As President Videla stated at the banquet, Argentina gives its full backing to the Drago Doctrine thesis "that prohibits the use of force for the collection of debts between states." CAP, in the traditional presidential exchange of gifts, presented to Argentine President Videla a book on the Drago Doctrine and another on the famous Argentine republican statesman, Sarmiento.

With these politically aggressive accords, agriculturally-rich Argentina and oil-wealthy Venezuela have thrown the Carter Latin American strategy askew. The reaffirmation of the traditional Venezuela-Argentina political "axis" along explicitly pro-development, pro-peace lines is a strong counterweight to the U.S. Administration attempts to simultaneously isolate pro-development government of President Perez from the rest of Latin America, and push Argentina into a fascist South Atlantic Treaty Organization (SATO). Such a SATO alliance, including Brazil and possibly South Africa, would be used as a shockforce both against the liberation struggles in southern Africa, and against the "democratic north" of South America — particularly Venezuela.

The resounding success of the trip has significantly stabilized and strengthened Videla within Argentina, undercutting the "watergating" destabilization efforts of the pro-SATO ultra-hardliners around Navy Minister Emilio Massera and Buenos Aires province governor, retired Gen. Iberico St.-Jean. While Videla has not hesitated, since the military coup of March 1976, to implement the IMF austerity dictates, he has been pushing a policy of limited "democratic opening" sharply opposed by the pro-Chile model military faction.

Just days prior to the Venezuela-Argentina summit,

Carter had dispatched his State Department Undersecretary for Interamerican Affairs, Terence Todman, for meetings with both Perez and Videla — as well as with Brazilian and Bolivian officials — in an attempt to strong-arm them into line. Todman's efforts were singularly unsuccessful.

Trying to exacerbate tensions and pit Brazil against the emerging Argentine-Venezuelan axis, Todman declared from Caracas May 11 that the Carter government "is not willing to accept the policies of the Nixon and Ford governments, according to which Brazil is the leading nation of Latin America."

His statements — covered over with "clarifications" issued days later by U.S. Embassy in Brazil — provoked a predictably paranoid reaction from Brazilian press layers, and a defensive response from Brazil's Chancellery, Itamaraty.

Both CAP and Videla were quick to counter Todman's provocations. In a press conference especially for Argentine journalists May 13, Perez stated that "those who speak of Brazil as a nation that plans to open a new im-

The Story Of The Drago Doctrine

In 1902, the Venezuelan government of President Cipriano Castro, confronted with a grave economic crisis, took recourse to the declaration of a moratorium on the entirety of its international debt obligations. At that time Venezuela's principal creditors were Germany, Great Britain, and Italy, and these three countries responded to Castro's move by blockading five Venezuelan ports with a joint naval task force, sinking three Venezuelan ships, and threatening continued armed aggression until Castro promised to meet his obligations.

The Roosevelt government in the U.S., fearing direct geographic expansion in Latin America by their Rothschild monetarist competition, interceded to force the Europeans to withdraw their warships and to arm-twist Castro into accepting binding international arbitration at The Hague. Ultimately Castro was forced to make good on his obligations to the Europeans.

During these events, all of Latin America — with the exception of Argentina — remained conspicuously silent or else sided openly with the Europeans and U.S. monetarists. Argentine Foreign Minister Drago, however, issued a policy statement, which later become known as the Drago Doctrine, in which he argued that "public debt cannot occasion armed intervention...by a European power."

perialism in the region are not the Brazilians, but the enemies of Latin American integration." By offering to include Brazil in a pro-development continental alliance, CAP has strengthened the hand of the anti-SATO faction within that country. Argentine president Videla similarly declared that "we believe in an integrated (Latin) America, in which Brazil...our brother and neighbor, has a place."

Perez Offers Argentina Partnership In Democratic Development

Excerpts from the banquet speech of President Perez honoring President Videla, in Caracas, May 11:

Argentina and Venezuela were born to history with common aspirations to liberty and democracy, to the value of the human being and the dignity of culture. We are conscious, Mr. President, of the efforts you are making as Argentine chief of state, within very dramatic circumstances, to find a road for your country and for your people to return the Argentine nation to the wide and certain way of representative democracy. It is not for us to judge the deeds or circumstances of national life, but only to observe with faith and optimism that there is a firm decision to travel Argentina's path towards her irrevocable destiny of a great Latin American nation.

The Argentine Republic is daily growing closer to us in the common task of forging the economic independence of our peoples...in joining our destinies with irrenounceable will to the global battle of the Third World for a new international economic order.

We cannot and should not ignore responsibilities in the common effort to assure world peace. The effective control of nuclear energy, so that it is not used for belicose ends and, fundamentally in our case, so that its ominous presence does not obscure the horizon of our Latin America;...

Venezuela concedes fundamental importance to the resumption of the Geneva Conference to put an end to the conflict in the Middle East, guaranteeing the existence of Israel and recognizing the sacred and unquestionable right of the Palestine people to have their national homeland.

The problem of human rights acquires a dramatic position in our historic moment. The circumstances in which the nations of our continent and of the entire world live, faced with situations of social dissolution that disturb the most profound foundations of our mature communities, and which sink the leadership of our peoples in a sea of confusion, are very complex...

Equal to this painful reality is the presence of terrorism, in its most foul and horrendous forms, to subvert peace and to create deep traumas of insecurity and collective intimidation that make the normal action

of governments impossible. Despite all of this, we think that no ideological principle or any pragmatic reasoning whatever can accept as sane that which violates the dignity of the human being.

I pronounce these words, senor President, in full awareness of the difficult and vigorous task that your Government carries out to give direction to the democratic destiny of the Argentine nation. For this we receive you in Venezuela with hope, as a ruler prepared to open the way in our continent to a democratic Latin America.

I must make mention here of that tragic Venezuelan emergency, when we received from Argentina her fraternal moral assistance in the action of the eminent Chancellor Luis Maria Drago, dear to the Venezuelan spirit. (Those foreign forces) would have humiliated our then-fragile Venezuela, convalescent, prostrate from the effects of the dissolving effects of "caudillismo." Great and powerful nations of the Old Continent committed the outrage of blockading our coasts to aid in the absurd collection of their excessive claims. Chancellor Drago, with all the weight of the Argentine republic behind him, brilliantly expounded on the principle that founded the doctrine of his respected name. We acknowledge this deed of recent history with the recognition and gratitude that demands our eternal solidarity with Argentina.

Videla Affirms Drago Doctrine

The following are excerpts from the speech of Argentine president Lt. Gen. Jorge Rafael Videla at a state banquet in Caracas, May 11.

American public law consecrated principles which, in that epoch (early 19th century), were singularly novel; the juridical equality of nations and non-intervention in the internal affairs of other States acquired, in these latitudes, the category of fundamental criteria.

...it was precisely, with motive of the armed intervention of foreign powers in Venezuela, that an Argentine Foreign Minister maintained the thesis that prohibits the use of force to collection of debts between nations.

Since then, the Drago Doctrine forms part of International Law....

Argentina and Venezuela, from their corresponding perspectives, can and must join efforts for the realization of their common destiny.

The rapid and vigorous, powerful, strong growth of Venezuela is a singular example in the continent.

For its part, Argentina has resumed vigorously the rhythm of its growth in all areas including those fields that require the most advanced technology and whose accomplishments we wish to share, peacefully and fruitfully, with all fraternal peoples of our America...

We attribute great importance to uniting the countries of the continent in the search for solid and constructive common positions.

Perez, Videla Back New World Economic Order

Below are excerpts from the joint declaration signed by Venezuelan President Carlos Andres Perez and Argentine President Lt. Gen. Jorge Rafael Videla in Caracas, May 12, 1977.

...(the presidents) agree that, to guarantee integral peace and security on the continent, it is necessary to strengthen cooperation among the American peoples in order to achieve their development, seeking...new forms of collaboration in the economic, social, cultural, education, scientific, and technological fields...

The President of Venezuela reaffirmed the traditional support of his government to the full exercise of Argentine sovereignty over the Malvinas Islands, in agreement with the principle of territorial integrity.

Both presidents reiterate the support of Venezuela and Argentina to the people and government of Panama to stimulate the signing of a new Treaty with the U.S., that restores to Panama sovereignty over the Canal...

They call on the governments of the Hemisphere to give the broadest understanding to the problem of 'mediterraneity' (access to the Pacific Ocean) of Bolivia, and to aid the possibility of constructive (agreements) to resolve the situation.

They reiterate the sovereign right of States to establish those development policies which best meet their own needs and interests, as well as to dispose freely of their natural resources for the economic and social development of their populations...

In the case of shared waterways, active cooperation of countries (bordering on the river) should be promoted.

They reject any kind of manifestation of violence as representing a danger to national and world security and, consequently, a threat to essential human rights, and they commit their governments to act in solidarity in international bodies toward (gaining) the adoption of urgent measures to prevent and sanction terrorism.

They are pleased to emphasize the traditional adherence of the two nations to the principles adopted by the Regional Organization to guarantee an order of peace and justice, to strengthen and increase cooperation in defense of sovereignty, territorial integrity, and independence. They reiterate their conviction that man should develop fully within a just social, political, and economic order that encourages the advantages and the human importance of the democratic system. In that sense, they are committed to favor the operation of these principles as well as those indicated in their respective juridical codes to safeguard the effective exercise of democracy....

They agree on the urgent necessity of extending the process of detente underway to areas of residual conflict, as well as amplifying the regional proposals...for elimination of tensions between countries....They agree on the necessity of supporting efforts to achieve the undertaking of a process of disarmament with the effective participation of nuclear and non-nuclear nations in the negotiating process and in the decisions that may be adopted....

They emphasize the inalienable right of all States to

develop research, production, and utilization of nuclear energy for peaceful purposes, and (the right) to benefit from nuclear technology without any discrimination. They share the criteria of avoiding deviations in its use that might constitute a threat to life on earth, and in the necessity of converting (nuclear energy) fully into an instrument for the development of man.

They point to the necessity for a profound change in the present economic relations among States, in order to achieve the establishment of a new international economic reality based on...equal sovereignty, interdependence, common interest and cooperation between States....

They reiterate their conviction of the necessity of promoting the creation of associations of developing countries (which) produce and export primary materials, as well as strengthening those which (already) exist....

They confirm their inalterable adherence to the principle according to which no State can apply or stimulate coercive economic or political measures to force the sovereign will of another State, in order to obtain advantages or decisions of any nature....

They reaffirm their decided support to the objectives (of) the Latin American Economic System (SELA), and express their confidence in the application of its mechanisms, especially the Action Committees, destined to encourage the best utilization of human, natural, technical and financial resources of the region through the creation and promotion of Latin American multinational enterprises...

They emphasize...the Program for Cooperation among Developing Countries of the Third Ministerial Meeting of the Group of 77 (nations) in Manila, as well as the results of the Mexico Conference on Economic Cooperation among Developing Countries and, in general, the (proposals) in the Colombo Action Program (of the Non-Aligned movement -ed.)...

...they announce the proposal to push the Andean-Argentine Commission, as a means of promoting a greater closing between the countries which signed the Cartagena Accord (establishing the Andean Pact -ed.) and the Argentine Republic....

They agree to intensify their efforts to promote commercial flow between both countries, on the basis of reciprocity, equilibrium, and mutual benefit, and (declare) that extensive possibilities exist to increase trade and to develop economic, technological and industrial cooperation between the two nations....

In this sense, they instruct that the talks to agree upon a basic convention between Venezuela and Argentina for economic, industrial, and technological cooperation be concluded...

They consider that said possibilities for cooperation are located particularly in the following sectors of subsectors: agriculture, agroindustry, livestock, mining, hydrocarbons, steel, auto industry, shipbuilding, petrochemicals, light metal, and military industries...

Aware that scientific investigation and the utilization of new technologies are factors which dynamize the

processes of development in the present world, they openly state the necessity to exchange knowledge and put into effect joint programs in all these matters within the framework of the existing Basic Convention for Technical Cooperation.

In this respect, they agree to stimulate contacts already established between the National Commission for the Development of the Nuclear Industry of Venezuela, and the National Atomic Energy Commission of the Republic of Argentina....

Brazilians Upset By U.S. Provocations

The Brazilian daily Jornal do Brasil, May 12, responding to the statements of U.S. Undersecretary of State for Interamerican Affairs, Terence Todman, in Caracas:

The importance of Todman's statements denying any preponderant role to Brazil was made much greater by the fact that they were made precisely in the capital of a country vying for regional leadership. Even more: a country which has been taking political positions clearly against Brazil, whether to criticize the Brazilian regime, or to seek alliances with countries which represent an opposition to Brazil in the continent — in this case, Argentina, with the visit which President Videla began yesterday in Caracas.

The mere affirmation of Todman, suddenly isolated Brazil in the Latin American continent and left the Brazilian diplomats perplexed. Though Perez is the immediate and direct beneficiary of the negation of leadership to Brazil, Videla also will receive the benefit of that negation and its political advantages, since in this exact moment he is seeking a politico-commercial alliance with Caracas.

CAP: Brazil Indispensable To Continental Integration

The following are statements by Venezuela's President Carlos Andres Perez from a May 13 press conference in Caracas, countering the attempts by U.S. Undersecretary of State Todman to instigate tensions between Brazil and Venezuela-Argentina.

"Those who speak of Brazil as a nation that plans to open a new imperialism in the region are not the Brazilians, but the enemies of Latin American integration who want to divorce Brazil from the rest of the nations of the Latin American continent.

"Relations between Venezuela and Brazil are completely normalVenezuela is interested, in the context of its integrationist credo, in the best of relations with Brazil...

"... Brazil is ... indispensable to the plans of Latin American integration, and we are also indispensable to Brazil for Brazil to be able to realize its manifest destiny which is the destiny of Latin America. There is no Brazilian destiny, there is no Argentine destiny, there is no Venezuelan destiny, there is a Latin American destiny."

Behind The Mexican Political Reforms

MEXICO

On April 2, Mexican Interior Minister Jesus Reyes Heróles, on behalf of President Jose López Portillo, announced the initiation of a process of "political reform." He declared that the state was attempting to "broaden the possibilities of political representation," a phrasing widely taken to herald legalization of some political parties not now on the ballot and a reevaluation of the hegemonic role of the Institutional Revolutionary Party (PRI) which has been in power since the early 1930s.

Subsequently the President sent Reyes Heróles a formal letter requesting public hearings of the Federal Election Commission (CFE) to galvanize public discussion and deliberation over the appropriate content of political reforms. These hearings are now underway. Daily commentary in the press is extensive and all sides of the Mexican political spectrum, but particularly the

various groups on the left, are in ferment. The foreign press has been virtually silent on the subject.

The Reform represents the government's principal initiative to channel popular support behind its program, an "Alliance for Production." In a substantial sense, the government will stand or fall by the Reform.

What the government means by the Reform was spelled out in two major addresses by Reyes Heróles on April 2 and by PRI party president, Carlos Sansores Perez, at CFE hearings on May 14.

As International Monetary Fund-Wall Street debt collectors are demanding that Third World governments enforce repression and austerity, Reyes defined an opposite approach for Mexico. "Starting from this difficult (economic) situation, there are those who want a hardening of the government," he warned. "But to harden and fall into rigidity is to expose us to the rapid rupture of the state order and the national political order. Faced with these intentions, President Lopez Portillo is striving for the state to broaden the possibilities of political representation...(This) is the firm base of development, of the rule of liberty, and of the possibilities for social progress."

Sansores Perez expanded on these conceptions May 14. "We do not conceive of political activity separated from the populations's aspirations for material and cultural wellbeing," he said. "Public liberties, political rights, representative institutions, must be defended...because they constitute the best weapons for the people in their struggle for economic and social improvement."

He characterized the PRI's almost 50 years of rule as an expression of the political will of the majority of workers and peasants, and made it clear that the Reform should not mean the weakening of such cohesive forces. "There is no sense," he said in simply multiplying parties "to the extremes of caricature...The important thing is to foster organizations with a real capacity for social mobilization as a function of the national and international problems which affect us — authentic parties which encourage greater participation of the masses in political processes..."

Continuity With Echeverria

This approach continues the fundamental orientation of the preceding Echeverria administration (1970-76). In response to efforts spearheaded by the fascist Monterrey group of businessmen to cut the government off from its mass constituency through manipulated student conflicts, Echeverria launched a "political opening" which brought many 1968 student leaders into the government and allowed a proliferation of new left parties. He formed an umbrella group of the progressive peasant confederations, the Pacto de Ocampo, and worked toward establishing similar strength for labor in the Workers Congress. He attempted to combine these interests into a "Popular Alliance," which despite major difficulties, served as the key bulwark against the fascist advance intensified by Monterrey in the last years of Echeverria's government.

Response From the Left

At present, Mexico has four registered parties: the PRI; the Fabian left Popular Socialist Party (PPS); and two parties allied with the Monterrey Group, the Authentic Party of the Mexican Revolution (PARM) and the National Action Party (PAN). Requirements for other parties to be registered have been prohibitive.

There are virtually no new parties on the "right" with a ghost of a claim for legalization. Former Interior Minister Mario Moya Palencia (now director of the *El Sol* chain of newspapers) has attempted to promote two proto-fascist vehicles, the Mexican Democratic Party (PDM) and the Sinarquistas, but there is broad recognition that they have no base and no legitimacy.

It is on the "left" of the conventional spectrum that the Reform has most relevance. Here, the proposals for Reform have called forth entirely different responses from the two major groups of parties.

The Socialist Workers Party (PST), the Mexican labor Party (PLM), and several other smaller formations, have expressed their wholehearted concurrence with the aims and methods of the Reform. They have insisted that only parties which seriously address the nation's problems, represent mass forces, and work within the framework of the Mexican revolution and the Mexican constitution be given expanded rights under the Reform. This, they argue, excludes Moya's fascist sectlets and a

variety of programless provocateur parties claiming "left" affiliation.

As stated by PLM Executive Committee Member Marivilia Carrasco in a column in *El Universal* May 18, the Reform must be aimed at "guaranteeing the permanent and organized mobilization of the population to strengthen the institutions of the Mexican Revolution" in the face of efforts by "international finance capital" to impose "Chile-style" debt collecting regimes on the Third World. She added that the Reform must "permit us to overcome the shortcomings of the past," when popular mobilizations ultimately failed for lack of a "cadre force with scientific preparation," able to educate broad strata of the population around the need for advanced scientific program.

For the other wing of the "left" — broadly headed by the Mexican Communist Party (PCM) and including the Revolutionary Socialist Party (PSR), the Mexican Workers Party (PMT), a faction of the PPS, and elements of the Democratic Tendency of electrical workers — the Reform has produced intense factional infighting and disarray. As Reyes Heróles and Lopez Portillo are quite aware, liberalization of Mexico's "rules of the game" severely undercuts the "rationale" by which these left sectlets have justified terrorism and violence as the "honest response" to a "closed system."

One faction in these left forces, represented at this point by Martinez Verdugo, secretary-general of the PCM, has shown a willingness to work within the framework of the Reform. But the dominant factions, those most directly controlled by the U.S.-based Institute for Policy Studies, the Monterrey Group or Monterrey's agents Moya Palencia and Mexico City mayor Carlos Hank Gonzalez, have tried to wreck the Reform. One of their key demands is that *all* parties be registered, no matter what their size or nature. This would be an invitation for conditions of chaos which would rapidly "demand" the "solution" of military repression.

This "ultra" faction has also insisted that the chief architect of the Reform, Reyes Heróles, and the Elections Commission he presides over, be removed from Reform deliberations. His "tricks, wily ways and closed manner," they charge, must be stopped. This is a confession of just how effectively Reyes' moves have so far succeeded in restraining their provocateur activities.

The University

The most concerted effort to sabotage the Reform is now taking place around the universities. Sansores Perez, in his testimony to the Election Commission, indicated that the universities must be part of the political life of the country and that legitimate political parties must have a role on campus.

This call represented a major threat to the "right-left" controlled environment which has effectively shut university "politics" off from the political processes and programs of the rest of the country. Guillermo Soberon, the rightwing rector of the National Autonomous University, immediately denounced Sansores for trying to "politicize" the campus.

Spokesmen for the Reform have reacted vigorously to Soberon's challenge, however. The Central Committee of the PRI has "invited" Soberon to "express his views" to the Election Commission, presided over by Reyes. It will be an intimidating forum for Soberon — if he attends.

Lopez Portillo Names Echeverria Ambassador For Third World Affairs

Mexican President Jose Lopez Portillo designated ex-President Luis Echeverria extraordinary and plenipotentiary Ambassador for Third World Affairs on May 15. The naming of Echeverria to this newly created post insures the refocusing of Mexico's efforts to lead the Third World to battle for a new world economic order — and continue the offensive for peace and Third World development which Echeverria led during his 1970-76 presidential term.

Lopez Portillo's decision, which officially acknowledges Echeverria as a powerful government spokesman and advisor, was immediately backed by leading political figures. The head of the Chamber of Deputies, Augusto Gomez Villanueva, called Echeverria's appointment "the best guarantee to maintain the unity of the revolutionary forces in Mexico." The ruling PRI party officially endorsed the nomination emphasizing that Echeverria's great experience in Third World problems will benefit Mexico's international relations. The official government daily *El Nacional* stated editorially that the studies on Third World problems which Echeverria will carry out "will serve to orient our government."

The appointment of Echeverria is a high point in Lopez Portillo's progressive political offensive since his visit to the White House in February of this year. During his Washington visit Lopez Portillo realized that Carter's Administration was committed to demanding of Mexico the same austerity measures that the International Monetary Fund was insisting that Mexico impose. In response, Lopez Portillo announced in March a Political Reform to mobilize all the political forces of Mexico around

the main national problems.

As part of this offensive, on Labor Day, Lopez spoke at a demonstration of one million workers to issue a warning to traditionally Wall Street-allied Mexican businessmen and demanded that they support his economic strategy, the Alliance for Production. Then on May 3, Lopez committed himself to defend Echeverria's progressive Agrarian Reform by distributing to peasant families land taken from large landowners of the state of Sonora.

In the same week, Lopez's Minister of Commerce, Solana, announced a government fund to stimulate the medium and small industries that want to participate in the Alliance for Production. At the same time, the government food production and distribution center, CONASUPO, announced it was going to open stores together with the largest labor union of Mexico, the Mexican Workers Central (CTM), in order to maintain control over the prices of basic products, a direct attack on the speculators.

The response of U.S. and Mexican pro-Wall Street forces to the consolidation of this nationalist thrust came yesterday through United Press International. A UPI story played on the front-page in the Mexican daily *Ovaciones* warns that, according to a U.S. military source, the power of the Mexican army is growing and that power can be used to launch a military coup. The article adds that the military now has the power to form a military government to put an end to the corruption and inefficiency of the civil society, which it considers "rotten." The UPI dispatch ends by noting that in other Latin American countries the Armed Forces have taken power; "why not in Mexico?"

Jamaica Rejects IMF Conditions For Loan

JAMAICA

The Jamaican government has flatly rejected the three primary conditions set forth by the International Monetary Fund (IMF) for financial support. According to an official Jamaican government communique released May 9, "the political directorate (of the ruling People's National Party) ... took the decision that we would not accept those conditions which we thought were inappropriate." The communique was issued following the arrival in Kingston of a high level United States delegation led by U.S. Assistant Secretary of State for Inter American Affairs, William Luers.

The official communique revealed in full for the first

time the IMF conditions for granting Jamaica financial assistance. Among other things, said the government release, the IMF demanded a 40 per cent "across the board" devaluation, the "elimination of social programs," and the abolition of foreign trade and exchange controls.

"We told them in January (1976) that it could not be done," said the Premier in a speech three weeks ago before a mass concentration of labor supporters. "No outside forces," he added, should dictate to Jamaica.

Mr. Manley then brought the crowd up cheering when he emphatically stressed that under no conditions will the programs of social reform which benefit the large majorities of the masses be discontinued. The Jamaican government, he continued, has a policy of promoting social development. "If the IMF will not lend us money on those terms, we will borrow it elsewhere on those terms."

The *Jamaican Daily Gleaner* reported May 11 that a team of government officials was due to arrive in Moscow May 16 for economic talks "in a move to broaden Jamaica's foreign economic relations" with the Soviet Union. Jamaica took initial steps in that direction earlier this year when it requested "associate member status" in the CMEA, the financial arm of the Warsaw Pact countries.

It is reported in the Caribbean press that Jamaica opened talks with Trinidad Tobago on May 10 in a further attempt to secure financial assistance from its oil rich neighbor. The *Jamaican Weekly Gleaner* reported May 17 that Jamaica had also rescheduled a \$22.8 million loan with Canada, a traditional trading partner.

Credits for Development

The pro-socialist government of Jamaican Prime Minister Manley has been attempting to negotiate a \$150-200 million loan with the IMF for the past six months, in hopes of alleviating the country's immediate financial crunch. Several weeks ago, the Jamaican government announced a partial devaluation for some transactions. But according to financial sources, the devaluation is not expected to have a negative effect on the social welfare

of the population at large; it is estimated that it will mainly affect the tourist and related industries.

The May 9 government communique indicated that the Jamaican government is seeking the \$150 million loan assistance as part of a "short term solution" which will enable it to "get through this year or its immediate future" without hampering the welfare of the population or its pro-socialist objectives. The "fundamental policies" of the government, states the communique, are: "1) Not to abandon total control of import and export trade, and the use of quantitative restrictions; and 2) Not change the policy of maintaining social programs even though that would involve some deficit budget." These fundamental policies cohere with the present socialist course pursued by Manley and his collaborators, a course mandated by the electorate in November 1976 when they re-elected the Prime Minister by a landslide margin.

The government communique discounted as a "myth" the rumor that the government was borrowing the \$150 million to lend the amount to the private sector. The loan, it stated, will be used for securing additional foreign exchange to finance the import of critical raw material needed for development.

AFL-CIO Leadership Endorses Carter's Energy Conservation

Jimmy Carter told a press conference two weeks ago that he just really couldn't understand why everyone was making such a fuss about disagreements between himself and AFL-CIO President George Meany. Although Meany might not realize it, Carter said, he really supports my policies. For a change, Jimmy Carter was offering a fair approximation of the truth.

The fact is that the AFL-CIO has accepted the centerpiece of Carter's fascist program, his energy conservation policies. As for the rest of Carter's program, the leadership of the labor federation is operating under the delusion that they can horsetrade with Carter and energy advisor James Schlesinger.

The endorsement of "conservation" has provided the cover for the AFL-CIO's Trilateral Commission members Lane Kirkland, AFL-CIO Secretary Treasurer, and I.W. Abel, out-going president of the United Steelworkers, to steer the labor movement into energy "conservation" projects, such as the Pittsburgh area's national pilot project Operation Pacesetter, modeled on the Nazi economy. Run under the auspices of the Americans for Energy Independence, Pacesetter has as its publicly announced purpose the total involvement of Allegheny County, Pa. (Pittsburgh) in "drastically reducing energy consumption." But according to its Washington-based organizers, who have been working in coordination with Schlesinger's office in the White House, there is "no way to save energy by nickel and dime methods like turning down thermostats." Pacesetter is after big energy savings and the only way to achieve that is through a massive productivity drive in the steel industry. Pacesetter and the Federal Energy Administration staff members are organizing plant-level energy "conservation" (productivity) schemes focusing on the "energy intensive" steel industry. Pacesetter's "prime movers" are Abel and Edgar Speer, the head of U.S. Steel.

Bending Over Backwards

Pacesetter defines the context for the goings-on at the May 4 meeting of the AFL-CIO Executive Board. Since the public announcement of the Carter energy program April 20, trade-union leaders, especially in the building trades, expected that the national AFL-CIO leadership would be compelled to "call the troops into battle." "We can't live with the Carter program and its conservation and neither can George Meany," said one midwestern building trades leader. However, the May 4 meeting emerged with an endorsement of the Carter program.

"The AFL-CIO concurs with the general objectives of the national energy program outlined by the President... By and large there are more pluses than minuses in the proposal..."

"We agree with the emphasis placed on tough conservation measures. We have long recognized that conservation is an essential component of any comprehensive national energy program..."

Starting from the acceptance of conservation — there is no defense of workers and working conditions against Pacesetter-type productivity.

While stating that "development of alternate energy source is "equally important," the report states that "development of new energy sources" will not make conservation unnecessary.

The AFL-CIO statement, while it refuses to endorse the cancellation of the Clinch River Breeder Reactor Project, represents a dramatic retreat from what had been a strong public commitment to nuclear power in general and to the fast breeder program in particular. A month ago, Meany had told the legislative conference of the building trades, "Plutonium means jobs," and pledged a fight on the breeder program.

What Gives?

The Federation's response to the Carter energy program is the result of a combination of "black operations" by Lane Kirkland's office and of outside manipulations of the AFL-CIO executive council by individuals associated with the Schlesinger Administration.

Kirkland's office has been ceded almost total responsibility for the formulation of AFL-CIO energy policy, a coup which Kirkland accomplished prior to this winter's general session meeting; all questions about "official" AFL-CIO energy policy are referred to his office — including all media inquiries that can't be answered by the federation's PR staff. He has sold the AFL-CIO on the need for a strong conservation policy that would make the U.S. "less vulnerable to an OPEC oil embargo." The May 4 policy statement makes no attempt to justify conservation policies on the basis of "dwindling oil supplies," "future scarcity of energy supplies;" however, the need to eliminate dependence on foreign oil — especially OPEC — is stressed.

The AFL-CIO thus sees the energy program from a foreign policy-national security standpoint; as right-wing Social-Democrats, such AFL-CIO leaders have expressed their willingness to have their members make sacrifices in what they perceive is the "national interest."

The principal focus of opposition to the program in the statement is Carter's energy taxation policies, which Meany has denounced as "retrogressive" and "a form of hidden rationing." Whispering in the ears of Meany et al. on this question have been the networks associated with

Lee C. White, the former Kennedy aide, ex-head of the Federal Power Commission, a confidant of Schlesinger and Carter (with a title of consumer advisor) and the head of the Consumer Federation of America. White is hooked into the AFL-CIO through the Abel-directed Industrial Union Department. A statement issued by White this week on Carter's energy pricing policy parallels the "criticisms" in the AFL-CIO document. The day after Carter's energy speech, I.W. Abel made identical criticism and called for a national rationing policy.

White is presently trying to convince his "labor con-

tacts" which include individuals in the leadership of the Oil Chemical and Atomic Workers (OCAW) to push in that direction. A spokesman for White's group described its ultimate goals vis-a-vis the labor movement as changing its perceived constituency from the "working man alone" to the consumer — a non-existent "interest group" invented principally by the Rockefeller's Ralph Nader. White's principal aim is to misdirect labor away from any programmatic alliance with industry capable of defeating the Carter program.

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62 W. Schiersteiner Str. 6
Tel. (06 121) 37 70 81

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