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IN THIS WEEK'S ISSUE —

Will **Belgrade** blow up in Carter's face? In this week's **International Report**...U.S. Labor Party chairman **Lyndon H. LaRouche, Jr.** analyzes the "fall back options" to postpone immediate thermonuclear confrontation, options being prepared by various monetarist financial and political circles around next week's European security conference...including a (Nelson) Rockefeller deal with U.S. conservatives for a "late 1930s" Nazi military buildup. A **debt freeze**, says LaRouche, is still the key to any faction's survival...

* * *

Carter's National Security Advisor **Zbigniew Brzezinski** has planned a "**human rights**" wargame against the USSR at Belgrade...but top U.S. "Soviet handlers" are **terrified** their man **Georgii Arbatov** will lose all leverage in the Politburo if Carter goes through with it. See **International Report** for a report and exclusive interviews.

* * *

Italy's **Andreotti** meets with **Tito** for

Mediterranean peace and security zone...Moroccan monarch **Hassan II** makes **Arab-Israeli** "oil-for-technology" **peace** initiative... in preparation for **Belgrade**, major **diplomatic** moves are underway to defuse the war threat...open the way to a **new world economic order**... See **International Report** for exclusives on the international forces behind **Hassan II**...a report and **chronology** on pre-Belgrade **diplomacy**...**Arab** unity efforts, and the formation of an **Israeli war cabinet** in the explosive Middle East.

* * *

Gas deregulation...the **B-1 bomber**...**Mr. Kissinger**, on the stump for **anti-communism**...that's what **Nelson Rockefeller** is offering U.S. conservatives in return for their **political support**. Our **National Report** reviews the week's **trade-offs** in **Congress**...the factional warfare on the **TV networks**...**Andy Young's** pitch for U.S. **race riots**...**Schlesinger** caught **lying** to Congress...and includes **articles of impeachment** prepared for the coming **Cartergate** by the U.S. Labor Party.

The 'Spirit Of Camp Pocantico'

The following statement was issued on June 9th, 1977 by Lyndon H. LaRouche, Jr. U.S. Labor Party Chairman and Presidential candidate:

Reports and vibrations picked up during the past week from key points around the world indicate that all the world's forces are moving into next week's Belgrade conference with various combinations of first-line and fall-back positions. The most significant of these developments, apart from a consolidation of the new Soviet postures, is the centrifugal motion among British and American financier circles centering around a high-level meeting in Tokyo and another held at the Rockefellers' Pocantico Hills estate.

The most up-front of all the current operational postures for Belgrade is the Carter Administration's effort to disrupt the conference with a great howling and shrieking over what are called "human rights." The announced object of that nonsense is to attempt to align Western Europe against the Soviets on this issue, and to force the Soviets to retreat in the manner of a kicked dog. All indications are that that Carter tactic will not work. If it does not work, that signals that the Soviet leadership is unbluffable; it signals that a continuation of the Carter confrontationist policy leads to absolute certainty of general, intercontinental thermonuclear war.

In such a case, most probably, out goes Brzezinski's policy and so-called "style." Out goes Schlesinger's "aura of power" (bluff). Both the Rockefeller-centered and British-centered financier-political factional alignments are then faced with the choice between pushing ahead to a certain thermonuclear war or rushing into a fall-back position. Fall-back positions are being visibly developed all around. Some of the options are clear; there are undoubtedly others, hidden beneath thick veils of deception.

The Rockefeller Shift

It has been the developing position of British and financially-allied interests over months that something like the U.S. Labor Party's International Development Bank proposal was probably an included feature of any workable solution to the impending general collapse of the monetary system. High-level reports indicate that just such an option was mooted behind closed doors at a recent Tokyo meeting. In brief, if present "bail-out" options fail, let the Rockefeller and allied interests go under and save the rest of the banking system along lines converging on the U.S. Labor Party's proposals.

More recently, it is apparent that the Rockefeller family made a countermove, a shift highlighted by a recent shindig at the Pocantico estate. On the basis of results, one would tentatively judge that Nelson

Rockefeller has temporarily prevailed in family war-councils over Chase Manhattan's David.

The first sign of the shift in Rockefeller postures and alignments occurred immediately following the Memorial Day weekend. During the weekend, this writer had issued an alert warning, proposing that special watch be maintained for possible military and allied moves by Carter Administration forces, on the basis of the strategic judgment that the Rockefellers had their backs to the wall and would not let much time pass without a countermeasure to improve their position. They moved: *on the policy front*, obviously consolidating a variety of preparatory efforts of the immediately preceding period.

The first signal of a backroom deal came in the form of an abrupt, post-weekend shift among Republicans. Up to the beginning of the weekend, the debate over General Singlaub's evaluations signalled a rallying of forces to close in on the Carter Administration on the war issue. After the weekend, Senator Robert Dole of Kansas led a broad and profound shift in Republican postures, making peace with the Carter Administration. Subsequently, there came the news of impending revival of the B-1 bomber program and a Schlesinger turn-about on the nuclear energy question. Later, we unearthed information concerning the Pocantico estate shindig and correlated discussions.

Look at the problem from the Rockefellers' standpoint for a moment. If Brzezinski falls on his face at Belgrade, if the continuation of the gigantic bluff clearly means intercontinental war, what are the options of the Rockefellers *as a political interest*? Fundamentally, they have the same option as the British-centered financier-political interests: to adapt *to some version* of the Labor Party's International Development Bank proposal.

The problem works out as follows. The strategy of the Carter Administration to date has been an immediate thermonuclear showdown with the Warsaw Pact. Since Carter's labor-intensive austerity package and his "energy policy" means that the United States would tend to become a third-rate economic and military power relative to the Warsaw Pact over the several years ahead, with previous Carter policies a 1977 thermonuclear showdown with the Soviet leadership is a now-or-never proposition. If the Rockefeller forces decide that a 1977 showdown is out of all reasonable considerations of risk, then they must dump the labor-intensive austerity and "energy policies" and go for an economic policy agreeable to a sustained U.S. military build-up.

However, such an economic policy cannot work within the context of the austerity bail-out policies of the IMF's Witteveen or the World Bank's Robert McNamara. In

order to maintain U.S. economic strength, and to hold the NATO alliance together, the U.S. must accept widespread "freezing" (debt moratoria) of unpayable developing-sector external financial debt. If the developing sectors cannot increase their imports, then the USA's exports will continue to drop catastrophically. That means a U.S. depression worse than that of the 1930s.

The only way in which the Rockefeller-centered financial interests could be saved from collapse would be the use of the U.S. national debt to fund vastly expanded exports into the developing sector, giving the U.S. dollar the degree of relative "hardness" needed to carry forward a mass of "frozen" non-performing holdings of the Rockefeller and related interests.

There are many profound reasons why such a Rockefeller package is not in the interests of the United States and would not work in the long run. However, we are considering the Rockefellers' point of view, and therefore must limit our attention for the moment to short-term and intermediate-term effects. The next three to four years are what we must consider in appraising *their* point of view.

The Conflict

The situation is one of war between allied forces, an effort by the British-centered and Rockefeller-centered forces to outmaneuver one another while maintaining a kind of alliance on the main points of currently operational policies. This is complicated by the fact that when a financial interest is engaged in attempting to unload bad paper he does not spoil the seller's market by spreading about his true opinion of bad paper. (Does a used car salesman spread the word that his offerings are clunkers on the verge of collapse?) Smiling faces keep up pretenses in favor of knife-in-the-back operations.

On the monetary front, the British-centered financial-political combinations have the relative advantage in a showdown. Thus, to survive under fall-back-option conditions, the Rockefellers are obliged to resort to their potentially powerful advantage against the British-centered interests: the potential industrial power of the U.S. economy. If they do not, the British-centered interests will emerge from any fall-back maneuver with David Rockefeller's financial head stuck on the wall of City of London trophy-room display. To make such an option work, the Rockefellers have to turn to the American industrialist factions.

How It Was Set Up

Up to the week preceding the April 28, 1977 Pittsburgh Fusion Energy Foundation conference, the U.S. forces allied politically with the British-centered perceptions were keeping an option in the pro-industrial camp. Excepting the turn of British policy in Africa around Foreign Minister Owen and the turn in France, the major financial-political combinations opposed to the Rockefellers had the option of aligning with the American Whig forces. During that week, the British-centered forces sold out the flank of the American Whigs. Manifestly, the Rockefellers took advantage of the cupidity and stupidity of the British-centered forces. Now, for the moment, the majority of the Republican

Party leadership and what it represents, is back in Nelson Rockefeller's fold.

This creates a number of byzantine alternatives. The only option remaining to the British-centered forces is to sabotage the Carter Administration's Belgrade caper. If the British-centered forces "get there first" in securing Middle East peace and Mediterranean security, they have the option on OPEC-linked hard-commodity reserves and the T-ruble connection, and can build a new monetary system around the Mediterranean as its center-of-gravity. Then, Rockefeller takes the plunge. If they do not, then Rockefeller has the advantage, and ends up picking the British-centered interests' pockets almost at leisure.

As noted before, the Rockefeller caper has the ring of Nelson, and not David. Unless Belgrade goes pretty much according to Brzezinski's script, David Rockefeller's strategic game is stuck in an impasse. Bug brother Nelson then steps in to rescue David from the mess. One can almost hear Nelson's key spokesmen sadistically instructing David's boys: "Political muscle is what makes paper powerful." David has attempted to dictate political power from a monetary position; Nelson's style is to dictate monetary advantage from a standpoint of political power.

Those may not yet be conscious Rockefeller perceptions, but they represent the asymptotes upon which Rockefeller *pragmatic* perceptions are obliged to converge.

This does not mean that Nelson has gone over to a large degree of agreement with the Labor Party proposals. Rather, it echoes the way in which monetarist and industrialist interests were slammed together under the Nazi regime. Austerity is Rockefeller policy — Nelson's or David's — but the model now emerging around the B-1 package echoes the way in which the Rockefeller-linked monetarist interests in Hjalmar Schacht's Germany bought off the anti-Hitler industrialist forces by offering them military contracts in place of "Rapallo"-style trade with the Soviet Union.

A retreat from Belgrade to a Nelson Rockefeller-conservative alliance only, at best, postpones rather than ends the danger of thermonuclear war.

A Rockefeller policy will tend intrinsically to be modelled upon the Nazi example. There will be a massive input of capital into military spending and development, and a nuclear energy policy consistent with the scale of military spending expected. There will, however, be a military-economy style of economic recovery like that of post-1933 Nazi Germany, with massive austerity, rising tax burdens and consumer commodities inflation and union-busting. As occurred in Nazi Germany by 1936-1937, the austerity side of the package will impel the internal U.S. economy toward breakdown, and, then, at best, the same impulse that drove Hitler to war from 1938 onwards, will govern the ruling political forces in the U.S.A.

Strategic Stupidity

If that scenario is played out, then, instead of thermonuclear war in 1977, we would have a thermonuclear war by about 1980 — which the United States would lose. The B-1 bomber is symptomatic of that fact.

Anyone who takes the \$100-plus billions B-1 program seriously as a military capabilities program is, as the saying goes, some kind of a nut. The new series of weapons being developed in the Soviet Union are converting all bombers of the future into the equivalent of targets for a captive duckshoot. In terms of military technology, the bomber and the tactical-support aircraft (as a form of artillery) are on their last legs — rendering the interceptor similarly almost obsolete.

Bombers and tactical-support aircraft are, in terms of military history, an intermediate phase in the evolution of artillery, a way of delivering artillery fire over longer distances and with greater accuracy than by existing modes of artillery as such. As rockets are freed from fixed-launch positionings and increase their accuracy, and as yields of warheads are qualitatively augmented toward the 100-megaton range by Soviet and related advances in plasma physics, all the advantages of manned, surrogate forms of aerial artillery platforms vanish, and the aerial artillery-platform is distinguished as a target for the new generations of counter-measures available.

The manned aircraft does not vanish. As existing forms of manned aerial artillery-platforms become obsolete means, the military aircraft of the future supplements the principle of mounted shock-infantry and brigades of armed personnel carriers as a means for delivering shock-infantry brigades to their fighting positions. The military aircraft of the future will be an arm of the mounted infantry and cavalry, not the artillery.

A manned aircraft is a manned aircraft. When it flies low or high, fast or creeping, whatever confetti and armament it carries, whether its artillery is a gravity-bomb, a fired projectile or a rocket, the basic principle of killing such a craft remains the same, as the principle of killing a sub or tank also remains constant. Contrary to Warner Communications' "super-hero" comic features for infantile masturbators, there are no invulnerable miracle-weapons. The principle of killing a manned aircraft is that *it moves in the sky*, whether at low, high, or middle altitudes, and therefore inherently the most eminently detectable and targetable of all military instruments! Since we have entered technologically into a new range of means for detection (at all altitudes), and entirely new means of killing such a craft upon detection, the flying artillery platform is on the verge of joining the massed-cavalry charge in the military museum.

The fact that flying personnel carriers will still be useful follows from the way in which wars of the present and immediate future would be fought. The infantry assaults follow the massed artillery "sanitization," at a point at which the initial capabilities of principal forces have been expended. Ground warfare is the second phase of modern thermonuclear warfare, the war-winning phase, in which the infantry once again asserts its fundamental position in war. The aircraft deployed as part of the *first phase* of warfare will shortly become principally targets of little net effectiveness. After the first phase has ended, the effects of the first phase will leave holes in the adversary's anti-aircraft defense capabilities into which surviving personnel carriers can deploy with a militarily tolerable degree of risk.

The related problem is that the U.S. strategic establishment has been saturated to the ears over a period of 30 years with the utopian perversion of the old World War II "air-power" doctrine. They are operating on the Kissinger-McNamara doctrine of programmable escalation options within the asymptotic limits of maximum deterrent capability.

They have the two phases of war backwards. With or without an accompanied measured "counter-force" launch against an adversary's strategic first-line capabilities, their strategic scenarios are all premised on the imbecilic, 18th-century-modelled assumption that adversaries will attempt to seek a winning decision rather than winning an actual war. That is, as in chess, the player who sees his future game is lost, gives up — acknowledges that he has lost the decision — without playing out the game to the end. This is based on the assumption that to win a military decision at the lowest relative risk of invoking the adversary's total "deterrent capability," forces will fight slightly ABC-escalated conventional wars first, before going to the decision for full deterrent deployment.

This foolish conviction has been reenforced by a gross misevaluation of the Vietnam War. It has been assumed that Soviet strategic response to the U.S. involvement in Vietnam is a model for a direct confrontation with Warsaw Pact forces' basic strategic capabilities. They overlook the gist of Soviet Vietnam policy: to avoid beginning a direct encounter between Warsaw Pact and NATO forces, because such an encounter begins with a total Hour-One deployment of intercontinental ABC capabilities.

So, in consequence, a weapon, the B-1, was put up for consideration on the basis of a war-fighting scenario which will cease to exist before the first flight comes off the runway.

The related economic-policy problem is this. The ability of a nation to develop a realized war-winning capability depends upon its realization of developed technological and cultural advantages in depth. It is the broad economic base of a society which determines its strategic potentialities in all respects. The strategic folly of the recent alliance of Rockefeller and some conservative forces is that they are committed to a loser's strategic economic policy, and are attempting to salvage a war-winning military strategy within a loser's overall policy.

Culture is Decisive

There are three distinguishable levels of culture in the so-called industrialized nations.

The highest level of culture in the world today is represented by the leadership of the U.S. Labor Party and its circles of scientific collaborators. This is a culture based on a positive conception of non-linear, negentropic processes as the fundamental ordering of nature.

The next highest-level of culture is represented by Soviet science. Soviet ideology in general is inferior to the Labor Party's culture because it clings to a mechanistic conception of the lawful ordering of nature. However, within that crippling ideological flaw, Soviet theoretical-empirical science is overall between two and four years ahead of the prevailing level in Western Europe and North America.

On the lowest level is the monetarism-dominated empiricist-nominalist or pragmatist culture dominant in the United States and British leading circles.

This configuration is not accidental. We of the Labor Party are the most advanced, modern continuation of the Erasmian tradition in European culture, the tradition exemplified by Descartes, Leibniz, and the faction of French Freemasons who become the followers of Benjamin Franklin. Opposite to us, representing the Lowest relative level of moral and intellectual culture are the heirs of Franklin's enemies, the heirs of Pitt, Hume, Bentham, and Marat: the monetarist faction against which the American Revolution was fought. In between, historically semi-Erasmian humanists who have compromised intellectually with nominalist ideology, are the Soviets.

Otherwise, as I have developed this in my *The Case of Walter Lippmann*, the skilled American trade-unionist, the black worker who wishes to become a skilled trade-unionist or professional, and the hard-core of our industrially oriented population, our high-technology farmers are also Erasmians *by instinct*, the heirs of Benjamin Franklin *by instinct*.

At the moment, you face a Hobson's choice: Do you wish to die in thermonuclear war during 1977 because of the Carter Administration's presently operational policy, or do you wish to die of thermonuclear war about 1980, because of the Rockefellers' fall-back position for the case the Belgrade caper fails?

Your alternative is the Labor Party. Can you, at last, begin to get it through your stubborn heads that you have no other real alternative?

Nelson Rockefeller Eyes The Vice-Presidency

The following statement was released on June 11 by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman and presidential candidate:

There is more than a hint in the wind stirred up by Henry Kissinger's current travels, that Nelson A. Rockefeller might be president of the United States by early 1978. The boys in the backroom have had it with the bungling incompetence of the Carter Administration and Nelson is heading up one of the major combinations planning the process of making replacements.

The urgent practical question this places before the nation and the world is: What sort of a policy will emerge from the process of Cartergating? A critical look at preliminary indications of Nelson's and Henry Kissinger's policy-changes is a useful way of defining all the major options for the period immediately ahead.

The fact that Nelson is now back in the ranks of contenders for the Presidency is important. Whether he is actually nominated as Walter Mondale's replacement — clearing the way for the subsequent Carter resignation — is not in itself the issue. The fact that he must now be considered a contender forces attention to the kinds of policy questions to be faced.

David Rockefeller's Big Fumble

On performance, one must conclude that the heirs of John D. Rockefeller II operate as a family council in making the governing decisions of the family forces as a whole. Until most recently, David Rockefeller's Trilateral Commission and its Institute for Policy Studies "left CIA" sidekick have obviously had the upper hand. Chase Manhattan was the center of policy-interest perceptions, and David's Zbigniew Brzezinski expressed the "new style" to replace that of Nelson's Henry Kissinger. Under Brzezinski and Brzezinski's puppet Carter, things went rapidly from bad to worse on all fronts. At the point

of imminent chaos, the family had, so to speak, another council meeting, bringing Nelson out of his semi-retirement.

It would be extravagant to suggest that the family has decided to put Nelson into the Presidency by way of the Vice-Presidency. Such possibilities may have been discreetly mooted, but that is not the primary purpose of the game presently afoot. The primary concern is to bring the family out topside of the looming monetary collapse. It is that primary concern which dictates going after the other crowd's boy, Walter Mondale. Not only does Mondale belong to the other crowd, but under present law, dumping the incumbent Vice-President first is the necessary preparatory step for replacing a President between elections. Nelson, who has never despised the ambition to become President, can not have overlooked the implications of the situation.

The central issues are the interconnections between the economic and military strategic situations. The Trilateral Commission's approach to the monetary problem was to impose a drastic form of Schachtian super-austerity on both the OECD and developing nations, a project which depended upon a Soviet leadership capitulation to a gigantic thermonuclear bluff. As the Carter "energy policy" exemplifies, the Trilateral austerity program meant that the NATO countries' industrial potential — and hence their war-fighting potential — would rapidly deteriorate during the 1977-1980 period relative to the Warsaw Pact. Furthermore, as long as some OECD and developing countries had the backing of Soviet economic cooperation, their political structures would resist the Trilateral Commission's hyperinflationary super-austerity package. Thus, unless the Soviet Union backed off from all cooperation with the "outside world," and also gave up a major part of its military potential during 1977, the Trilateral Commission package was a total failure.

With this thought in the background, consider each of

the Carter Administration's bungles from the standpoint of Nelson Rockefeller's worried advisors.

1. A Soviet leadership backdown depended upon strengthening the influence of the "soft-liners" in the Politburo and Central Committee. The Carter Administration, especially through Brzezinski's wave of terrorism and "human rights" gambits, has discredited the "soft-liners" and has brought the military and related Soviet factions into almost a dominant position. The possibility of a successful thermonuclear bluff against the Warsaw Pact leadership is now virtually nil.

2. J. Paul Austin's "perfect puppet," Jimmy Carter, is so obviously an unstable and foolish creature that his exposure to NATO heads of state, combined with his policies, has evoked disgust among all of the United States' principal allies.

3. The combination of the Carter Administration's Trilateral austerity policies, its electoral-fraud bill, its pushing of decriminalization of drugs, and its arrogant, grossly impeachable corruption in abuses of office, and the Carter Administration style generally, had driven the formerly-demoralized conservative Republicans and Democrats alike toward the threshold of launching an impeachment process on their own.

David Rockefeller's Trilateral Commission combination was on the verge of becoming a disaster, generating political instability in the nation and the alliance at the verge of a combined monetary collapse and a suicidal thermonuclear bluff against the Soviet leadership. At that juncture, Nelson stepped in to bend with and coopt a large segment of the opposition to Carter. The possibility to pull off such a cooptation rested principally in the fact that the majority of conservative, industrial and trade-union leaderships so far lacked the combination of perceptions and guts to carry through a fight even when victory is in sight. Nelson, habituated to the possession and use of power, had a minimum of difficulty in handling the situation.

There are, in fact, only three forces within the OECD countries which have the capability of leading those countries at the present time, the Rockefeller-centered group, a British-centered group of financial-political interests, and the leadership of the U.S. Labor Party. No other forces have the combinations of position, perception and guts to perform an effective leading role.

When the American Whig forces in the United States allowed themselves to be manipulated out of regrouping around the U.S. Labor Party, they degraded themselves, in the main to a marketable political commodity to be taken over by whichever of the other leading forces — either the Rockefellers or the British-linked crowd — moved in first to pick up their options. Granted, the process set into motion over the Memorial Day weekend has a long way to go, with new critical developments looming. Nonetheless, for the moment, Nelson Rockefeller is on top, with most of the U.S. conservatives in his political pocket.

What Nelson and Henry Will Do

Although Nelson and Henry regard the Labor Party as an adversary force in the political situation, in their design of their own policies they will be guided to a very large degree by what they regard as the Labor Party's

correct reading of the strategic economic and political situation. In part, they will be guided by the widespread perception among bankers and leading political circles that this writer's public proposal to found a private International Development Bank was one of the slickest political operations ever pulled.

The private International Development Bank is not just some sort of political trick. If it were, it would not have succeeded as it is in the process of succeeding now. It is politically a kind of double-edged sword. As a straight-forward proposition, such a bank established under the leadership of this writer, will work exactly as proposed. In that case, the forces grouped around this writer would, in effect, determine world monetary and economic policy. That is one edge of the sword. At the same time, every leading banker knows that the bank would succeed; that is the second edge of the sword.

I really put the proverbial cat among the proverbial pigeons with that news release. Every major financial interest was immediately confronted with three problems. Should he join me, directly or indirectly? Would the opposite major financial faction join me, directly or indirectly? Would the opposition move independently of me to try to set up such a banking arrangement on its own? Whoever first sets up such a bank, such a new hard-commodity-credit monetary system, wins and dumps the opposition into the category of losers. Whoever does not make the move becomes the loser. *Such is the force of ideas whose time has come.*

It is slightly more diabolical. Whoever acted first to attempt to block my influence, and stuck to that posture, set himself up to be clobbered by the opposition. If the Rockefeller-centered interests take a position aimed at blocking me, then they are creamed by their financial opposition. If their financial opposition positions itself to block me, the Rockefellers can cream them.

There is one further twist. The new monetary system can not succeed as an on-going proposition except by following closely the economic policies I have proposed. This creates a double problem for both main financier-political factions. First, unless the U.S. and Western European nations follow the economic policies of the U.S. Labor Party on energy matters and the "freezing" of Third World Debt, the Soviet Union will move rapidly out front with a technological advantage. Second, their very expertise as monetarists makes it almost impossible for them to understand the U.S. Labor Party's knowledge concerning the determining relationships between monetary processes and real economy.

Hence, if they are rational, they are obliged to follow the main lines of the Labor Party policy, both immediately and over the period ahead. If they are not entirely rational, if they look only for the short-term advantages and ignore the longer-term problems, then we are out of the immediate war-danger but plunging into a new mess during the period ahead.

For the present, we are obliged to assume the worst. We must assume that Henry and Nelson will follow only the short-term implications of the U.S. Labor Party policy and will tend to irrationally ignore the intermediate-term problems. We have to assume that they will tend to opt for a *modified* version of a "military-economy" austerity policy, a *modified* version of the Nazi war-economy model.

Henry Resurrects the SALT Talks

One very important feature to watch closely will be Henry Kissinger's efforts to rescue the Soviet salt negotiations from the bungling hands of Carter, Brzezinski, Vance and Warnke. Henry will reason as follows. "The Soviets will not trade something for nothing. If we wish them to reduce their strategic military potential, we must create some merchandise to trade off. Let's commit the NATO countries to a massive strategic weapons build-up — take whatever is on the drawing-boards and start cranking it out. Don't worry whether it's strategically sound. It isn't for fighting; it's for trading-purposes."

Henry will continue: "I know the Soviets. They'll go ape. This means that they will be faced with cuts in the five-year budget for civilian items in order to match our output. When that pressure builds up sufficiently, we can get the SALT through pretty much the way we planned."

Henry will tend to argue just that way, and Nelson and the others will tend to go along. It won't work, but Henry and the rest will strongly believe it will work.

Their problem is that they are incompetent in the ABCs of military strategy, but stoutly believe otherwise. Nelson is a pragmatic utopian to the core, and Henry has been teed on his studies of Metternich and Bismark, with a credulously simplified view of their ostensible successes. Metternich and Bismark were successful because the City of London bankers and the Rothschild house rigged the game of nineteenth century European politics. Thus, from excessive admiration of the two "statesmen" one adduces sets of rules which operate on condition that the game is suitably rigged. Concerning the fundamentals of strategy, those principles which are determining in respect of well-matched adversaries in a non-rigged game, Henry's excessive self-confidence is key to his downfall.

The technology of Soviet strategic thinking is shaped by an industrial-development policy which emphasizes new scientific technologies as the pathway to leap-frogging the economic development of the industrialized capitalist sector. The point has been reached at which advanced technology, rather than new versions of existing devices, are the decisive margin of upset of the so-called strategic balance.

For example. The "philosophy" of the B-1 bomber is a flying second-strike capability. Not only is this absurd — for reasons we have given earlier — in terms of the accelerating obsolescence of all such flying artillery platforms, but the principle of "second strike" does not operate in an actual intercontinental ABC war. Thus, if Henry proposes to put a 1979-1981 fleet of B-1 "second strike" capabilities on the table as a bargaining counter with the Soviets, they will merely offer quid-pro-quo: they will agree not to produce an equivalent number of such bombers, and laugh about the matter afterwards in private.

For example, that present modification of the 1940s Nazi V-1 "buzz bomb," the "cruise missile." Apart from the fact that it is a lousy weapon, inherently susceptible to all sorts of countermeasures, it is a miserable item for trading-purposes. First, they will be counted by the Soviets as equivalent to intercontinental missiles. The

Soviets will say that any ABC warhead which can reach Warsaw Pact targets is the same as any other warhead of similar scale which can reach the same Warsaw Pact target. Whether a missile is launched from Nebraska or off Scotland's coast makes no difference to the target. Second, the existence of such objects creates a risk of unintentionally triggering the kind of Soviet alert which produces an immediate, full-scale Soviet launch.

Agreed, the Soviets will have fits about a new arms race. However, if the lessons of the Vance SALT fiasco are noted, the fact of starting an arms race will increase Soviet determination to develop their margin of war-winning advantage. Their negotiations of SALT agreements will follow strict line-for-line target-equivalence by type horse-trading. The result will be either no SALT agreement, and an uncontrolled arms race, or a growth of Warsaw Pact marginal war-fighting advantage with emphasis on new technologies.

If the Nazi military record is studied more rigorously, the fundamental error in Henry's mooted policy shows up clearly. The initial Nazi victories were not the result of any inherent superiority of the Nazi war machine. The Nazi war machine was, relatively speaking, vastly inferior to the Kaiser's. The 1940 fall of France was not the result of Nazi weapons superiority, but of the stupid Anglo-French political strategy from Munich 1938 through June 1940. The initial successes of Barbarossa were not a reflection of Nazi superiority over the Red Army, but a Red Army caught flat-footed by a political intelligence failure in the Kremlin, the assumption that the Nazis were "too realistic" to attack the Soviet Union before first conquering England. The Nazi emphasis on "Blitzkrieg" reflected a lack of in-depth war-winning capability against their adopted adversaries as a whole, a Blitzkrieg policy which depended upon the same basic sort of incompetence of political-strategic perception which presently governs the NATO command.

Henry, one of the architects of the form of "deterrence" policy which has governed the post-1957 period, has apparently not yet realized that there will be no "second strike" in intercontinental war. The first and only strategic ABC strike — excepting naval warfare — will be a "kill" aimed at the population and logistical centers of the United States, to eliminate the United States as a functioning nation during Hour One, eliminating the in-depth war-fighting capabilities of NATO forces. That capability the Warsaw Pact presently has. As yields of warheads are increased, that capability will increase even with a higher-missile-kill ratio achieved by the USA through replicating Soviet beam techniques. With that we have to live as long as the potential-adversary relationship between NATO and the Warsaw Pact persists. No SALT negotiation can change that fundamental. All arms races in search of a negotiating advantage for SALT are ultimately sheer waste and folly. Henry might develop a more plausible approach than the Carter Administration has adopted, but it would not produce any fundamentally different results.

Ironically, a correct USA military policy — junking austerity for massive, broad-based technological progress, through a new monetary system based on the International Development Bank — would readily enable the USA to overtake the Soviets in technology within a

few years, but it would also, indirectly, eliminate the possibility of war.

The Rockefeller move is an important element in the present situation, but it is not by any means a consolidated position.

In the United States itself, there are four crucial elements to be considered. Up front at the moment is the Rockefeller move. By threatening to save the Rockefeller-centered interests at the expense of the other powerful financier-political crowd, Rockefeller has virtually declared war on that crowd. They will not passively await Rockefeller's victory. In between the two financier-political forces, there is, most prominently, the burgeoning mass of Fabian and neo-Fabian machines,

which will react as a kind of Frankenstein monster, attempting to assert its own special interest in the situation. Finally, there is the Whig process focussed upon the Labor Party.

These four processes afoot, and their interactions are the new political reality inside the United States. Unless some damned fool plunges ahead on the established track toward 1977 general war, it is the interplay within the new political situation which will determine the actual outcome of developments coming toward a head this October and November. In this process, I intend to establish the International Development Bank, and to attempt to be sworn in as the U.S. President as soon as possible thereafter.

Vance Sets Up Confrontation For Belgrade; Harriman Circles Fear Blowup

One week before the June 15 Belgrade Conference on Security and Cooperation in Europe, President Carter reaffirmed his intention to sabotage the 35-nation meeting — which is scheduled to elaborate agreements concluded at the 1975 Helsinki CSCE — by provoking Soviet representatives into “storming out and going home.” In a characteristic display of “Jungle Jim” breast-beating and war-hooting, the imperial Administration announced June 7 it is “going to call the Soviets to accounts” for hundreds of alleged violations of the Helsinki accords, which the Administration claims to have “documented” in a 93-page report released June 6.

Carter's attempted replay of his failed Moscow SALT strategy to induce the Soviet Union to make unilateral concessions and sacrifices — this time around by demanding the USSR cede its national sovereignty to the Trilateral Commission Administration in the U.S. — has terrified leading circles in his own party loosely grouped around former New York Governor Averell Harriman.

Responding worriedly to sharp Soviet attacks on Carter by name for assuming the pose of “mentor to the USSR and the other socialist countries,” Harvard Soviet affairs expert Marshall Goldman volunteered this week that Carter's policy of provocations on the human rights issue could easily explode out of control, leading to a direct superpower military confrontation. “Words are being exchanged that heighten the tension. Things like this develop a momentum of their own. Bantering is suddenly out of control,” Goldman said.

Reflecting the substantial liberal Democratic backlash to Carter's human rights offensive, Vice President Mondale attempted to moderate the Administration's policy and allay liberal fears in a speech to the Naval Academy June 8. “This Administration is not going to be strident in our defense of human rights,” he declared. “We're not seeking to throw down a gauntlet before any nation. Nor do we have any illusions that regimes which rule by force and terror will change overnight.”

Vance Throws Down The Gauntlet

In testimony June 6 before the Washington, D.C.-based Commission on Security and Cooperation in Europe, informally dubbed the Helsinki Oversight Commission, Secretary of State Cyrus Vance insisted that the U.S. will demand a “methodical review” of Eastern European human rights violations at the Belgrade conference. This “review,” he pledged, will pre-empt “grandiose new proposals” by interested parties, such as Italian Prime Minister Andreotti, to conclude and extend joint Western development agreements to the nations of the Mideast and Mediterranean basin. Vance's remarks incited Rockefeller Republican Sen. Clifford Case to call for “the kind of knock-down, drag-out confrontation that I think is needed now” at the Belgrade conference.

One of the specific cases around which the United States plans to stage a major disruption involves the Russian-U.S. agent-provocateur Anatoly Scharansky, whom the Soviet government has charged with treason for working with the CIA. Pat Derian, State Department coordinator for human rights, complemented Vance's remarks in an address to the National Democratic Forum June 6 in which she threatened that if the USSR conducts a public trial for Scharansky, “It will be a very serious matter for Belgrade.”

'Human Rights Explosion'

U.S. Ambassador to the United Nations Andrew Young previewed the Administration's Belgrade wrecking tactic in a remarkable interview in the current issue of *Playboy Magazine*, which in recent months has upstaged *Foreign Affairs* as the Administration's favorite forum for announcing foreign policy initiatives. Young predicted that the Soviet Union would soon experience a “human rights explosion. You'll have literally hundreds of thousands of dissidents rather than a few hundred as you have now,” he promised. “There will be more and more mass action for freedom.”

The Soviet leadership reacted sharply to Carter's deliberate attempts to transform the Belgrade meeting into an East-West confrontation over human rights, warning that Carter's reckless provocations could lead to hostilities. A TASS release June 7 charged: "James Carter has assumed the role of mentor to the USSR and the other socialist countries, using the most absurd and wild concoctions borrowed from the stock-in-trade of reactionary bourgeois propaganda. Such a stand can only be seen as another attempt at interference in the internal affairs of the USSR and the other socialist countries. Those officials in the U.S. who are encouraging anti-Sovietism would do well to keep in mind that such a hullabaloo, while it will not make socialism budge an inch, will have an adverse effect on Soviet-American relations and détente as a whole."

The TASS statement underscores that the Soviet leadership does not want war, but may have no other alternative if Carter succeeds in wrecking the Belgrade conference and precipitating a superpower showdown.

Fabians Get Very Nervous

The unmistakable warning delivered by the Soviet leadership has forced even the most staunch Carterites to reconsider their Belgrade tactic. Martin Sletzinger, a staffer for the Helsinki Oversight Commission, reported June 9, "There has been a subtle shift in our negotiating posture at Belgrade. We don't want a confrontation." Only one week before, Sletzinger and one of his colleagues at the Commission had predicted, "The Soviets will storm out and go home."

A well-connected source outside the government subsequently revealed that State Department Soviet affairs specialists are angry at Carter, preferring serious negotiations to open conflict at Belgrade.

The sober reassessment of Carter's Wyatt Earp shooting tactics at Belgrade stems in part from the growing realization that the "American stereotype of Soviet Russia as a 19th Century country with a 20th Century military establishment" is false. Making that observation June 9, syndicated columnist Joseph Kraft pointed out that "the Russians are making slow but steady progress in such matters as technology, economic development and coping with social problems." The Soviet Union, he warns, "cannot be ignored, nor bullied, nor mastered, nor run into the ground. The Soviet Union has to be lived with."

A close Harriman associate from the Midwest elaborated Liberal dismay at Carter's negotiating posture, declaring that his "hang tough" style on SALT and the Belgrade conference had only resulted in stiffening Soviet opposition to the Carter Administration and had furthermore strengthened the hand of hardliners in the Politburo, at the expense of American agents like Georgii Arbatov of the USA Institute. Confidentially, he said, Carter's "Jungle Jim" act has confirmed Soviet suspicions that the U.S. President is a creature of David Rockefeller and that "now the Trilateral Commission runs the government," rendering the East Bloc Arbatov networks virtually useless, and from the Soviet point of view, totally expendable.

At a recent cocktail party in Washington, D.C. friends and colleagues of Harriman, the former U.S. Ambassador to Moscow, excitedly babbled, "The whole

situation is getting out of hand." A top aide to Senator Ted Kennedy commented on Carter's Belgrade policy, "It's going to backfire. Everyone knows there's a lot of ammunition the Soviets and Europeans can use against the United States on human rights ... the racial issue. We'll take a licking at Belgrade if it continues."

Soviet Expert: Things Can Suddenly Get Out Of Control

The following interview with Marshall Goldman, A Soviet Affairs expert at Harvard, was made available to the Executive Intelligence Review:

Q: There has been speculation in liberal Democratic circles that the Soviets will possibly walk out at Belgrade in response to President Carter's human rights campaign. Do you think this might happen?

A: I don't think that will happen, the Russians don't like to be challenged but they will not break relations or boycott. But that is not the same as saying détente won't be effected. Words are being exchanged that heighten tension. Things like this develop a momentum of their own. It's like a husband and wife bantering; things like this suddenly get out of control. We began this after the first SALT collapse. We increased the military budget, adopted a hang-tough position, although there is no cold war atmosphere in this country.

Belgrade means a lot to the Soviets. They want to increase trade in the spirit of Belgrade. There will be increasing economic ties between east and west at Belgrade. The Russians themselves won't come without a case on human rights: that the U.S. has not implemented human rights fostering in the case of the Black Panthers, Wilmington 10, that they didn't allow in Soviet trade unionists.

Q: Someone I talked to recently was worried that the deteriorating U.S.-Soviet relations could mean a blow up at Belgrade, and that this deteriorating relationship could mean that if the situation in the Middle East for example, erupts, then it would mean worldwide crisis.

A: There is reason for concern. It would be much better if we also talked about disarmament as well as trade along with the human rights issue. The State Department Soviet Affairs division is very upset at this. I see the danger of the Middle East veering into a crisis. I would readily agree that tensions are greater now than prior to Carter's election.

* * *

Arbatov Can't Get Through To The Top

The following is excerpted from an interview with a political intelligence operative connected to Averell Harriman provided to Executive Intelligence Review by an independent journalist:

Q: Our information tells us that Carter and Brzezinski are going to push human rights very tough at the upcoming Belgrade conference and try to force the Soviets

to storm out of the place. Don't you think that may be too brash?

A: Really? I hope not. You heard that they're going to push very hard at Belgrade? Maybe force the Soviets to storm out?

Q: That's what Brzezinski appears to be planning.

A: Well I'll tell you that would be a mistake right now. The human rights thing is good at certain times for certain things. Hmm... Let me tell you something. I was in Eastern Europe and the Soviet Union just about a week after the Carter election victory last November, so I know how their perceptions have changed over the past year or so. If we push this now, the Soviets will just harden their stand and the hardliners will capture Brezhnev, and then we'd have real problems, I'll tell you. This is a very delicate situation. At this point, I'd say we should not do anything that would endanger Brezhnev's position vis-a-vis the hardliners. Especially since their Institute people would really have a hard time standing up to the hardliners then.

Q: Their Institute people? What do you mean?

A: Well let me tell you. There's a guy named Arbatov. Very sharp guy. He's Brezhnev's personal top advisor on U.S. affairs and he runs their USA Institute. A very sharp outfit they are. Very well informed on U.S. politics too. Much more subtle than they used to be. They started out with about 12 people in 1968 and now they have about 268 people at the Institute. I had lunch with Arbatov in Washington on April 24 this year and we discussed this situation. And whenever we go to Moscow we always spend time with the guys in the Institute.

Q: What about these Institute guys? You can deal readily with them?

A: Oh yes. They understand what it is we're trying to do. Take this human rights thing. They understand what it is, but they are having trouble getting through to the big guys in the Party apparatus now.

Q: Especially since the Vance SALT thing fell through?

A: Yeah, exactly. But it goes back even further than that. At this point the Institute guys can't defend us too much or the hardliners will really go after them. That's why I'm concerned about this Belgrade situation. If Carter goes with the big human rights thing now, the hardliners will really go after Arbatov's people and collar Brezhnev and say 'see, we told you, they're soft on the Trilateral Commission'!

Q: What's that?

A: Oh yeah. The Russians have really latched on to this Trilateral thing. It hasn't surfaced very much in the press; only some brief references; but they have really latched on to this whole Trilateral conspiracy thing. I'll

tell you I was over in Moscow in March 1976, just when the primary races were beginning, and I told them at that time that Jimmy Carter was going to win the Democratic nomination and that he would win the election and that Carter would become President. At that time they didn't know what to think. Didn't know who Carter was and so forth. Really they were quite surprised and quite taken aback. Then I went back in November just after the election and said I told you so and since then but especially lately we know that their views are along the following lines: Carter was picked up a couple of years ago by David Rockefeller and Brzezinski, put on the Trilateral Commission with Mondale, Vance, and so forth. That Rockefeller created Carter from nowhere and put him in the White House and now the Trilateral Commission runs the government. They see it as a Rockefeller operation.

Q: So the so-called military industrial complex now has a name? Rockefeller, Trilateral, etc.?

A: Right. That's why Arbatov and the Institute people can't defend us too much now.

Q: Gee. That sounds just like the Labor Party analysis.

A: Yes, it does.

Q: Do you mean to say that the Russians are listening to the Labor Party now?

A: No. The Russians are not listening to the Labor Party! No. The Russians are a lot sharper than that...alot more subtle. No. No.

Q: So where does this leave us?

A: Well I don't know. But we're trying to tell them that they can deal with Carter, like I told them last year not to worry, that Carter can control the military industrial complex, even if it is the Trilateral Commission and so on. We want them to understand the kinds of political pressures on Carter and so on. For example, we're telling them that SALT can still go forward. The March SALT package was not really Carter's per se...there were alot of pressures. Matter of fact Scoop Jackson basically wrote the SALT proposal that Vance took over there you see.

A: Are you kidding? Scoop Jackson wrote it?

A: Well, not exactly wrote it...

Q: But that's what you're telling the Russians...

A: Yeah.

Q: How's that going?

A: Well I don't know. We can't seem to go any further up than the Institute guys. We can't reach the big Party people.

Mediterranean-Comecon Alliance Rejects Carter's Wargame

Italian Foreign Minister Arnaldo Forlani emerged from working discussions with Yugoslav President Josip Tito June 7 to announce that both countries are *determined not to accept sabotage* of the upcoming Belgrade Conference on Security and Cooperation in Europe. Forlani went on to warn of "grave risks" of war in the Middle East situation — the key danger spot for World War III, and the major issue which has catalyzed a Mediterranean-Comecon alliance to reject the Carter Administration's human rights wargame.

A series of intensive deployments by heads of state of Eastern and Western European nations have crisscrossed the Mediterranean over the recent period as part of the organizing effort that will culminate at the Belgrade conference, which begins June 15. As identified by the protagonists, the immediate purpose of their organizing is twofold: first, to ensure that the Carter Administration will not succeed in its announced plans to wreck the Belgrade proceedings via the "human rights" policy of anti-Soviet provocation. Secondly, to establish a "Mediterranean Security Pact" that would include leading East and West European and Middle East states as the kernel of a broad-ranging alliance for the establishment of a new world economic order.

Speaking from Belgrade on June 7, Forlani characterized the high level of agreement reached between Italy and the leading country of the nonaligned movement with the following statement: "If it were not for the fact that the word alliance implies fully integrated relations at an institutional, military and economic level, we could say that we (Italy and Yugoslavia) are allied."

Forlani's trip to Yugoslavia is an immediate sequel to extremely successful visits by Italian Prime Minister Giulio Andreotti to both Greece and Rumania. In all three cases full public agreement was reached between the respective heads of state and government ministers that under no circumstances would they allow the Belgrade conference to be disrupted through insistence on the bogus "human rights" issue.

Broad Alliance

These urgent pre-Belgrade deployments against the Carter war threat amount to a nexus for peace and development which is unprecedented in scale and complexity, encompassing Italy and West Germany for the industrialized sector, Yugoslavia as the Third World's representative, and Poland, Hungary and Rumania for the Comecon sector in a de facto "alliance" of the kind to which Forlani referred.

In a dispatch issued one day before Forlani's statement, the Cuban wire service *Prensa Latina* located the much-publicized significance of the new Italo-Yugoslav relations as an aspect of a broader diplomatic effort involving principally Andreotti's powerful Western ally, West German Chancellor Helmut Schmidt. Schmidt, himself a visitor to Yugoslavia immediately before the Italian Foreign Minister, has recently concluded

significant bilateral agreements with Poland and East Germany, as *Prensa Latina* pointed out.

The Chancellor's pointed efforts to cut through the barriers to cooperation between West Germany (BRD) and the socialist sector have also included a reshuffle in the West Berlin government, substituting the former Atlanticist mayor with a close Schmidt collaborator who has made a point of his desire for good relations with East Germany.

While Forlani was visiting Yugoslavia, Italian Premier Andreotti was entertaining President Kadar of Hungary. Kadar's trip to Rome is the first stop in a tour which will take him next to West Germany and from there through the rest of Western Europe. As with Yugoslavia, public statements released following meetings of the two heads of state have emphasized the "full convergence of agreement" between both nations on the positions to adopt at Belgrade.

France Under Pressure

While West Germany and Italy are moving rapidly in the direction of closer cooperation with Eastern Europe, the Soviet Union has begun to exert pressure on the Atlanticist French government of Giscard d'Estaing. French Foreign Minister Guringaud was placed on the carpet this week during a trip to Moscow. In a meeting with Leonid Brezhnev which lasted nearly one and a half hours, the Soviet leader lectured Guringaud on the nature of Soviet foreign policy. This was followed by a lengthier meeting with Soviet Foreign Minister Gromyko who focused his reportedly "acerbic" comments on denouncing French government cooperation with the U.S. Administration in increasing tensions in Africa.

While brandishing the stick, the Soviets also offered Guringaud a carrot in the form of offers of trade agreements sorely needed by rapidly collapsing French industry. According to the latest press reports, the French Foreign Minister agreed to a program for bilateral trade together with a declaration in support of detente.

Economic Counterpoint

The establishment of closer economic ties based on a policy of industrial development has been the consistent counterpoint to the political agreements reached. Andreotti and Kadar are planning a series of comprehensive economic initiatives with particular stress on joint cooperation in economic deals with third countries. Similar agreements were reached during Andreotti's trip to Rumania. The global political orientation of these economic discussions was identified by the characterization given by Hungary and Italy to their joint proposal for the creation of permanent commissions at the Belgrade conference to discuss the Mediterranean question "interlinking cooperation to security, and East-West to North-South relations," implying a new monetary system to re-start trade and development among the world's major economic sectors.

At the same time, the Italian government-connected thinktank, Forum for Detente and Mediterranean Cooperation, has sent its top executives to Poland for extensive political and economic talks. This flanking deployment occurred while the Italian Trade Minister Rinaldo Ossola was in Poland over the past week for the signing of a \$140 million agreement for Italian participation in Polish economic development in 1978.

The Italian newspaper *Paese Sera* summarized the overall aims and implications of the current diplomacy in a front-page editorial on June 8. A very close ally of Prime Minister Andreotti, the Communist editor of the journal wrote of Belgrade that the aim of the

Mediterranean security package is to ensure that the European Economic Community is removed from subordination to "the military and economic policies of the United States." This means not only the "disarmament of Central Europe, but also the Danube area and the Balkan peninsula" in the context of a West European successful demonstration of autonomy from Carter's war policies.

A second article in the same newspaper called for the creation of \$130 billion in liquidity by the advanced sector to carry out the necessary development of the Third World, as the precondition to the successful establishment of a lasting peace.

EXCLUSIVE

The King Hassan II Affair

In a series of interviews with newspapers around the world last week, King Hassan II of Morocco called upon Israel and the Arabs to join their resources and political will in a Mediterranean alliance. "If you put together Israeli technology and Arab oil, you construct in the region a world power," declared Hassan II.

Hassan's political bombshell has the potential to immediately transform the entire political balance in the Mediterranean Sea region. It has not yet been covered in any major American newspaper.

An analysis of the background to the Hassan II affair and the political networks which intersect the Byzantine intrigues of Moroccan politics reveals that Hassan has been activated by forces outside Morocco — in Moscow, London, and Paris — with a view toward laying the groundwork for a settlement of the Middle East crisis, thus clearing the way for a triangular political-economic accord linking the USSR, Western Europe and the Middle East.

"Israel should bet on peace," said Hassan II. "Only think of what the Arab world, disposing of its immense wealth and economic resources associated with the creative genius of Israel, could do to transform the region." Hassan added that the crisis in the Middle East, unless it is defused, "could lead to economic chaos and possibly an atomic confrontation between the superpowers, with unforeseeable consequences."

The statement from Hassan, who also initiated moves toward open diplomatic contacts with Israel, is almost without precedent from an Arab head of state.

The question is: Who is behind Hassan's initiative? The preliminary answer to that question is presented below.

The origin of Hassan's initiative goes back to mid-1976, when Italian Prime Minister Giulio Andreotti came to power. Andreotti's accession opened up the possibility that the Mediterranean basin could be the scene of a new political alliance among the USSR, Western Europe and the Arabs. The goal of the projected alliance would be two-fold: the consolidation of political security in the region by resolving the outstanding regional conflicts, including the powderkeg Middle East; and a financial and economic arrangement that might establish the kernel of a new monetary system, in which Arab petrodollar resources were a central focus.

Immediately after Andreotti came to power, a flurry of diplomatic statements and contacts by the countries of the Mediterranean littoral began, in August 1976, to point the way to a "Helsinki"-style regional pact for the Mediterranean, for which Malta was repeatedly suggested as the locale. A landmark in that process was the purchase of 10 percent of FIAT's shares by Libya and its Arab Foreign Bank. That deal, which established the basis for Arab-European industrial cooperation, was mediated in part by the USSR — and opened the door for triangular financial deals in Comecon Transfer-rubles among Italy, Libya and the USSR. According to informed sources, the FIAT-Libya deal was consummated in Moscow at a meeting attended by Soviet Party Chairman Leonid Brezhnev, Libyan President Qaddafi, FIAT Chairman Gianni Agnelli, representatives of Lazard Freres in Paris and others.

The initiative from Hassan is a continuation of that process.

According to sources close to the U.S. Defense Intelligence Agency, the origin of the Hassan II proposal to Israel came from Crown Prince Fahd and Oil Minister Zaki Yamani of Saudi Arabia during their May 26 visit to the U.S. Fahd reportedly told Carter that Saudi Arabia was seeking some country to serve as a bridge between the Arabs and Israel, and was seeking U.S. support — which was not forthcoming! The sources said that Carter did not respond to the Saudi suggestion and ignored the potential impact of an Arab leader offering to work with Israel; another source said that the Saudi proposal "is sitting on (National Security Council chief) Brzezinski's desk untouched."

William Quandt, Brzezinski's top Middle East aide, flatly denies to reporters that the U.S. is involved in any way with the Moroccan initiative. Several other U.S. sources, who would be informed if the U.S. were in any way involved in the King Hassan move, also denied knowledge of the affair.

A U.S. Nasserist source, with close Gulf contacts, added to this picture that it was in fact the Kuwaitis who pulled Saudi Arabia into the Moroccan move. The Kuwaitis, he said, are quite unhappy with the Carter Administration, and are angry with the Saudis for refusing to move more strongly against Carter after

months of U.S. diplomatic insults to the Arabs. The source added that the Kuwaitis suggested King Hassan because he is close both to King Khaled of Saudi Arabia and to important circles inside Israeli Intelligence, and in addition, Israel's large Oriental Jewish community — which is heavily pro-Likud — comes from Morocco and maintains political links there.

Who Runs Morocco?

But the Arabs are obviously not the prime movers in the Hassan affair. The strings attached to King Hassan primarily run to London, Paris and Madrid, and represent a leading West European banking faction centered in Great Britain that might consider a deal with the USSR over the Middle East that would exclude Rockefeller and Co.

The leading banks operating in Morocco and the region are the Banque de Paris et des Pays Bas and the Banque de Suez et de l'Indochine, with influence in North Africa, Malta and the Persian Gulf. These banks are linked mainly to the Lazard Freres interests (FIAT-Libya deal) and especially to Pierre Mendes-France, who is presently staging a comeback in French politics. Mendes-France is widely known as a "British" agent in Paris — he maintains close links to leading financial circles in the City of London — and he is also close to leading Gaullists like Michel Jobert, Michel Debré and others. One of Debré's closest friends is the former chairman of the Banque de Paris et des Pays Bas. Other leading banks in Morocco include the Investment Company of Kuwait and the Arab International Bank of Investment, according to the Algerian newspaper *El Moudjahid*, along with "high finance of the Zionist diaspora."

The networks in Morocco, Tunisia and West Africa maintained by Mendes-France are extensive. He is known as the "political godfather" of both Moroccan and Tunisian independence, since, when he was prime minister of France in the 1950s, he arranged the transfer of power for both former French colonies.

There has been a steady stream of Israeli and Zionist visitors to Morocco since February 1977, which indicates a long-term effort to build up contacts between the two countries. In February, Nahum Goldmann of the maverick World Jewish Congress spent a week in Morocco. Then, in March, Andre Chouraqui, a North African Arab who was formerly Deputy Mayor of Jerusalem and an aide to Ben-Gurion, Israeli ex-prime minister, visited Morocco in a move that was arranged by the brother-in-law of Mendes-France. Then, in May, Israeli journalist Amos Kenan visited Morocco on an Israeli passport, which was without precedent, and met with an official of the Palestine Liberation Organization. Kenan, a "leftist" with links to the so-called Israel Council on Israeli-Palestine Peace, is himself involved in a network of Rockefeller and Rothschild circles that recently participated in the round of semi-secret talks between the PLO and Israeli "doves" in Paris, some of which were arranged by Mendes-France.

A Histadrut (Israeli labor federation) official, Shaul Ben-Shimon, also spent a few days in Morocco last week, and a Moroccan delegation went to Israel at the invitation of Israeli Agriculture Minister Uzan.

The Soviet Angle

There is little doubt that the USSR was involved in the Moroccan affair from the start. Two weeks ago, Morocco announced that the USSR and Morocco had signed a huge, multi-billion dollar trade deal exchanging Moroccan phosphates for Soviet oil. This deal —, in turn, was reportedly part of an arrangement whereby Morocco agreed to withdraw its troops from Zaire, where they had been threatening Angola, a close Soviet ally in Africa. The deal followed the visit to Morocco of a top Soviet foreign ministry official.

The ownership of Morocco's phosphates is itself linked to a complex web of Arab and Spanish interests which includes the Spanish state-owned INI combine and the Libyan Arab Foreign Bank, whose chairman, now a member of FIAT's board, lives in Madrid at the headquarters of the Banco Arabe-Espanol. In turn, the Libyan, Kuwaiti and possibly United Arab Emirates interests are tied to London and Paris circles, including the Rothschilds — but for the most part not the New York banks and the Rockefeller faction, which is based, ever more shakily, in Saudi Arabia.

Also important in this connection is Rumania, which has been serving in the recent period as a Soviet bridge to the Middle East, including Israel, with which Rumania has diplomatic ties that the USSR lacks. For instance, Agriculture Minister Uzan of Israel recently visited Rumania and Portugal.

The pattern of the Morocco affair follows a possible precedent set in 1956 by Habib Bourguiba, then and now the President of Tunisia and a close friend of King Hassan and Senegal's President Senghor. At that time, Bourguiba launched a similar diplomatic initiative toward Israel that was rebuffed, but a book written on that affair by Samuel Merlin, an ex-Irgun veteran, claims that the forces behind Bourguiba then — likely the same as those behind Hassan today — are the following:

* Harold Wilson and other members of the British Labour Party, who met at Wilson's home in 1965 with Israelis and with members of the West German SPD. An SPD delegation, not from the faction associated with Willy Brandt, then visited Tunisia and Israel, including Hans Jahn, Hans Dingels and Hans Wishevsky.

* Nahum Goldmann and the World Jewish Congress, whose London representative A.L. Easterman maintained close contact with Habib Bourguiba.

* Pierre Mendes-France, whose Israeli contact was Foreign Minister Abba Eban.

* Malta Prime Minister Dom Mintoff, who in 1965 tried to mediate between Egypt's Nasser and the Israelis. Today Mintoff is a leading spokesman for the concept of a Mediterranean Pact.

It is to this group, backed by the Lazard interests and other bankers of West Europe, that the Soviets are proposing to strike a deal over the Mediterranean and a new financial system. Two important diplomatic visits may signal that the pace of that initiative is stepping up. First, Yasser Arafat suddenly flew down to Senegal to meet Senghor, who is close to Hassan, and who — according to Israeli radio — offered to mediate between the Arabs and Israel. Second, a 12-man Soviet delegation of scientists arrived in Israel this week for meetings with Israelis as part of a symposium underway in Tel Aviv.

Rockefeller Sabotage

There are some indications that Rockefeller and the Carter regime have set into motion a number of counter-operations to block and confuse the impact of the King Hassan move.

The networks that have been activated include the Willy Brandt wing of the West German SPD and Second International, and the liberal-radical magazine *Le Nouvel Observateur* in France. According to informed sources, Brandt is seeking to move into the Moroccan-Israeli rapprochement to chair a meeting on Arab-

Jewish affairs with Mendes-France. Yesterday Brandt went to Zurich to address "Jewish leaders" there on Arab-Israeli ties. Reportedly, Brandt is working alongside *Le Nouvel Observateur*, the French weekly heavily controlled by Rockefeller and the Institute for Policy Studies.

Both Brandt and *Le Nouvel Observateur* may now attempt to attach themselves onto the overall Mediterranean process like parasites to weaken the momentum of what has been set into motion.

—Bob Dreyfuss

Arabs Move Toward 'Unified Political Plan'

Egyptian Foreign Minister Ismail Fahmy completed two days of talks with the Soviet leadership June 10, including a meeting with Soviet Communist Party Chairman and Premier Leonid Brezhnev. Reversing months of deteriorating bilateral relations, the two parties agreed to strive for a Geneva Mideast conference early this autumn, and to establish closer coordination of positions over the coming months. According to the British Broadcasting Corporation, the Egyptians and Soviets agreed to take "certain concrete measures" to improve bilateral ties, which undoubtedly involve the renewal of Soviet shipments of military spare parts to Egypt and means for ironing out the thorny problem of Egyptian debt owed to the Soviet Union.

These crucial bilateral talks were the highlight item in a week of numerous key steps taken by Arab leaders toward the formation of what the Cairo press is calling a "unified political plan" by the Arabs. Catalyzed by the Soviets, the Iraqis, and leading North African states, this diplomacy is oriented toward securing an effective Arab sector voice at the June 15 Belgrade CSCE talks.

The overriding short-term focus of the momentum toward political unification is to work out solutions for the many regional intra-Arab quarrels which have detracted from an effective Arab sector move toward formation of a new non-dollar-based new world economic order. As this process is unfolding, the vanguard Arab forces in Iraq, Libya, and elsewhere, and their backers in Western Europe and the Soviet Union, will have a powerful voice in influencing the strategic decisions of the Saudi Arabian ruling family in monetary and related affairs.

Before Fahmy left for Moscow — itself a change in site from earlier plans to hold the meeting in a "neutral European city," as per Egyptian urging — an aura of expectation was building in Arab circles that the talks would be taken *very seriously* by the Egyptians.

On the eve of the talks, Egyptian President Anwar Sadat made the highly irregular gesture of publicly praising the Soviet leadership for the recent dismissal of Soviet President Podgornyi. "Thank God the Soviet leaders discovered the reality of this man and removed him from power," Sadat told Cairo's Middle East News Agency. According to sources in the U.S. intelligence community, Podgornyi had been originally removed in part because of his failed policy toward the Mideast in general and toward Egypt in particular.

Egyptian economic czar Abdel-Moneim Kaissouny, who has been very close to International Monetary Fund and New York banking circles for the past decade, this week warmly praised the Soviets in public. Kaissouny was trying to lay the groundwork for a forthcoming attitude on the Soviets' part in regard to Egypt's debt repayments to the Comecon sector.

For the first time in months, contacts were renewed this week between leading Egyptian and Libyan circles, something that the Soviets have been striving for for many months. A meeting between Sadat and Bachir Rabeti, the Libyan head of the until now moribund United Arab Republic of Egypt, Libya, and Syria, was favorably publicized in the government run Egyptian press, which had previously been a conduit for wild attacks against Libyan leader Muammar Qaddafi.

During the following days, Egyptian Prime Minister Mamdouh Salem will meet with Libyan Foreign Minister Oteibi, BBC reported June 5. On June 9, the Iraq News Agency reported that Qaddafi and Sadat will meet this weekend in Tobruk, Libya.

Qaddafi is also trying to resolve an ongoing controversy between his country and neighboring Tunisia involving control over disputed oil resources. Meetings between the two countries' leaderships, possibly through the mediation of the pro-Libyan ex-Prime Minister of Tunisia Mohammed Masmoudi, are being arranged, and one high ranking official in the ruling Tunisian Destour Party declared that "the process of reconciliation is ongoing." Qaddafi received extensive praise in the Soviet military newspaper *Red Star* for his gestures toward Tunisia.

Libya was the location of recent efforts to mediate the bitter dispute between Iraq and Syria. At a late May Islamic Conference in Tripoli, Syrian Foreign Minister Abdul-Halib Khaddam made a sudden appearance, giving Qaddafi a basis for arranging Iraq-Syria contacts. Since that time, the *Christian Science Monitor* reported June 6, Syria has begun to tone down its attacks on Iraq.

The paper also reports that Syria has begun to supply Soviet-supplied arms to the Egyptians via the port of Tartus.

Iraq and Gulf Security

Iraq has been a prime motivating force for regional Arab political and military coordination and for the establishment of Persian Gulf security arrangements.

In reaction to the victory in Israel of the extremist Likud Party, Iraq earlier this month sent special notes to all Arab leaders calling for joint defense coordination in the face of a growing Israeli pre-emptive air attack threat. Iraq also announced that it was creating a day and night air cover and expanded defense perimeter to protect its oilfields from long-range Israeli attack, citing recent warnings by Israeli Chief of Staff Mordechai Gur that Israel would not hesitate to attack "distant Arab states" if the need arose.

According to the Paris-based newspaper *Al Watan al-Arabi*, Iraq's oilfield defense measures have since been expanded to include neighboring Arab states. Last weekend, Kuwait and Iraq reportedly worked out an arrangement to alternately patrol the oilfields of the Persian Gulf region.

The Iraq-Kuwait agreement came amidst spreading fear in informed Arab circles that an Israeli long-range attack was in the works. The respected Arabic newspaper *An Nahar* noted this week that Arab officials now fear Israeli aerial attacks on the Gulf countries and Libya.

The necessity for joint Arab Gulf security arrangements has been stated by leaders of the geographically central United Arab Emirates. In mid-May UAE Defense Minister Muhamed Ibn Rashid had stressed that there was an organic relationship of Arab security as a whole. A few days later, the UAE National

Assembly called for the establishment of Gulf "economic integration" as "preparatory to achieving a political unity that would serve as the nucleus for a more comprehensive Arab unity."

Lebanon: Path of Resolution?

A thorn in the side of all these unity efforts has continued to be the volatile Lebanese situation. Aside from the destabilizing effects of expanding Israeli-Lebanese fascist military and logistical collaboration, Lebanon has also been the battleground between pro-Syrian units and Palestinian and pro-Iraqi units. This week, intense fighting broke out between Syrian units and Palestinian leftists opposing efforts to keep the Palestinians tightly controlled in limited encampments.

But Syria's insistence on ramming through a hard-line solution favorable to U.S.-manipulated "Greater Syria" efforts appears to be easing, and Syrian President Assad appears to be buckling to the will of Saudi Arabia, which had recently cut back by 80 percent the aid granted to his regime. This week, Assad announced his acceptance of 1969 accords regulating Palestinian action in Lebanon and, after meetings between Khaddam and Lebanese President Elias Sarkis, official Syrian publications are advocating building up Sarkis' national sovereignty in the war-torn country. A meeting between Assad and Sarkis is in the offing.

* * *

War Cabinet Formed In Israel

No matter what party name is given to the Israeli cabinet, Likud party prime minister-elect Menachem Begin is forming a war cabinet. Although desiring a strong unity government — including both the defeated Labour Party and the Democratic Movement for Change led by Yigal Yadin — uniting all the hardline factions in a massive show of force to the Arabs and the U.S., Begin apparently will have to content himself with what war-hawk generals he can scrape up.

The chosen posts of defense and foreign ministers are firmly in the hands of known expansionists: Ezer Weizman in charge of defense and his brother-in-law Moshe Dayan named to the foreign minister's post. Ariel Sharon, Dayan's protégé, will have a special post created for him as Minister of Security Coordination.

Meanwhile the Carter regime is issuing alternately pro- and anti-Israeli statements designed to push these unstable Israelis into self-imposed isolationist positions, aggravating the Israeli Samson complex and bringing on a fifth Arab-Israeli war and near-certain thermonuclear holocaust in the name of "Jewish Survival."

It is no wonder that war jitters are rampant throughout the Israeli population.

Yesterday Prime Minister Yitzhak Rabin and his Chief of Staff Mordechai Gur toured the Sinai to assess the situation following last month's Egyptian military exercises there. As the least likely enemy of Israel, Egypt is being targeted precisely because Defense Minister Fahmy is meeting Soviet leaders in Moscow for pre-Geneva negotiations. According to the Israeli press, many

Israelis regard the Egyptian maneuvers not only as threatening, but as a rehearsal for another war. The *Jerusalem Post* warns that "threats of war are resounding in the Mideast again" and that the Egyptian presence in Sinai was "more ominous than before."

Additionally Israel has officially accused Egypt of violating the UN Sinai accords, three times in the three weeks since the elections.

Rockefeller-linked Drew Middleton wrote in the *New York Times* on Monday that "instability" in the Middle East is pushing Egypt especially, towards a "limited war" in Sinai.

This scenario — small provocations by the Arabs against Israel — was enunciated by a Brookings Institution operative while commenting on Chief of Staff Gur's remarks this week that the one lesson Israel learned from the '73 war was that a war could erupt out of Israeli control. This was interpreted as Gur's "new intelligence doctrine," which would not allow the Arabs to slowly build up their forces as in 1973. "If changes in actual troop movements are seen, Israel will have to react ... if they move into the ceasefire zone (Sinai) Israel will have to react militarily and this might mean a partial mobilization." Thus Gur's new policy is one of preemptive first strike, a doctrine now being widely talked of. The *Baltimore Sun* this week quoted a "high Likud official" who said that if the U.S. turns against Israel, however slightly and even temporarily, Israel will be forced to return again to the strategy of a preemptive strike. The *Sun* interpreted this as meaning

nuclear first strike, the major proponent of which is Dayan.

While the next Foreign Minister is talking of nuclear war, and sees no agreement in sight for peace negotiations, the next Defense Minister Weizman told the *Washington Post* that if "forced to cede" the West Bank or Gaza, "Israel would be faced in another war, whether to strike first preemptively or rely on the American sixth fleet to come to save Israel." Thus Israeli leaders are already talking about what kind of war they will be fighting even before they are in office.

As a military man, Weizman, along with other Israeli

military strategists, knows that Israel cannot fight a limited war such as Middleton suggests. Any war must be quick and fought to win a decisive victory.

President Carter's statements on a 'Palestinian Homeland' are designed to back sane military thinkers in Israel into a corner, provoking them to launch a nuclear first strike that would bring in the U.S. Sixth Fleet ... and the Soviets. Middleton knowingly elaborated on that distortion in his column: "Rationally, there is no sense in either the Arabs or the Israelis choosing the military option. But this is not a rational area, these are not rational times."

EXCLUSIVE

A Chronology: Pre-Belgrade Diplomacy

- May 22 — Italian Prime Minister Giulio Andreotti leaves for Greece for several days of meetings with Greek leaders including Premier Karamanlis.
- May 23 — Italian Foreign Minister Arnaldo Forlani goes to Spain to discuss economic agreements, while Communist Party of Italy Middle East expert Giancarlo Pajetta visits Malta.
- Cuban delegation of the State Committee for Scientific and Economic Cooperation in Italy to meet with Foreign Trade Minister Ossola.
- May 24 — Saudi Crown Prince Fahd, Oil Minister Yamani, and Finance Minister Aba Khail in London for meetings with Prime Minister Callaghan and other members of the British Cabinet.
- May 25 — Major General George Keegan, former head of U.S. Air Force Intelligence visits Israel.
- German Democratic Republic Foreign Minister Oscar Fischer receives the ambassadors of the Organization of African Unity member countries.
 - Meeting of Council of Mutual Economic Assistance (CMEA) Deputy Foreign Trade Ministers in East Berlin.
 - East German Socialist Unity Party Politburo member Alfred Neumann meets with Soviet First Deputy Prime Minister Nikolai Tikhonov in Moscow.
 - Soviet Foreign Trade Minister Patolichev goes to Japan.
 - Yugoslav League of Communist Executive member Stane Dolanc receives a delegation from the Congo.
 - Andreotti and Forlani in Rumania meet with President Ceaucescu. Pres. Boyer of IRI (Institute for Industrial Reconstruction) travels to Venezuela to discuss "the integration of Italy into Latin America."
 - Rumanian Transport Minister Ruffini in Moscow to meet with Soviet Transport Minister.
- May 26 — Soviet Politburo member M. Solomentsev in West Germany.
- Saudi delegation arrives in the United States from London for talks with President Carter. Fahd and Yamani also had talks with James Schlesinger.
- May 27 — Polish Central Committee Secretary Edward Babuich in West Germany.
- Austrian-President Kirchsclaeger and his Foreign Minister Pahr leave for Hungary.
 - Czechoslovak President Gustav Husak announces plans to visit Iraq.
 - West German Chancellor Helmut Schmidt is in Yugoslavia
- May 28 — Polish General Secretary Edward Gierek heads delegation to German Democratic Republic.
- Mexico's Luis Echeverria arrives in Belgrade for a conference on the New World Economic Order sponsored by a Yugoslav university.
- May 30 — Chancellor Helmut Schmidt arrived in Yugoslavia for extended talks with President Tito. The leaders agree that technology transfers to the Third World are essential, Tito states that worsening relations between the two superpowers could be counteracted by relations between other states.
- June 1 — Saudi delegation arrives in France from the United States.
- Soviet military delegation arrives in Jordan.
 - Senator Stone (D-Fla), the head of the Senate Foreign Relations Subcommittee on the Middle East, arrives in Israel.
 - President of Ghana arrives in Rome for talks with government officials.
- June 2 — Saudi delegation arrives in Spain.
- Soviet Deputy Prime Minister Tikhonov heads delegation to West Germany.
- June 3 — The Foreign Ministers of Tunisia and Libya reportedly meet.
- Zambian President Kenneth Kaunda arrives in Bonn for talks with top government officials.
- June 4 — Hungarian Central Bank representatives to Goettingen University for an industrialist-banker symposium on financing of East-West trade.
- Soviet Communist Party General Secretary Leonid Brezhnev receives Somali delegation headed by Vice President Samantar.
- June 5 — PLO Chairman Yasser Arafat visits Libya, Algeria, Senegal and then returns to Algeria.

June 6 ← Hungarian Communist Party First Secretary Janos Kadar arrives in Italy to meet with Andreotti and Pope Paul VI. Forlani in Yugoslavia for meetings with President Tito and Foreign Minister Minic on Italian-Yugoslavian relations in preparation for Belgrade conference.

- West German Foreign Minister Genscher and President Scheel arrived in Mexico as part of a Latin American tour. Scheel consults with President Lopez Portillo, after which it is announced that Mexico will purchase a nuclear power plant from West Germany, and may purchase a full nuclear cycle modeled on the West German treaty with Brazil.
- Hungarian President Janos Kadar arrives in Italy.
- Rumanian Politburo member Stefan Andrei meets with Soviet Politburo members Boris Ponomarev and

K. Rusakov.

- Soviet Admiral S. Gorshkov receives Rear Admiral Phillip deGaulle of France.
- Israeli Foreign Ministry official visits Rumania.

June 7 — French Foreign Minister Guiringaud meets with Soviet General Secretary Leonid Brezhnev and Foreign Minister Andrei Gromyko in Moscow.

June 8 — Foreign Trade Minister Ossola in Poland to sign trade accords and negotiate others.

June 9 — Egyptian Foreign Minister arrives in Moscow for talks with Soviet Foreign Minister Andrei Gromyko.

- a 12 man Soviet delegation, the largest delegation to visit Israel since the '67 war, arrives for a conference on space travel.

* * *

Rockefeller 'Trade-Off' With Conservatives On Energy, B-1

Behind last week's sudden "selective attack" on the Carter Administration's no-growth energy program in Congress, is Nelson Rockefeller's apparent effort to consolidate an alliance with conservative industrial and financial interests around a 'Project Independence' energy boondoggle and military production program.

Major components of the Carter Administration's energy program, including the standby gasoline tax, the tax rebate for small cars, and a price ceiling on new natural gas, were knocked down in rapid-fire sequence last week by two Congressional units. The surprise defeats dealt by the House Ways and Means Committee and the House Commerce subcommittee on energy and power to these keystone items of the Administration's program — taken together with Carter's apparent turnaround on the B-1 bomber, recent pro-nuclear statements by James Schlesinger, and related developments — indicate that Rockefeller is drawing conservative political-economic factions into his orbit on the basis of certain concessions in the areas of military and energy policy.

In line with this newly emerging strategy, Nelson Rockefeller has sent his personal emissary Henry Kissinger on a whirlwind tour of conservative banking and industrial centers to get out the message that Rockefeller has opted for an energy program emphasizing production, deregulation and nuclear power, coupled with an intensive military buildup, and is prepared to give these interests a piece of the action in exchange for their political support.

In a move to woo Texas support for this gambit, Kissinger visited Dallas on June 7 as the guest of honor at a dinner sponsored by William Clements, Deputy Defense Secretary in the Ford Administration, and attended by important figures in Texas Republican and conservative Democratic circles. The former Secretary of State bent over backwards to prove his conservative credentials to his former foes by lambasting the Carter Administration for its moves toward normalizing relations with Cuba.

On June 11, Kissinger will touch down in Chicago for a similar series of "off-the-record" briefings with the Chicago financial community and press corps. In addition, Kissinger will give the keynote speech at the first national conference of the Alliance to Save Energy (ASE).

Although ASE was initially formed to drum up public support for the Carter Administration's energy program, sources close to Kissinger report that his speech will place heavy emphasis on the need for expanding energy production along the lines of Nelson Rockefeller's 1975 proposal for a federally-funded \$100 billion Energy Independence Authority porkbarrel. Kissinger's press aide, John Covey, informed the EIR this week that Kissinger disagreed with the anti-nuclear bias held "by some members of the Carter Administration," and

specifically opposed the proposed ban on plutonium.

Kissinger's trip to Chicago is being arranged by Rockefeller in-law Senator Charles Percy (R-Ill), a chairman of the ASE, who will also speak at the group's conference. In accordance with his boss's shift on energy policy, Percy, according to an aide, has suddenly reversed his opposition to natural gas deregulation and has hired a Texas "independent oil type" as an energy adviser. Percy has also publicly come out against same-day voter registration, another concession to conservative layers.

Although the Eastern press, especially the *Washington Post*, is portraying the House votes on Carter's energy package as "stunning defeats," would-be energy czar James Schlesinger has started singing a tune remarkably similar to Rockefeller's. On an ABC-TV special broadcast earlier last week, Schlesinger announced that nuclear power had a major role to play in supplying the country's energy demands, and vowed that at least 300 new nuclear plants would have to be built over the next 25 years. Schlesinger's promises were underscored by Federal Power Commission director John O'Leary, who issued a statement the same day predicting that nuclear power will overshadow coal as the energy source of the future. These statements are a far cry from the Administration's previous characterization of nuclear power as a "last resort" option.

Of even greater significance, Schlesinger has named two prominent conservatives to top posts in the soon-to-be-created Energy Department. Thomas Reed, who served as Air Force secretary in the Ford Administration, who worked closely with both Richard Nixon and Ronald Reagan, and maintains direct links into Texas oil interests, has been given the number two slot at the new Department. Everett Keech, another conservative Republican, has been brought in by Schlesinger to help get the department off the ground. Indicating how conservative groupings have been taken in by Rockefeller's "deal," sources connected to independent oil interests told the EIR this week they were "delighted" at the Reed appointment, and "confident that he would actually be running the show."

Congressional Horse Trading

This past week's Congressional actions on the Administration's energy package were clearly reflective of the trade-off which Rockefeller has negotiated with the Whig layers. On June 9, the House Commerce subcommittee on energy and power, chaired by Rep. John Dingell (D-Mich), voted 12-10 in favor of an amendment sponsored by Rep. Bob Kreuger (D-Texas) which would end federal price ceilings on newly-discovered natural gas — something which the Administration had vocally opposed. Deregulation of natural gas has long been one of the major demands of Southwestern interests, and their

major point of contention with the Carter energy program. Without conceding to deregulation, Rockefeller would have no chance of enlisting their support. The surprised passage of the Kreuger amendment was due to "aye" votes cast unexpectedly by New York Democrat John Murphy and Timothy Wirth, a liberal Democrat from Colorado.

Similar concessions to auto- and related industrial interests were made when the House Ways and Means Committee voted 32-5 on June 9 to reject Carter's proposed rebate on small cars (which the auto industry opposed on the grounds that it would give foreign small car imports an unfair advantage on the American market). Also killed by a 27-10 margin was his standby gasoline tax, which could have escalated gasoline taxes to 50 cents a gallon within ten years. The committee also voted to modify the proposed tax on "gas-guzzlers." Meanwhile, the Senate approved a compromise proposal sponsored by Senator Howard Baker (R-Tenn) to postpone and soften the auto emission standards included in the Clean Air Act of 1970, now under revision.

While the conservatives are congratulating themselves on their "successes," some Democrats are enraged at having the rug pulled out from under them. A panicked Rep. Otis Pike (D-NY), attempting to defend the small car rebate, burst out during Ways and Means Committee hearings, "We are not here to protect an industry. We are here to save energy... to cut down on the importation of petroleum." Rep. Toby Moffett, a liberal Common Cause-linked young whippersnapper from Connecticut, raged that the Liberals would rally against deregulation when it came up for a full Commerce Committee vote.

B-1 Boondoggle

A liberal outcry has erupted over Carter's shift this week in favor of the B-1 bomber. Clearly dancing to Rockefeller's new tune, Carter — who had adamantly opposed the B-1 during his campaign — hosted a tete-a-tete for 12 Congressional supporters of the bomber on June 7 at the White House and indicated that he was seriously considering reversing his opposition to the B-1. Senator Barry Goldwater (R-Ariz) emerged from the White House meeting and commented approvingly that the President "is becoming convinced we can't live without the B-1," White House Secretary Jody Powell put out the line to the media that Carter was "softening" his opposition to the bomber. Three days later, Carter met with another Congressional delegation

interested in the future of the B-1, this one composed of outspoken opponents to its development. Rep. Robert Drinan (D-Mass) and Rep. Ronald Dellums (D-Cal) told reporters after the meeting they were convinced Carter was tilting toward at least limited production of the airplane. It was also reported that Carter told the group that Defense Secretary Harold Brown had decided the B-1 was necessary.

Evidence that Carter is about to give the go-ahead for the B-1 program — a decision which is an integral element of Rockefeller's strategy to go for a short-term military buildup which would also be used as a sop to conservatives, and particularly to the military and to financially hard-pressed defense-aerospace firms — has provoked a slew of angry denunciations from liberal circles who, as a result of the Rockefeller-conservative rapprochement, are increasingly on the political outs. On top of Drinan's and Dellums' comments, Senator George McGovern charged after the meeting with Carter that Carter's "credibility" would disappear if he went with the B-1, Senator Church (D-Idaho) and Rep. Pat Schroeder (D-Colo) told the EIR they smelled a strong rightward shift on Carter's part.

While conservative media such as the *Chicago Tribune* (which lavishly praised Carter's B-1 shift in a June 10 editorial) and the latest issue of *Aviation Week* magazine (which optimistically predicts a tremendous boom in U.S. military and aerospace sales abroad as a result of Carter's emerging recognition of "international political reality" and especially "the growing threat of Communist imperialism") clearly illustrate the stupid enthusiasm with which these gullible conservative forces have embraced Rockefeller's latest deal, the liberal press is in an uproar.

In what one *Agence France Presse* dispatch characterized as an atmosphere reminiscent of the last days of Watergate, fast and furious accusations and counter-accusations are beginning to fly. The Harriman-linked *Chicago Sun Times* of June 10 editorially blasted the B-1, demanding instead that the money be used for the liberals' beloved "social programs." Other liberal outlets including *The Nation*, the *Village Voice*, and the *Atlantic Monthly* are going much further, accusing Carter of being a creature of the Trilateral Commission and the Rockefeller family! Arousing visions of a "Catergate," the liberal editors of Long Island's *Newsday* ran a front-page story June 7 revealing that the IRS is auditing Carter's 1975 tax returns.

Next Step — Impeachment

The U.S. Labor Party presented Congress with the following articles of Impeachment against President James Earl Carter on June 8:

MEMORIALIZATION TO U.S. CONGRESS ON BEHALF OF THE IMPEACHMENT OF THE PRESIDENT OF THE UNITED STATES, JAMES EARL CARTER, AND THE VICE PRESIDENT OF THE UNITED STATES, WALTER F. MONDALE

Whereas the President of the United States, James Earl Carter, and his Vice-President, Walter F. Mondale, have committed this country to policies, both in foreign and domestic affairs, which amount to a state of war against the American republic; and

Whereas both Carter and Mondale have committed bribery, coercion and other high crimes and misdemeanors in the imposition of these policies; and

Whereas such acts are defined in Article II, Section 4 and Article III, Section 3 of the Constitution as impeachable offenses, including treason when committed, by any officer of the United States;

Be it resolved by this body, that it hereby memorializes the Congress of the United States to begin proceedings immediately, pursuant to the impeachment and removal of the President and Vice-President from office.

Be it further specified, that Congress begin its investigation with, although not necessarily limit such an investigation to, the following areas of impeachable offenses.

I. Imperiling the National Security: Through an irresponsible brandishing of an American "nuclear first strike," violations of the national sovereignty of foreign governments and disregard of the informed opinion of the U.S. military (e.g. the *Singlaub Affair*), Mr. Carter and Mr. Mondale have put the United States in imminent danger of being virtually eliminated through thermonuclear confrontation with the Soviet Union within the next days and weeks. While carrying out this provocative policy, Mr. Carter and Mr. Mondale have enforced a criminal coverup of the marginal strategic superiority of the Soviet Union which would doom this nation to a thermonuclear exchange which no more than 20 percent of its population would survive, while the Soviet Union would lose no more than 30 percent. This marginal superiority has become common scientific knowledge through the work of Major General George Keegan (Ret.). By ignoring this work and the broadly publicized assertion by the Soviet Union that it will *never* fight a limited nuclear war, Mr.

Carter and Mr. Mondale are acting not in behalf of the people of the United States or in good faith, but in behalf of their parent organization the Trilateral Commission, founded by Chase Manhattan's Chairman of the Board, David Rockefeller.

II. The Destruction of the National Economy: The Carter Administration has adopted and attempted to impose on the United States an energy policy and economic plan precisely modeled on that of Nazi Finance Minister Hjalmar Schacht. Such a policy is tantamount to a declaration of war against the U.S. population; it ensures the destruction of industry, America's skilled labor force, and eventually the physical extinction of the United States through foreign war. In adopting such a policy, the Carter Administration deliberately violates the policies of high-technology industrial expansion and increases in the productivity of labor which formed the basis for the framing of the U.S. Constitution by Alexander Hamilton, Benjamin Franklin and others. The destructive consequences of Carter's Schachtian policies have been pointed out by this nation's leading scientists, labor leaders, and industrialists. Mr. Carter and Mr. Mondale have instead followed the counsel of incompetent, bankrupt banker David Rockefeller and his advisors — whose policies will precipitate the worst depression collapse in history and ecological-biological holocaust, if the nation is not destroyed by war first.

III. Destruction of Republican Forms of Government: On November 2, 1976 James Earl Carter and Walter F. Mondale used bribery, coercion and unenforceable state election laws to get elected through the most massive vote fraud in American history. Since taking office, Mr. Carter and Mr. Mondale have utilized the offices of the Justice Department, the Federal Bureau of Investigation and the Federal Election Commission — among other agencies — to both cover up and extend these crimes. Thus Mr. Carter and Mr. Mondale ignored the preparation of a Justice Department memorandum analyzing its universal, on-site registration proposals as leading to more massive vote fraud, when presenting this "vote reform" package before Congress. In addition, the Carter Administration has turned the machinery of the Federal Government that has the responsibility for protecting the franchise into a plumbers' unit for intimidation, harassment and financial warfare against Carter Administration "enemies."

Be it further resolved, that this body urges the Congress of the United States to proceed by the most rapid and efficient means possible under the Constitution to remedy this situation. It is the sense of this body that the continued existence of this nation and all its citizens depends on such expeditious action.

Young Recites IPS Script To Provoke Race Riots

Andrew Jackson Young's rampage over the last two weeks, in which he has characterized the Soviets, the Swedes, the people of the New York borough of Queens and every U.S. President except Jimmy Carter as "racists," is not due to the United Nations Ambassador having suddenly gone berzerk. These lines were written for Young a year ago by Anthony Lake, a scenario writer of the Institute for Policy Studies as part of the "Tar Baby Option," a plan to provoke global race war and the military occupation of America's urban areas.

"If you have a race war in Africa, there's no way we (in the U.S. — ed.) won't be affected," said Young to interviewers from the porno magazine Playboy, released this week. While this unattributed quote from Lake's 1976 "Tar Baby" document was making the front pages across the U.S., other elements of the scenario were being put into operation by the IPS terrorist controllers.

* In Chicago, riots were provoked over the weekend by Puerto Rican gangs known to be controlled by the federal Law Enforcement Assistance Administration. Several "left-cover" agent groups in the community which are linked to the Institute for Policy Studies (IPS) now plan demonstrations calculated to sustain the violence.

* In Britain, a group of "community control" fascists have mobilized to form black "defense squads" allegedly to stop white lynch mobs. The move, which is sure to provoke violence, was made by a supposed split-off of IPS's European satellite, the Transnational Institute-Institute for Race Relations group — of which Anthony Lake was a leader before he came back to the United States to be appointed by Carter as Deputy Director of Policy and Planning of the U.S. State Department.

* In Angola, the socialist government of Agostinho Neto is still battling a U.S.-backed subversion of the regime by agents who are organizing around the same line that Young mouthed throughout his African tour two weeks ago: that politics is not the issue, race is. Last week, these Young supporters murdered several top Angolan political leaders.

Young's role in "Tar Baby" is to make statements which give these National Security Council-engineered provocations some credibility and, especially, to heat up racial antagonisms in the U.S. If "Tar Baby" can be successfully ignited, then its corollary plan "Garden Plot," a scenario for military takeover of U.S. cities under the pretext of quelling racial disturbances, can go into effect. "Garden Plot" was authored by Young's fellow Trilateral Commissioners Cyrus Vance and Joseph Califano, when they were part of the Kennedy and Johnson Administrations.

Attacks on Young, the token black of the Rockefeller family's Trilateral Commission, will be useless in stopping the violence that has already begun. A root-and-branch removal of all of the "Tar Baby" operatives — starting with the entire Trilateral Commission Cabinet in the White House and moving down through the IPS-Transnational terrorist controllers — will be necessary under the circumstances.

Evangelism for Race War

In his evangelical enthusiasm for race war, Young got to a point by today where it is unclear if *anybody* wasn't a racist by his definition: U.S. Presidents were racist — "especially Abraham Lincoln," said Young to the delight of all revisionist historians — the preacher-Ambassador confessed that even he himself was a racist. Embedded in these ravings, however, is an IPS script. "I think racial tensions in this country are always just below the surface," Young told Playboy. "You start getting white reactions against blacks. You get the Nazi Party predicting the same thing will happen here as is happening in Africa. It would start with whites attacking blacks."

He further asserted that cities like Detroit and Atlanta are likely targets for race war. It is no accident that these two cities are chose by Young. Both cities have in place the apparatus built during the Johnson Administration "War on Poverty" years for running a race war. With various cutbacks in poverty programs continuing, forced work programs beginning and an increasing climate of discontent, Young's statement is deliberate psychological warfare aimed at convincing the black population that racism is the cause for their poverty rather than the collapse of the dollar economic system.

What is planned for those cities was previewed in the Humboldt section of Chicago, where young Puerto Rican gangs began rioting following a shoot-out with police. The gangs, the Latin Kings and Spanish Cobras, were created through LEAA money conduited through the poverty programs in Chicago, and used the Puerto Rican Day celebrations as the take-off point for two days of rioting. The Ford Foundation-controlled Socialist Workers Party and other so-called leftist groups in the Puerto Rican community manipulated by IPS plan further demonstrations for this Saturday.

Over the past several weeks, articles have appeared throughout the U.S. press retailing the black-white confrontation scenario laid out by Young. Several incidents of FBI-controlled KKK cross-burnings and violent confrontations with blacks have been played. The most publicized of these events was the Camp Pendleton fight between black and white Marines.

In addition, the recent Supreme Court decision to support the cutting off of federal HEW funds to school districts which do not comply with federal court desegregation orders will aggravate the situation. The decision, pushed by HEW Secretary Joseph Califano and Attorney General Griffin Bell, is designed to reinforce a climate of distrust between black and white communities. It is an attempt to replay the busing demonstrations generated over two years ago.

Young's Credentials

Young's history in the civil rights movement is a classic one. Originally part of the late Dr. Martin Luther King's Southern Christian Leadership Conference, Young worked closely with the agents provocateurs like Stokely Carmichael and Ivanhoe Donaldson of the

Student Non-Violent Coordinating Committee — of the so-called black nationalist movement, itself a Ford Foundation-Institute for Policy Studies-created synthetic movement. With his fellow poverty pimp Jesse Jackson, Young emerged as one of the “new leaders” of the civil rights movement following the Justice Department-linked assassination of Martin Luther King. Young’s profile of being acceptable to both young, militant blacks and old-line civil rights moderates made him perfect for government-assisted elevation up the ranks of the civil rights leadership.

The Rockefeller family’s sponsorship of their new

protege continued when Young was brought onto the family’s Trilateral Commission. There, Andrew Jackson Young learned the real “color question”: making sure that U.S. greenbacks kept flowing into the coffers of the Rockefeller banks. Following his African tour, Young was asked by the House International Relations Committee what he thought about debt relief — without which millions of Third World inhabitants will die. “I don’t think debt relief is needed by African nations,” replied the pious preacher, “I’m against it because it leads to corruption.”

Schlesinger Caught In Lies Before House Science And Tech Committee

James Rodney “the Robot” Schlesinger, Carter’s would-be energy czar, got his programs scrambled when he appeared before the House Science and Technology Committee hearings June 7 and consequently found himself trapped in several fat lies.

When questioned as to whether the plutonium fast-breeder was more environmentally sound than the light water reactor, Schlesinger replied, “I don’t know, there’s no way to tell the difference.” Congressman John Wydler (R-NY) then angrily reminded him of a memo released by Schlesinger only two weeks earlier — which Wydler pronounced. In the memo Schlesinger had definitively stated that the fast-breeder was more environmentally sound than a light water reactor.

Wydler also pointed out that the charts Schlesinger was using were radically different from those he had brought with him in previous weeks. Schlesinger thereupon thanked Wydler for “reminding him” of the contents of his previous memo, and continued: “The *facts* indicate that the fast-breeder *is* more environmentally sound than the light water reactor!”

Gary Myers (R-Pa.) took on the “non-proliferation issue” which the Administration sprung earlier this year in efforts to halt Europe’s fast breeder programs. Myers said he had recently visited Europe and discussed the fast breeder at the Joint International Atomic Energy Agency, where he was told that the agency had been taken off guard by Carter’s policy. “Is this how inter-

national cooperation works under Carter’s Administration?” he demanded. Schlesinger first replied, “Ask the State Department,” but when pressed cited the London Summit results as a “good example” of cooperation — “a number of countries had agreed to cooperate with the U.S. on the fast breeder and proliferation.

Congressman Dale Milford (D-Tex) then asked: “Which countries will cooperate? Name one.” Schlesinger: “I can’t.” At this point, Schlesinger was accused of outright lying to the committee. He pouted: “Well, they may not cooperate now, but they will in the future. Anyway, if they don’t cooperate and go ahead and build the fast-breeder, we can always built a replica of the French Phoenix here at a later date after they’ve developed the technology.”

The grilling shifted to other aspects of Carter’s energy package, particularly coal conversion. Schlesinger proclaimed its “cost effectiveness.” “Have you figured in the cost of transportation, etc. in this ‘cost effectiveness?’” queried Harold Hollenbeck (R-NJ). “No, we didn’t figure it in,” said Schlesinger.

Schlesinger’s Committee performance recalls his Rand Corporation paper, “Pieties, Arms Policy and the Scientist-Politician,” in which he advanced the proposition that the successful policymaker lies as much as he can get away with. Based on his performance June 7, it looks like this policy works little better than his windmills and solar energy-based conservation proposals.

ABC, CBS Factions Debate — Risk War Now Or In 1980?

June 9 — A factional debate has broken out at ABC and CBS and spilled out over the airwaves over whether to support the Carter Administration’s plunge toward thermonuclear war confrontation in the immediate period, or go for a Hjalmar Schacht-style massive military build-up to prepare for war against the USSR around 1980. The debate roughly reflects the diverging

lines between bankrupt David Rockefeller’s Trilateral Commission which is running the Carter Administration, and the Nelson Rockefeller-Henry Kissinger circle who are trying to rope in Republican conservatives and industrialists with the Rockefeller family fall-back position of militarizing the economy and imposing vicious austerity on the population.

The factional struggle within the two television networks on the strategic situation and the war danger surfaced in the first week of June. On June 1, CBS Evening News, which earlier had been pushing the Carter Big Lie confrontationist story that the U.S. was technologically and militarily superior to the Soviet Union, suddenly ran a lengthy interview with Air Force Major General George Keegan (Ret.), who exposed that "staggering breakthroughs" by the Soviets in charged-particle and other nuclear weapons technology had "very serious" consequences for the already inferior U.S. strategic position.

Then on June 2, ABC's Howard K. Smith blasted the Carter Administration in his nightly commentary for ordering the Pentagon to suppress a film produced by the conservative American Security Council boosting an arms race, adding: "The film may be overstated. But the facts are undeniable. In the past ten years, Russia has furiously armed while we have languished. On land, for example, they outnumber us in tanks four-to-one. At sea, they have for the first time more warships than we... The removal of Podgorny, accompanied by ever sharper attacks on us, suggests a tightening of command under Brezhnev for an intensified contest. The new stamping out of dissidents seems to support that view... The evidence is too great to be disregarded. We had better stop disregarding it."

What's Up at CBS?

The preliminary shift in line on the war confrontation drive and strategic situation taking place at CBS is directly attributable to CBS magnate William Paley and provides collaborative evidence that Nelson Rockefeller is breaking with his brother on this issue, and thumping for war production build-up to try to salvage his family's financial as well as oil, coal and munitions interests. It is well known that Paley, the son of a cigar manufacturer, has been in a running battle with financier interests headed by Carter emissary Averell Harriman and David Rockefeller for control over CBS. Paley, who founded and built the company, owns more than 10 percent of CBS stock, but Brown Brothers Harriman, a private bank, exercises two-thirds control and David Rockefellers' Chase Manhattan and the Rockefeller-controlled Chemical Bank together hold a one-fifth interest.

Paley is also one of Nelson Rockefellers' closest collaborators. During the early 1950s Cold War period, Republican Paley did a well-publicized study sponsored by Nelson Rockefeller calling for government subsidization of expanded coal and oil production and the intensified looting of the Third World as part of a war-production push. In 1973, Paley joined and actively supported Nelson Rockefeller's Critical Choices Commission which demanded a \$100 billion energy boondoggle, Project Independence, featuring low-technology, labor-intensive schemes — like the old I.G. Farben coal gasification concentration camp projects — in behalf of the Rockefeller interests. More recently, Paley offered the Presidency of CBS to Rocky's accomplice Henry Kissinger. Paley, a former OSS officer, is also well connected to the "old boys" at the CIA.

Ongoing efforts by the Harriman forces and David Rockefeller to oust Paley at CBS have proved unsuccessful. Paley outflanked David in 1976, for example, when he unexpectedly refused to name Trilateral Commissioner Arthur Taylor to the post of CBS President. In addition, Paley has a well-established record of dumping his Fabian Harriman-linked correspondents when the heat is on from conservatives — attested by the Edward R. Murrow, Fred Friendly and Daniel Schorr cases among others. As a result, the David Rockefeller-Averell Harriman financiers have been conducting strident psychological attacks including David Halberstams' "expose" on Paley in the Atlantic Monthly, and CBS News Director Richard Salants' charge last week that "Paley worked with the CIA and then covered-up."

The ABC Story

The well-publicized tension between Fabian Barbara Walters on the one side and Harry Reasoner and Howard K. Smith on the other at ABC is not, as has been misreported, primarily a matter of personalities, but is reflective of a factional political split at the company exemplified in the Smith editorial. The banking interests — the David Rockefeller-connected Manufacturers' Hanover and Bankers Trust — have been contending for power with more conservative industrially based interests, particularly utilities and military-connected manufacturers associated with the Hoover Institution and the American Security Council. These latter forces are represented on the Board of Directors and stock positions of the company. This helps explain why ABC was favored by Richard Nixon and did not join the CBS-NBC "get Nixon" bandwagon until late in the game. The outcome of this factional warfare is likely to determine the decision of who goes or is reassigned in the Walters-Reasoner imbroglio. Reasoner is strongly favored by the more industrially based interests. Rumor has it that con artist Boone Arledge, heretofore producer of ABC's Roman Arena sports extravaganzas and now ABC's News Director, is leaning under heavy pressure from financiers to demote Reasoner and go big with the unstable "Jewish Mother of Network News" Barbara Walters.

While industrial interests at ABC have at least forced the actual strategic situation into the open with Smith's foolhardy war build-up call, NBC has thus far stuck to a straight Carter-Brzezinski war provocations line. This decision reflects the preceived interests of the bankrupt and desperate banking cabal in control of RCA and NBC which last year bounced Robert Sarnoff, son of the company's founder, for his strong position in favor of emphasizing and expanding RCA's research and development — particularly its work with the Pentagon's satellite program!

The bankers consortium now running NBC, all strong Carter backers, is headed by Chase Manhattan's investment bankers including the Rothschild linked Lehman Brothers-Goldman Sachs Group (one-half control), the Warburg-Schiff's Kuhn Loeb and Company, and the Meyer family's Lazard Freres.

— Bob Cohen

'Fall-Back Option'

Could Squeeze Out Chase, Citibank

BANKING

Faced with the threat of Third World debt defaults which could trigger a crash of the entire Eurodollar market, the San Francisco-based Bank of America and other leading international banks have formulated a "fall-back option" — an attempt to keep the existing international monetary set-up intact but at considerable expense to the two banks most closely associated with the Rockefeller family, Chase Manhattan and Citibank. According to top banking sources, the details of this "fall-back" plan were thrashed out in the closed-door sessions of the International Monetary Conference held in Tokyo during the last week of May, where Bank of America Chairman A.W. Clausen served as conference moderator.

Based on the reports of conference participants, the plan consists of two elements: First, the creation of a new public lending institution within the existing International Monetary Fund-World Bank framework, which would provide for large-scale private bank/IMF-World Bank "co-financing" of loans to the Third World sector. The main purpose of this institutionalized "co-financing" arrangement — at least as Bank of America sees it — would not be merely to cover immediate balance of payments difficulties, but to funnel capital into longer-term "development projects" to allow Third World countries to generate the income to pay off their debts. According to the official text of Clausen's speech to the Tokyo conference, which has been released to the press, Clausen expressed concern that three-fifths of all new loans to the non-oil producing developing countries are now going to pay debt service, leaving nothing for "development projects." In addition, Clausen stated, "co-financing" should appeal to private banks because it offers them IMF-World Bank guarantees and forces Third World countries to adhere to IMF austerity conditions.

The second aspect of this "fall-back" approach — which is not being highly publicized — is that large sections of Third World debt, the so-called "basket cases," would simply be frozen or written off. As one bank analyst put it, the holders of loans to Zaire, Peru and other so-called "lower-tier less developed countries" will have to "bleed a little." Of the largest U.S. international banks, Chase Manhattan and Citibank are known to have the greatest exposure to "lower-tier LDCs," Bank of America and Manufacturers Hanover are based more firmly on the "middle-tier." Brazils and Mexicos, while Morgan Guaranty is somewhere between these two extremes. Bank of America's approach is

to force Chase and Citibank to take necessary losses on the "basket cases" in an attempt to save the rest of the debt structure.

Significantly, Manufacturers Hanover Trust chairman Gabriel Hauge has recently emerged as an enthusiastic backer of "co-financing." Immediately following the Tokyo conference, Hauge decided to "move this along" — in the words of a Manufacturers Hanover spokesman — by sending a letter to the IMF executive director, H. Johannes Witteveen, suggesting that he establish an advisory committee of bankers to study the possibility of a formal co-financing system. Hauge's proposal appears to differ from Clausen's, however, in that Hauge speaks only of balance of payments financing in conjunction with the IMF and makes no mention of projects. According to the bank spokesman, Hauge's plan "could eventually involve hundreds of billions of dollars. This is a mechanism for getting the private banking sector involved." Hauge also makes clear that co-financing would entail harsh conditions for borrowers, suggesting that one condition the IMF might impose "could be an energy conservation program."

British banking interests are also converging on the Bank of America "development project" line. The June 6 issue of the *London Financial Times* gave prominent coverage to a report issued by the British-influenced OECD staff proposing to establish a "fourth institution" within the World Bank group, which would take in Eurocurrency deposits and re-lend the funds to Third World countries. Private international banks would participate as shareholders in this "new bank" along with the other multilateral institutions, OECD governments, and Third World governments. The OECD report sharply attacks "profit-minded bankers" who continue to lend to "basket case" countries, like Zaire, at high interest rates, even though these countries are completely bankrupt. Instead, the OECD staff suggests, rates should be reduced and "international controls" be introduced to provide security to the lender.

Significantly, the London-based Morgan Grenfel Bank and Tokai Bank recently announced a \$30 million loan for an electric power plant in Malaysia, with World Bank co-financing. The Malaysian loan carried an interest rate of less than one percent over LIBOR (London Interbank Rate) — the lowest rate seen for a non-OECD country since 1973-74. The Morgan Grenfel-Tokai deal evoked loud protests from Wall Street bankers about "over-competition driving down rates," with Citibank complaining the loudest.

The British perspective was also enunciated in a June 8 article by *London Times* correspondent Frank Vogel based on an interview with World Bank economist John Holsen. Vogel stressed that industrialized countries must liberalize trade policies so they can import more goods

from the Third World, while making more funds available for international lending "to carry significant trade deficits for some years and make efforts to encourage industrialization." Perhaps not accidentally, the *Wall Street Journal* — which leaked the story of Hauge's letter — carried an editorial entitled "Third World Debt" in its June 7 issue which also insisted that liberalized trade and capital flows to the Third World would solve the debt problem.

Discussions with Citibank officials, meanwhile, confirm that there is a growing rift between Citibank, on the one hand, and Bank of America and the other "project-oriented" international banks on the other. A Citibank spokesman expressed the sentiment that it is "too early" to consider institutionalizing co-financing, particularly with the World Bank, since there are "legal problems" still to be resolved. These legal questions proved to be ones concerned with "sovereign immunity"; that is, questions of whether the bank has the authority to seize a borrower's assets in the event of a default, and which creditor has priority over the others. Instead of long-term project loans, Citibank would prefer to see direct

IMF refinancing of balance of payments deficits on an expanded scale. Top Citibank official Irving Friedman has even called for increasing the stalemated Witteveen "special facility" of the IMF to \$100 billion. Clearly, Citibank strategists are fearful that if more capital is steered into actual productive projects that not enough will be left over to bail out their holdings in the "lower tier." Citibank's chairman failed to even attend the Tokyo conference, and the bank sent only one observer to what they considered a "West Coast-dominated" gathering.

The banking policy fight has even spread to the World Bank itself where, according to *New York Times* columnist Clyde Farnsworth, World Bank president McNamara's staff is pushing for a "fundamental change in strategy." The McNamara faction wants to end the bank's involvement in industrial projects and concentrate on "income redistribution." By contrast, the June feature of the joint IMF-World Bank publication *Finance and Development* contains a long, feature article on the advantages of industrial project co-financing by World Bank economist Roger Hornstein.

U.S. Maneuvers To Cut In On World Shipping Collapse

SHIPPING

The depression in world shipping threatens to reach breakdown proportions this year. A growing surplus of oil tankers, given the reduction in oil consumption since 1974, is putting governments of major shipbuilding countries in a squeeze. They can continue to provide subsidies, and cheap credit to shipowners, resulting in greater surpluses of tonnage, lower chartering rates and subsequent defaults on tanker loans, or begin to dismantle their shipbuilding industries.

Inactive and laid-up oil tankers accounted for about 4 percent of the tanker fleet in February 1975. By March 1976 there were 48 million Dead Weight Tons (DWT) of tanker shipping capacity inactive. This was 17 percent of the existing fleet. The severe winter of 1976-77 improved the situation slightly, reducing inactive tonnage to 28.8 million DWT in February 1977. The trend towards large surpluses is continuing with 30.2 million DWT inactive in March; and 31.9 million DWT inactive in April. These figures however, are only the first indications of a year that promises to be the worst ever for oil shipping.

1976 saw large oil stockbuilding by oil import nations, resulting in a 7.3 percent rise in petroleum trade. No such increase is foreseen in 1977, without the implementation of a new world economic order. In addition, the opening of the Iraq-Turkey pipeline, the newly available Alaskan and North Sea crude and a more moderate winter will further reduce oil trade. When these factors are

examined and added to a heavy tanker delivery schedule and limited scrapping for 1977, one can see why the London publication, *Shipping Statistics and Economics*, sees tanker surpluses reaching 130 million DWT this year.

This surplus will be kept on the seas through slow steaming or the purposeful slowing of ship speeds. Although this has been going on for some years, there are recent indications that slow steaming hurts the engine and the hull of large tankers and it is uncertain to what extent owners will continue the practice. With mariners slow steaming, the amount of tonnage left inactive may still reach 80 million DWT — about 25 percent of the fleet. Half of this inactive tonnage will be the new ultra-large and very large carriers which require expensive maintenance programs to be kept seaworthy. Older smaller ships that may never be taken out of mothballs will also be docked.

Taking Apart Capacity

Industry analysts are now predicting that on the basis of current trends including Carter's energy program, the demand for oil tankers will fall 50 percent by 1985.

With this perspective industrial spokesmen are calling for the dismantling of much of the world's shipbuilding capacity. Most countries involved are hesitant to take any action that might result in permanent reductions in their building capacity and loss of their market share.

Planned reductions have been announced by Sweden, Denmark, West Germany, Japan, and the Netherlands. Most are marginal cuts in overtime and expansion programs. OECD nations are worried that Japan's modern shipbuilding industry will grasp a growing

percentage of what little business there is, as Japan's share of the contracts increased from 50 to 57 percent in 1976. Within Europe there is little chance of an agreement being reached on an equitable phasing down of building capacity as the competing countries scramble for the few new orders.

The biggest maverick of the OECD countries is Spain — now planning a major expansion of its fleet. In addition, the Comecon and the Third World countries are building more ships, as evidenced by Poland and Brazil who are now undertaking fleet expansion programs. The 1976 Comecon shipbuilding orderbook accounts for 16 percent of the world's orderbook as compared to 6 percent in 1970.

In April 1977 industry analysts were shocked by two developments: a flurry of new orders for large tankers, some without charter agreements in sight. These have been made by shipowners not known for speculative building but for taking advantage of generous subsidies offered by countries trying to generate business for their shipyards. The other unprecedented development was large ships entering into five-year chartering contracts at rates so low that they barely cover operating costs and leave no money for loans and interest repayments. *Shipping Statistics and Economics* sums up the predicament:

"Governments of shipping and shipbuilder nations throughout the world would do well to take note of the situation. If they do not take the necessary corrective measures (especially control of shipbuilding capacity and output) they may well find that in addition to subsidizing moribund domestic shipping industries, they will be paying for the funerals of their shipbuilders."

U.S. Role

The U.S. role in this crisis is to sanction a larger share of U.S. import trade for exclusive chartering of U.S. built ships and protect its own shipyards.

In 1950 42 percent of U.S. imports were handled by U.S. flag-ships; in 1960 11 percent, and in 1969 4.5 percent. In 1970 the U.S. Congress enacted the Merchant Marine Act of 1970 making available construction and operating cost deferral subsidies for all ships contracted to be built in U.S. shipyards. Over the past five years over 100 commerce vessels totaling 5.2 million DWT have been delivered — about half of them subsidized. Of these only 34, a small percentage of the world orderbook, were foreign trade tankers. The reason being the high cost of construction here due to obsolescence in shipbuilding technology. Today it is cheaper to build a tanker in Japan than to build one in the U.S. — with a 50 percent subsidy. The U.S. orderbook now shows 72 vessels to be built; 51 of which will be delivered in the next 18 months. The U.S. fleet consists of 547 vessels, totalling 15 million DWT, making this country tenth in the world. Its orderbook, however, is presently second only to Japan and the U.S. is expecting to move up to seventh by 1979.

The problem is, as described by Robert J. Blackwell, the assistant Secretary of Commerce for the Maritime Administration, that the orderbook of U.S. shipyards "will be seriously depleted by deliveries during the next 18 months." This, he said, could be "catastrophic," leading to the closing of two yards. Mr. Blackwell, however, is optimistic for a number of important reasons.

Oil is expected to start flowing through the Alaskan

pipeline in August 1977 creating a surplus of 500,000 barrels a day on the West Coast by next year and 925,000 barrels a day by 1985. Most of this will have to be shipped to the Gulf Coast. This will be done exclusively by U.S.-built ships.

Secondly, the U.S. is planning to build strategic oil reserves to be stored in salt domes on the Gulf Coast. Carter's present plans call for a 500 million barrel reserve by 1982 and a 1 billion barrel reserve by 1985. By law 50 percent of this oil must be carried by U.S. flagships. This year imports will provide work for 1 million DWT of U.S. tankers.

Thirdly, there are presently in Congress three bills which would establish preference requirements for shipping of U.S. oil imports.

The most well-known, sponsored by Congressman John Murphy, calls for 20 percent of oil imported to be shipped on U.S. tankers and specifies that this be increased to 25 percent by 1978, and 30 percent by 1985. The Murphy bill is identical to legislation passed by Congress but vetoed by President Ford in 1974.

Last year only 4 percent of U.S. imported oil was carried by U.S. flagships. The shipping industry estimates that ships could be built fast enough to increase that to 11 percent by 1980 and 30 percent by 1985.

Finally, there is the tanker safety legislation. The Bill that has gotten farthest is one sponsored by Senator Warren G. Magnuson, Chairman of the Senate Commerce Committee. Like the tabled Kennedy bill for tanker safety it calls for double hulls, segregated ballast, redundant propulsion and other safety navigational equipment as part of all ships that dock in U.S. ports. In addition the bill specifies liability charges for accidents.

Much to the dismay of all other interests in world shipping, Blackwell is predicting the passage of these bills.

Norwegian Ambassador to the U.S. Soren Summerfelt warned that U.S. flag oil preference requirements "could create the most serious consequences for international shipping and trade." He said it would raise fuel prices, aggravate the tanker surplus problem and hurt the American consumer. He also pointed out that U.S. flag tankers are generally much older than their foreign flag counterparts and preference would result in more spills. His complaints were echoed by the Earl of Inchape in an address to the General Council of British Shipping. The Earl called U.S. specifications unnecessarily complex and blamed the situation on "pressure by environmentalists."

The tanker safety bills have brought angered responses from the United Nations shipping agency (IMCO) and the U.S. Coast Guard.

IMCO contends that "unilateral action by the U.S. would throw the worldwide battle against unsafe shipping into disarray." IMCO was planning a worldwide conference early next year but fears if the U.S. tries to go it alone other countries will break rank. Blackwell says the strength of U.S. public opinion since the rash of spills last winter would not allow the U.S. to wait for the IMCO.

The idea that these measures are aimed at a U.S. protectionist policy presently detrimental to world trade is underlined by criticism from other quarters. The U.S. Coast Guard points out that double hulls and some of the other "safety" measures prescribed actually will make ships more dangerous and spills more likely. The Coast Guard for years has been a major advocate for the only

real solution to the safety problem — off shore deep water ports. The U.S. is, as we know, the only major industrial country without such ports, thereby excluding the use of the newest and most modern tankers for U.S. oil imports.

Other critics point out that tanker treaties with other countries have sat in the Senate for years unsigned.

— Rounding out a well-planned offensive against foreign

shipowners is a Justice Department study, released a few months ago, charging that shipowner “conferences” or agreements regulating rates and other aspects of world shipping violate U.S. anti-trust laws. Foreign shipowners are now expecting indictments and are saying: “It’s time the U.S. understands it cannot rule over world shipping.”

U.S. Demand For Protectionism— A Cover For Industrial Backwardness

STEEL

The American Iron and Steel Institute’s white paper on the “Economics of International Steel Trade,” the industry’s keynote statement on protectionism, charges that the Japanese and to a lesser extent the Western Europeans have the advantages of a modern steel industry whereas U.S. steelmakers have allowed their industry to sink into obsolescence. The study released last month lists three main elements of the development of the Japanese steel industry which have placed Japanese steelmakers in an advantageous position vis-a-vis U.S. producers and which, the study argues, have led to wide-scale dumping on the U.S. market:

“First, the steel industry was provided with enormous capital inputs, primarily in the form of debt. Second, the Japanese steel industry benefited from a rapidly expanding production volume which permitted modern capacity additions and scale economies and hence, the lowest possible operating costs. Third, government and business have worked together to maintain high operating rates in order to maintain Japan’s cost competitiveness in steel and to protect the steel industry’s highly leveraged financial position.”

While the AISI’s report declares that the Japanese capital investment in steel is based on high exports and the dumping of its steel on the U.S., what the report actually makes clear is that the cries for protectionism issuing from the U.S. steel industry are attempts to cover for its extreme backwardness. The steel industry has followed a policy of no capital investment and underspending on maintenance and repairs. Industry demands for freedom from environmental regulations and tax concessions do not remedy the fact that the steel industry is running its plant into the ground.

Secondly, the calls for increased labor productivity to match Japanese steel are equally spurious. The nearly three-fold increase in productivity in the Japanese steel industry over the last decade was achieved by the introduction of modern machinery; the standard of living of Japanese workers and hence their productivity continued to lag behind U.S. workers. U.S. steelmakers now think they can compete with the Japanese by accelerating the trend of destroying labor power, the U.S.

producers’ one remaining asset.

Over the long-term, the number of workers has declined significantly, while raw steel output increased marginally. Between 1956 and 1976 employment shrunk from 621,000 to 454,000; the number of production workers declined from 509,000 to 339,000. Under conditions of a declining workforce, and aging plant and equipment, the stagnant level of U.S. steel output could only have been maintained through speed-up.

Raw Steel Production¹

(in millions of net tons)

| | USA | Japan | EEC(9) | Rest of Free World ² | Red Bloc | Total |
|------|--------------------|-------|--------|---------------------------------|----------|-------|
| 1950 | 96.8 | 5.3 | 53.2 | 13.3 | 39.2 | 207.8 |
| 1951 | 105.2 | 7.2 | 59.0 | 14.7 | 44.7 | 230.8 |
| 1952 | 93.2 | 7.7 | 64.4 | 17.4 | 50.0 | 232.7 |
| 1953 | 111.6 | 8.5 | 63.2 | 19.8 | 55.2 | 258.3 |
| 1954 | 88.3 | 8.5 | 69.0 | 20.4 | 59.5 | 245.7 |
| 1955 | 117.0 | 10.4 | 80.3 | 24.0 | 65.5 | 297.2 |
| 1956 | 115.2 | 12.2 | 85.7 | 28.0 | 69.7 | 310.8 |
| 1957 | 112.7 | 13.8 | 90.4 | 25.1 | 79.7 | 321.7 |
| 1958 | 85.3 | 13.0 | 86.0 | 25.5 | 88.8 | 298.9 |
| 1959 | 93.4 | 18.3 | 92.6 | 30.2 | 102.7 | 337.2 |
| 1960 | 99.3 | 24.4 | 107.9 | 34.1 | 115.9 | 381.6 |
| 1961 | 98.0 | 31.2 | 105.9 | 37.9 | 117.1 | 390.1 |
| 1962 | 98.3 | 30.4 | 103.9 | 41.1 | 120.4 | 394.1 |
| 1963 | 103.3 | 34.7 | 106.4 | 51.7 | 126.1 | 422.2 |
| 1964 | 127.1 | 43.9 | 121.2 | 51.0 | 135.8 | 479.0 |
| 1965 | 131.5 | 45.4 | 125.5 | 54.7 | 146.0 | 503.1 |
| 1966 | 134.1 | 52.7 | 121.5 | 57.3 | 153.5 | 519.1 |
| 1967 | 127.2 | 68.5 | 126.3 | 60.0 | 165.6 | 547.6 |
| 1968 | 131.5 | 73.7 | 138.2 | 65.5 | 173.6 | 582.5 |
| 1969 | 141.3 | 90.5 | 148.5 | 69.6 | 182.1 | 632.0 |
| 1970 | 131.5 | 102.9 | 151.7 | 76.2 | 192.9 | 654.2 |
| 1971 | 120.4 | 97.6 | 141.3 | 75.7 | 204.9 | 639.9 |
| 1972 | 133.2 | 106.8 | 153.4 | 85.3 | 215.8 | 694.5 |
| 1973 | 150.8 | 131.5 | 165.5 | 93.7 | 227.3 | 768.8 |
| 1974 | 145.7 | 129.1 | 171.5 | 99.2 | 237.3 | 782.8 |
| 1975 | 130.9 ^p | 112.8 | 138.1 | 85.5 | 244.7 | 712.0 |
| 1976 | 128.0 ^p | 118.4 | 148.1 | 105.1 | 253.5 | 753.1 |

p = preliminary

r = revised

¹ Bulgaria, North Korea and Red China were not reported separately and have, therefore, been included in the Rest of Free World prior to 1957.

² Calculated as the difference between total world raw steel production and the sum of USA, Japan, EEC(9), and Red Bloc raw steel production.

Source: AISI Annual Statistical Report, 1959-1976.

Source: “Economics of International Steel Trade”

**NUMBER OF EMPLOYEES
AND HOURS WORKED
IN THE IRON AND STEEL INDUSTRIES**

| | Average Number of Employees (000's) | Average Hours Worked Per Week Per Employee |
|------|---|--|
| 1976 | 454 | |
| 1975 | 457 | 35.9 |
| 1974 | 512 | 37.9 |
| 1973 | 509 | 38.6 |
| 1972 | 478 | 37.6 |
| 1971 | 487 | 36.7 |
| 1970 | 531 | 37.2 |
| 1969 | 544 | 38.7 |
| 1968 | 552 | 38.0 |
| 1967 | 555 | 37.4 |
| 1966 | 576 | 38.4 |
| 1965 | 584 | 38.0 |
| 1964 | 554 | 38.5 |
| 1963 | 520 | 37.7 |
| 1962 | 521 | 37.1 |
| 1961 | 523 | 37.1 |
| 1960 | 572 | 36.4 |
| 1959 | 515 | 37.4 |
| 1958 | 523 | 36.0 |
| 1957 | 624 | 37.6 |
| 1956 | 621 | 38.9 |

Source: American Iron and Steel Institute (AISI)

The steel industry has in fact premised its outlook — its calls for protectionism and increased labor productivity alike — on the assumption that there can be no increased demand for steel and that the profit margin must be based on adjusting to an ever shrinking pie. On the contrary, under a new monetary system, the worldwide need for steel would demand the quick doubling of U.S. output — a demand which the steel industry is now not prepared to meet. As a result of decades of underinvestment, steel capacity has actually been shrinking. This situation is highlighted by the fact that in 1975 the AISI redefined "capacity" such that full capacity was redefined as "tonnage capability to produce raw steel for a full order book based on the current availability of raw materials, fuels, and supplies, and of the industry's coke, iron, steelmaking, rolling and finishing facilities" — in other words, steel capacity which already has not been run into the ground.

One look at the replacement cost depreciation charges of the steel companies — what it would cost to replace worn-out plant and equipment at today's prices — underlines the fact that the steel companies' cash-flow isn't even adequate to meet maintenance and replacement costs.

According to the McGraw-Hill fall 1976 survey misnamed "How Modern Is American Industry," the steel industry is far and away the most outmoded industry in the U.S. with the exception of the country's antiquated railroad system. As of December 1976 the steel industry itself said it considered 30 percent of its plant and equipment technologically outmoded, and said it would cost \$18.67 billion to replace it with the most modern facilities available. Two years earlier the industry reported that 20 percent of its facilities were outmoded — a

50 percent jump over a two year period in which a certain amount of capacity was simply junked and thus disappeared from the survey. The steel industry also reported that 53 percent of its capacity was installed prior to December 1966 — was ten years or older — and that 23 percent was installed prior to December 1956.

Iron Age, the metals industry weekly, reported recently that as of 1973, 45 percent of the nation's coking capacity was represented by ovens more than 20 years old and noted that old, dirty coking ovens present the worst environmental and health hazards in the industry — and are one of the chief causes of the industry's billion dollar "clean up" bill. Armco recently spent \$175 million on two new batteries at its Middleton plant, but most companies are simply not replacing the old batteries — for lack of investible funds.

Between 1960 and 1974, a period over which the industry spent \$24 billion on plant and equipment, there was no increase in raw steel capacity.

Environmental Question

The obvious question is where did the industry's "capital expenditures" go? An increasing amount of capital spending has been absorbed by pollution abatement measures — the cost of cleaning up after old and technologically obsolete steel capacity. In 1976, for example, the industry spent a record \$489 million on environmental protection facilities. Normal maintenance and replacement, given the high rate of inflation of capital goods products, runs about \$2 billion a year. That left only about \$500 million of a record \$3.2 billion capital expenditures for plant expansion in 1976. Arthur B. Little, the Cambridge based consulting firm, projects a

**Comparison of Labor Productivity
United States, Japan and West Germany**

(in manhours per net ton)

| | United States | Japan | West Germany |
|------|------------------|-------|-----------------|
| | (1) | (2) | (3) |
| 1964 | 13.12 | 25.47 | 22.24 |
| 1965 | 12.39 | 24.71 | 22.09 |
| 1966 | 12.03 | 21.70 | 21.51 |
| 1967 | 12.58 | 18.92 | 19.15 |
| 1968 | 11.98 | 17.30 | 16.53 |
| 1969 | 11.89 | 14.72 | 14.73 |
| 1970 | 12.39 | 13.25 | 14.99 |
| 1971 | 11.76 | 13.20 | 15.06 |
| 1972 | 10.87 | 11.69 | 13.42 |
| 1973 | 9.86 | 9.39 | 12.09 |
| 1974 | 9.78 | 9.18 | 11.43 |
| 1975 | 10.92 | 9.21 | 12.76 |
| 1976 | n.a. | n.a. | n.a. |

n.a. = Not Available.

Sources: 1964 (United States): Bureau of Labor Statistics, *An International Comparison of Unit Labor Cost in the Iron and Steel Industry, 1964: United States, France, Germany, United Kingdom*, Bulletin 1580 Table 5, page 12; and unpublished update.

1964, 1972-1975: Jerome A. Mark, Assistant Commissioner for Productivity and Technology, Bureau of Labor Statistics, "Comparative Growth in Manufacturing Productivity and Labor Costs in Selected Industrialized Countries", 27 October 1976, Table 11.

1965-1971: Derived by Putnam, Hayes & Bartlett, Inc. using the above documents and indices provided in unpublished data from Bureau of Labor Statistics, August 1975.

Source: "Economics of International Steel Trade"

\$12-14 billion "clean up" bill for the industry between 1975 and 1983 — 26 percent of the industry's capital needs. The wastefulness of such spending is rivaled only by Carter's plan to save energy by converting the nation's utilities and industry to coal and would be totally obviated by replacing outmoded steel capacity with modern equipment. In the case of steel, this means moving to the Jordan process, a process which was developed over 10 years ago, which utilizes a mixture of oxygen and carbon dioxide in conventional blast furnaces and increases the use value of the exhaust from the furnace, eliminating environmental problems as well as doubling iron output.

However, under current credit and monetary conditions, the U.S. steel industry hasn't even fully made the switch to the Basic Oxygen Process: even though the BOP was introduced in the 1950's, in 1976 the industry was still producing more than 23 million tons of raw steel or close to 20 percent of steel output in open hearth furnaces due to lack of money!

Between 1960 and 1973 prices of steelmaking equipment jumped 72 percent, one symptom of the build up of debt and profit requirements throughout the dollar

sector. Existing steel capacity is carried on the books of steel companies at \$160 a ton; a new greenfield plant, like the planned U.S. Steel plant, would cost \$1400 a ton — a nine-fold increase! U.S. Steel, with a total net worth of \$5 billion, would have to spend \$3 billion to build a new plant, which would only represent a 10 percent increase in steel producing capacity.

The cost of not modernizing the steel industry, however, is the worsening competitiveness and profitability of the industry.

Industry observers point out that the steel companies needed at minimum 10-11 percent general price increases to stay — or get — in the black. But it is now unlikely that even the 6 percent increases which are supposed to become effective June 19 will stick: steel consumers shifted their July orders to June to beat the price increases, and analysts are already predicting a 10 percent downturn in steel production this summer due to the drying up of steel demand. Thus, steel companies will continue to postpone equipment repairs and increase their reliance on worker "productivity" to give a one-shot boost to steel profits.

1930s-Style Depression Crisis Grips Plains, West

AGRICULTURE

No Pretense Of "Recovery"

It is no accident that this crisis is breaking out first in the Plains and Western regions. The bedrock wheat and livestock sectors of American agriculture made no pretense of "recovery" from the 1974 "recession" calamity, and wheat growers in particular have taken every successive downward ratchet in world trade on the chin.

The cruel spectre of the 1920s and 1930s farm collapse is stalking the Plains and Western United States, the heart of the nation's wheat and livestock industries. There, in an area which encompasses one quarter of the nation's farm enterprises and accounts for more than one-fourth of total U.S. agricultural output, farmers, ranchers and their bankers face a classic depression crisis that threatens to choke off future production and plunge the farm sector into an orgy of bankruptcies and ruin.

For livestock producers, the recent drought was simply the proverbial last straw, coming on top of three straight years of aggravated slump, with phenomenal rates of forced herd liquidation at steadily declining prices. As the International Monetary Fund's world austerity program has cramped the international grain trade in favor of debt payments to the Lower Manhattan banks, wheat growers watched prices tumble from \$4 a bushel to nearly \$2 in less than four years. Now, with billions of bushels of unmarketed grain and steadily rising production expenses, wheat producers are on the ropes.

Regional Banks On Short Fuse

The facts of the matter are written in black and white in the monthly balance sheets of the Kansas City Federal Reserve, and confirmed in an extraordinary April U.S. Department of Agriculture "special survey" and elsewhere. According to the USDA projections, fully one-third of the area's farm borrowers — that is, those who depend on non-real estate loans from local and regional commercial banks to carry on operations from one harvest to the next, store crops, purchase new equipment, etc. — are in serious difficulty with their loans.

This combination has put a short fuse to the regional banking networks supporting the farm economy in the Plains and West in particular. The bulk of these banks' assets are tied up in unpayable loans to cash-starved and highly leveraged farmers and ranchers, at the same time that it is the earnings and savings of these same cash-starved farmers that constitute the banks' primary deposit base — their source of lendable funds! During 1976, according to the USDA, Plains and Western regional bank deposits grew 11 per cent, while agricultural loan

Bankers surveyed by the USDA in the targeted 9-state area expect that the bulk of these farm producers, or about 60,000 farmers, will be forced to partially liquidate their businesses to pay their debts, and declare that an additional 6 percent, or some 14,000 farm operators, will have to be foreclosed immediately!

volume rose 20 percent — the statistical parameters of a classic “illiquidity” crisis, or, as the USDA politely put it, “a situation which could require reduced lending to insure bank stability.”

Since the beginning of the year the Kansas City Federal Reserve Bank has documented the snowballing crisis in the Tenth District — which includes Kansas, Nebraska, and Oklahoma, as well as Colorado. The Reserve Bank’s bulletins have persistently stressed mounting cash flow difficulties, sharp increases in the demand for renewals and extensions of loans and a simultaneous “noticeable” slowdown in the rate of loan repayments, loan-deposit ratios that have been “inching upward,” and, ominously, “sluggish” deposit growth.

Funds Dry Up

As far back as last November, the Kansas City Fed had reported a net decline in total deposits over 1976 of \$65 million, as demand deposit outflows offset time and savings deposit inflows. By April of this year, the U.S. Treasury had obviously stepped in to do some fire-fighting — the Tenth District’s \$422 million net increase in deposits for the month was almost entirely attributable to an “unusual” U.S. Treasury deposit, as the Reserve Bank’s financial letter noted.

Further, while in November Kansas City Fed officials had underscored the importance of increasing real estate values to Tenth District farmers and ranchers, by May of this year they were forced to point out that even that penultimate prop to the farm credit system — determining a large part of a farmer’s nominal equity and thereby his “creditworthiness” by monetarist standards — had begun to falter.

ABA Concur

An April American Bankers Association survey of agricultural credit conditions nationwide similarly focused on the acute crisis developing in the Plains and Western states, where all the key indices of regional financial health uniformly diverged for the worse from those of every other region. Deposit growth was smallest in the Plains and West, and availability of funds declined faster in the Plains last year than in any other region, the ABA stated flatly.

Loan extensions and renewals in those regions increased at 66 percent of the surveyed banks, compared to a national average of less than 50 percent. Moreover, twice as many bankers in the Plains and West reported a higher volume of loan charge-offs than anywhere else in the country.

EXCLUSIVE

First Chicago Corporation: The Hot Air Bank Of The Windy City

"As the Medicis and the Fuggers would no doubt agree, if there is any common thread throughout the history of banking, it is the insidious snare of lending to sovereign governments."

*William Curran, managing director,
First Chicago Ltd., London*

First Chicago Corporation likes to be known as "first" in everything: the flagship bank of the Midwest, the leader of consumer banking services, pioneer of branch banking, the first in community involvement. It is also first in several other areas among the top ten bankholding companies:

— First in non-performing loans as a proportion of total loans.

— First in loan losses as a proportion of total loans.

— First in its loan reserve as a percentage of impaired assets.

In short, First Chicago is one of the most vulnerable and exposed of U.S. banks, rivalling Chase Manhattan, Bankers Trust, and the other major New York basket cases as Jimmy the Greek's odds-on favorite to be the first to file a Chapter 11 bankruptcy petition.

Table 1

First Chicago Corporation: Deposits (MILLIONS OF DOLLARS)

| | <u>DOMESTIC DEPOSITS</u> | | | <u>OVERSEAS DEPOSITS</u> | | | TOTAL DEPOSITS | % DEPOSITS OVERSEAS/TOTAL | |
|---|--------------------------|-----------------------------|----------|---|-----------------------------|----------|----------------|---------------------------|--|
| | AMOUNT | INCREASE/ OR DECREASE | % CHANGE | AMOUNT | INCREASE/ OR DECREASE | % CHANGE | | | |
| 1965 | 3,849 | --- | ----- | 216 | --- | | 4,065 | 5.3 | |
| 1966 | 3,994 | 145 | 3.8 | 465 | 249 | 115.0 | 4,459 | 11.4 | |
| 1967 | 4,472 | 478 | 12.0 | 649 | 184 | 39.6 | 5,121 | 12.7 | |
| 1968 | 4,861 | 389 | 8.7 | 894 | 245 | 37.8 | 5,755 | 15.5 | |
| 1969 | 4,200 | -661 | -13.6 | 1,446 | 552 | 61.7 | 5,647 | 25.6 | |
| 1970 | 4,587 | 387 | 9.2 | 1,701 | 235 | 17.6 | 6,289 | 27.1 | |
| 1971 | 5,199 | 612 | 13.3 | 1,989 | 288 | 16.9 | 7,188 | 27.7 | |
| 1972 | 6,465 | 1,266 | 24.4 | 2,342 | 353 | 17.7 | 8,807 | 26.6 | |
| 1973 | 8,605 | 2,140 | 33.1 | 3,436 | 1,094 | 46.7 | 12,042 | 28.5 | |
| 1974 | 9,990 | 1,385 | 16.1 | 5,309 | 1,873 | 54.5 | 15,298 | 34.7 | |
| 1975 | 9,294 | - 696 | - 7.0 | 4,899 | - 410 | - 7.7 | 14,192 | 34.5 | |
| 1976 | 8,305 | - 989 | -10.6 | 5,759 | 860 | - 17.6 | 14,063 | 40.9 | |
| AVERAGE PERCENT INCREASE / YEAR 1965-1976 | | | 9.7 | AVERAGE PERCENT INCREASE / YEAR 1970-1976 | | | 25.6 | | |

NOTE: INCLUDES CONSOLIDATED SUBSIDIARIES.

Source: Annual Reports

Not to be outdone by the incompetence of Chase's David Rockefeller and First Pennsylvania's John Bunting, First Chicago named A. Robert Abboud as its chairman in 1974. A corpulent five-foot one-inch son of a Lebanese peasant family, Abboud has been throwing his weight around Chicago to such an extent that he is widely regarded as the laughing-stock of the Chicago banking industry. While pro-development industrialists associated with First Chicago have been clamoring for some sanity in banking operations, Bob Abboud has been busily increasing First's ties into the Rockefeller-Rothschild banking and political networks. For example, on the local level, he procured Neil Hartigan, a key political figure who was the Democratic candidate for Lt. Governor of Illinois, as President of a real estate front operation of the bank. Edwin Yeo, the former Treasury Undersecretary whose major accomplishment was to increase the worthlessness of the dollar through speculative international operations, was appointed head of the important Asset and Liability Management Committee. And to add insult to injury, Abboud has broken a long-standing bankers' rule. Instead of

refraining from *open* political alignments in city politics, he became the most outspoken advocate of the recently elected mayor, Michael Bilandic, thus exposing Bilandic as the "bankers' boy" and giving wide credibility to the candidacy of the U.S. Labor Party's Gerry Rose.

First Chicago's problems, however, are merely exacerbated by the likes of Abboud and Yeo. Fundamentally, the bank is unsound — and virtually bankrupt. Like the New York banks, First Chicago has drastically shifted major proportions of its investments, deposits, and loans into international speculation. As Tables 1 and 2 show, overseas deposits since 1965 have increased from 5 percent to 40 percent of all bank deposits, while overseas loans have increased from less than 2 percent to 30 percent of all loans during the same period. The vast majority of this money represents sheer speculation on the Eurocurrency markets and, in various ways, on the commodities boom. It is money sucked out of the domestic economy to take advantage of the huge multiplier of the unregulated Eurodollar market and the (until recently) large spreads in interest differentials (see Table 3).

Table 2

First Chicago Corporation: Loans

| | (MILLIONS OF DOLLARS) | | | | | | |
|---|-----------------------|----------|----------------|----------|-------------|----------|------------------------|
| | DOMESTIC LOANS | | OVERSEAS LOANS | | TOTAL LOANS | | % LOANS OVERSEAS/TOTAL |
| | AMOUNT | % CHANGE | AMOUNT | % CHANGE | AMOUNT | % CHANGE | |
| 1965 | 2,759 | --- | 45 | --- | 2,804 | --- | 1.6 |
| 1966 | 2,894 | 4.9 | 75 | 66.7 | 2,969 | 5.8 | 2.5 |
| 1967 | 3,146 | 8.7 | 182 | 142.7 | 3,328 | 12.1 | 5.5 |
| 1968 | 3,434 | 9.2 | 294 | 61.5 | 3,728 | 12.0 | 7.9 |
| 1969 | 3,600 | 4.8 | 636 | 116.3 | 4,236 | 13.6 | 15.0 |
| 1970 | 3,842 | 6.7 | 685 | 7.7 | 4,527 | 6.9 | 15.1 |
| 1971 | 4,363 | 13.6 | 1,094 | 59.7 | 5,457 | 20.5 | 20.0 |
| 1972 | 5,710 | 30.9 | 1,371 | 25.3 | 7,081 | 29.8 | 19.4 |
| 1973 | 7,774 | 36.1 | 1,589 | 15.9 | 9,363 | 32.2 | 17.0 |
| 1974 | 9,409 | 21.0 | 2,984 | 87.8 | 12,393 | 32.4 | 24.1 |
| 1975 | 8,691 | - 7.6 | 3,206 | 7.4 | 11,897 | - 4.0 | 26.9 |
| 1976 | 8,212 | - 5.5 | 3,508 | 9.4 | 11,720 | - 1.5 | 29.9 |
| AVERAGE PERCENT INCREASE / YEAR 1965-1976 | | 11.2 | 54.6 | | | | |
| AVERAGE PERCENT INCREASE / YEAR 1970-1976 | | 14.8 | 34.3 | | | | |

SOURCE: ANNUAL REPORTS

Table 3

Eurodollar Yield Curve

SPREAD BETWEEN EURODOLLAR RATES

| | 3 MOS. VS / DAY | 6 MOS. VS 1 MONTH | 6 MOS. VS 3 MONTHS |
|-------|--------------------|----------------------|-----------------------|
| 1974 | | | |
| JAN. | + .31 | - .06 | - .06 |
| MARCH | + .56 | + .12 | + .06 |
| JUNE | + .80 | - .62 | 0 |
| SEPT. | +1.06 | + .38 | 0 |
| DEC. | + .81 | + .44 | 0 |
| 1975 | | | |
| MARCH | + .82 | +1.00 | + .62 |
| JUNE | + .44 | +1.06 | + .68 |
| SEPT. | +1.33 | +1.75 | + .81 |
| DEC. | + .62 | +1.25 | + .82 |
| 1976 | | | |
| MARCH | + .56 | +1.31 | + .69 |
| MAY | +1.00 | +1.00 | + .69 |

SOURCE: UNITED STATES MULTINATIONAL BANKING: CURRENT AND PROSPECTIVE STRATEGIES, SALOMAN BROTHERS

To take the deposits situation first (Table 1), notice that the average annual rate of increase since 1970 of overseas deposits is 10 percent higher than the comparable figure for domestic deposits. Since 1965 the difference in rates of increase is even more striking — 30 percent. 1969 was the watershed year. In that year, First Chicago Corporation — the holding company of First National Bank of Chicago — was formed; and in 1969, with domestic interest rates sky high and loan demand soft under Milton Friedman's monetarist remedies, several hundred million dollars of domestic deposits were transferred overseas. Domestic deposits at First Chicago fell 13.6 percent, while overseas deposits more than doubled. All in all, First Chicago had a net swing from domestic to overseas deposits of nearly \$1 billion — over 10 percent of all its deposits. Note also that while domestic loans essentially stagnated that year (Table 2), overseas loans doubled, such that 1969 showed a higher rate of increase for total loans than 1968!

Although overseas loans and deposits triple and quadruple from 1970-74, the speculative real estate boom provided a temporary domestic outlet for funds. In this period, domestic loans and deposits more than doubled before sputtering out in the recession of 1974-76. In 1974 overseas deposits and loans shot up 55 percent and 88 percent respectively, maintaining the incredible 30 percent plus level of total loan and deposit increase of the 3-4 year period. But when the bottom fell out of the real estate investment trusts (REITs) and other real estate speculation, First Chicago kept right on going with

Table 4

Maturity Of Liabilities Of U.S. Banks

In The London Eurodollar Market Aug. 18, 1976

| | % OF LIABILITIES MATURING IN | LIABILITIES AS % OF CLAIMS OF GIVEN MATURITY |
|----------------------------|---------------------------------|--|
| LESS THAN 8 DAYS | 26.0% | 125% |
| 8 DAYS TO LESS THAN 1 MTH | 19.4 | 130 |
| 1 MTH TO LESS THAN 3 MTHS | 26.4 | 115 |
| 3 MTHS TO LESS THAN 6 MTHS | 17.0 | 100 |
| 6 MTHS TO LESS THAN 1 YR | 6.2 | 93 |
| 1 YR TO LESS THAN 3 YRS | 3.9 | 56 |
| 3 YRS AND OVER | 1.0 | 10 |

SOURCE: BANK OF ENGLAND QUARTERLY BULLETIN

overseas speculation, albeit at a slower pace. Last year saw a nearly \$1 billion decline in domestic deposits and a nearly equal increase in overseas deposits — a net swing of almost \$2 billion. First quarter figures for 1977 show the trend continuing.

Although bankers and investments analysts like to publicly pretend that it will always be September 1929 in the Eurocurrency markets, October is fast approaching. All the banks, including First Chicago, will not release figures on their non-performing Euro-market loans for obvious reasons. But the handwriting is on the wall. Last year First Chicago wrote off \$12.5 million of its overseas loans — a 145 percent increase over 1975. Inside banking sources reported that already Zaire is in default of over \$200 million to First Chicago, a major portion of its outstanding debt to the bank. With the failure of the North-South conference, the virtual default of Turkey, and the generalized impossibility of rolling over Third World debt in the third quarter, First Chicago will undoubtedly be right in the middle of the ensuing panic. As one investment analyst who deals with First Chicago said, "They have one big mess of exotic foreign loans."

First's Euromarket operations have relied on shorter and shorter-term money, with a rising percentage of borrowed funds maturing in eight days or less, paralleling those in Table 4 (see also Table 5). In the last two years, they have shed about 40 percent of their high-interest longer-term domestic business deposits — much of this being certificates of deposits — in favor of low-interest overnight federal funds purchases, which immediately go into overseas deposits and then into short-term loans or loan rollovers. The success of the whole operation depends on the interest rate spread between money loaned and money borrowed. In 1975, First Chicago played the Eurodollar roulette wheel just right negotiating shorter and shorter term international loans to take advantage of cheaper and cheaper borrowed money, and thus increasing their spread and earnings. In 1976 they began to run into trouble. As interest rates on Eurodollar loans dropped, the spread decreased from 1.60 to 1.26 percent and has held near this level through the first quarter.

The "brilliant" 1975 strategy of using short-term cheap funds, like fed funds, is now royally backfiring. To prevent a collapse, the dog must keep chasing its tail at an accelerating rate; First Chicago, like its New York counterparts (see last week's issue), has to throw more and more quick cash into the Eurodollar market to realize comparable earnings. Robert Abboud was not kidding when he wrote in the 1976 annual report:

"...(The) International Department continue(s) to provide procedures and new technologies for corporate cash management on a world wide scale. Much depends on the speed and efficiency of the money transfer and payments mechanism in foreign jurisdictions and in the United States...The Corporation is presently in the forefront of this new and evolving technology and intends to remain there."

But First Chicago is losing the war. Since 1974 its net federal funds purchases have tripled from \$1 billion to \$3 billion, its domestic deposits and loans have collapsed by 17 percent and 13 percent respectively, its overseas deposits and loans have increased 10 percent and 17 percent respectively, and its international earnings fell over 50 percent (see Table 6). Any additional increase in the recent 1 percent rise in federal funds rates may even be enough to make Robert Abboud lose weight, let alone sleep. Furthermore, as documented last week, the high prime rate and low bond market rates are pulling corporate financing away from bank loans into securities markets. First Chicago has no choice but to sink or swim in the Eurodollar crap game — and it isn't swimming very well.

The Real Estate Debacle

For the past five years, international operations have grossed a rising percentage of income (Table 6), and last year's sharp drop in net income (Table 7 Column B) is in large part attributable to the shortfall in international earnings. But this increasing reliance on overseas speculation is in no small part due to the utter collapse of real estate speculation. While First Chicago refuses to divulge its good and non-performing real estate loans and related speculative ventures, and lists only a few sweeping loan categories and charge-offs, it is nevertheless, possible to get a fair idea of its incredibly rotten picture.

Several Wall Street bank analysts concur that approximately 75 percent of First Chicago's real estate loans are impaired. This would mean that at least 80 percent of their non REIT real estate assets are bad, and would include a good number of speculative commercial ventures. The figures for REITs are the only ones released in detail, however, and from the looks of these, there is no doubt why First Chicago doesn't want its full real estate story out.

Table 5
First Chicago Corporation:
Maturity Distribution of Loans

| | DOMESTIC | | OVERSEAS | | TOTAL | |
|--------------|----------|-------|----------|-------|-------|-------|
| | 1975 | 1976 | 1975 | 1976 | 1975 | 1976 |
| 1Yr. or Less | 57.8% | 61.5% | 37.3% | 43.6% | 52.0% | 56.2% |
| 1-5 Yrs. | 31.4 | 29.6 | 39.6 | 45.4 | 33.8 | 34.3 |
| Over 5 Yrs. | 10.8 | 8.9 | 23.1 | 11.0 | 14.2 | 9.5 |

Source: Annual Reports

Table 6
First Chicago Corporation:
International Earnings

(\$ millions)

| 1971 | 1972 | 1973 | 1974 | 1975 | 1976 |
|---|-------|--------|-------|--------|--------|
| Net Income Before Securities gains or losses | | | | | |
| \$4.6 | \$8.6 | \$11.0 | \$3.0 | \$35.9 | \$15.8 |
| International Net Income / Net income | | | | | |
| 7.0% | 11.0% | 12.0% | 2.9% | 34.0% | 17.0% |
| International Gross Revenues / Total Gross Revenues | | | | | |
| N.A. | 28.0% | 29.0% | 30.0% | 32.0% | 33.0% |

Source: Annual Report

Despite First Chicago's crowing that it has cleared away 28 percent of its REIT loans during the past two years and is now over the hill, two key figures indicate it still has a mountain of bad debt ahead of it (see Table 8). In 1976 the percentage of non-performing (cash basis) REIT loans to total REIT loans actually increased 2.5 percent, from 58 percent to 60.5 percent — and the average REIT interest rate sharply fell to a pitiful 3.8 percent from 5.4 percent in 1975. Of the retired REIT loans, 21 percent were written off as losses, and 20 percent involved takeover of non-profitable property that carry expenses with them. One hates to imagine how bad it is for the *unreported* real estate "assets."

Of even greater importance is the impact of the write-offs on First Chicago's net income and corporate solvency. As mentioned in the beginning of this report, First Chicago is the worst of the largest 15 banks in terms of bad investments.

— Loan losses as a proportion of total loans amounted to 2.03 percent in 1975 and 1976, far above the average of 1.29 percent for the top 15 (Table 9).

— Non-performing assets comprise the highest percentage (10.4 percent) of total loans and double the average of the top 15 (5.1 percent — see Table 10).

— Its loan loss reserve as a percent of impaired assets (8.3 percent) is the lowest of the top 15 and less than half the average of 18.5 percent (Table 11).

Table 7 — First Chicago Corporation

| (MILLIONS OF DOLLARS) | | | | | |
|-----------------------|---|--|---------------------|-------------------------------|---------------------|
| | A | B | C | D | E |
| | EARNINGS BEFORE LOAN LOSS PROVISION AND SECURITIES GAINS/LOSSES | EARNINGS* BEFORE SECURITIES GAINS/LOSSES | LOAN/LOSS PROVISION | NET CHARGE-OFFS (LOAN LOSSES) | LOAN LOSS RESERVE** |
| 1973 | 114.8 | 91.4 | 23.4 | 17.4 | 77.3 |
| 1974 | 157.6 | 104.8 | 52.8 | 40.3 | 83.3 |
| 1975 | 224.0 | 105.5 | 118.5 | 92.9 | 95.8 |
| 1976 | 219.4 | 92.9 | 126.5 | 145.8 | 121.4 |
| 1977 | ----- | ----- | ----- | ----- | 102.0 |
| CASE A: | | | | | |
| 1977 | 210.0 | 80.0 | IF 130.0 | IF 130.0 | 102.0 |
| 1978 | ----- | ----- | ----- | -----THEN | 102.0 |
| CASE B: | | | | | |
| 1977 | 210.0 | 100.0 | IF 110.0 | IF 130.0 | 102.0 |
| 1978 | ----- | ----- | ----- | -----THEN | 82.0 |
| CASE C: | | | | | |
| 1977 | 210.0 | 80.0 | IF 130.0 | IF 150.0 | 102.0 |
| 1978 | ----- | ----- | ----- | -----THEN | 82.0 |

* COLUMN A MINUS C

** AMOUNT FOR EACH YEAR ROUGHLY EQUALS COLUMN E + C - D FOR THE PREVIOUS YEAR

NOTE: COLUMN E IS FOR BEGINNING OF YEAR

SOURCE: ANNUAL REPORT

Table 8

| First Chicago Corporation: REIT Loans | | |
|---------------------------------------|--------------|--------------|
| (\$ millions) | | |
| | 1975 | 1976 |
| Total Loans Beginning of Year | 788 | 693 |
| Non-Performing (cash basis) Loans | 402 | 343 |
| Non-Performing / Total | 58.0% | 60.5% |
| Amount Reduced | 95 | 126 |
| Netcash payment | 66 | 65 |
| Real Estate takeover | 18 | 26 |
| Charge-offs | 11 | 35 |
| Total Loans End of Year | 693 | 567 |
| Average REIT Interest Rate | 5.4% | 3.8% |

Source: Annual Reports

Table 9

Comparison of Net Loan Losses, 1975 and 1976

| | (\$ millions) | | 1975-76 Loan Losses To 1976 Total Loans | |
|----------------------|---------------|--------------|---|------------------|
| | 1975 | 1976 | 1975-76 Total | 1976 Total Loans |
| Bank America | \$148.6 | \$ 119.2 | \$ 267.8 | .75% |
| Citicorp | 299.4 | 290.9 | 590.3 | 1.44 |
| Chase Manhattan | 251.0 | 269.0 | 520.0 | 1.69 |
| Manufacturers | | | | |
| Hanover Trust | 70.0 | 83.3 | 153.3 | .87 |
| J.P. Morgan | 82.9 | 52.4 | 135.3 | .97 |
| Chemical N.Y. | 128.2 | 116.1 | 244.3 | 1.70 |
| Bankers Trust N.Y. | 97.7 | 81.9 | 179.6 | 1.58 |
| Continental Illinois | 68.9 | 72.7 | 141.6 | 1.10 |
| First Chicago | 92.9 | 145.8 | 238.7 | 2.03 |
| Total | | | | |
| Top 15 Banks | 1,520.2 | 1,531.1 | 3,051.3 | 1.29 |

(AVERAGE)

Source: Loeb, Rhoades

Table 10

Non-Performing Loans, 1976

(MILLIONS OF DOLLARS)

| | NON-ACCURAL LOANS | RENEGOTIATED LOANS | OTHER REAL ESTATE OWNED* | TOTAL NON-PER FORMING LOANS | TOTAL LOANS | NON-PER FORMING ASSETS % OF TOTAL LOANS |
|--------------------------------|----------------------|-----------------------|-----------------------------------|--------------------------------------|----------------|--|
| BANKAMERICA | 289 | 262 | 35 | 586 | 35,448 | 1.7 |
| CITICORP. | 1,728 | 303 | 175 | 2,206 | 40,917 | 5.4 |
| CHASE MANHATTAN | 1,386 | 325 | 280 | 1,991 | 30,663 | 6.5 |
| MANUFACTURERS HANOVER TRUST | 295 | 202 | 91 | 588 | 17,610 | 3.3 |
| J.P. MORGAN | 363 | 54 | 77 | 494 | 13,960 | 3.5 |
| CHEMICAL N.Y. | 543 | 467 | 75 | 1,085 | 14,375 | 7.5 |
| BANKERS TRUST N.Y. | 569 | 413 | 118 | 1,100 | 11,347 | 9.7 |
| CONTINENTAL ILLINOIS | 457 | 216 | 178 | 851 | 12,904 | 6.6 |
| FIRST CHICAGO | 976 | 152 | 96 | 1,224 | 11,720 | 10.4 |
| AVERAGE OF TOP 15 BANKS | | | | | | 5.1 |

NOTE: *TAKEN OVER THROUGH FORECLOSURE, ETC., ESSENTIALLY NON-PERFORMING

SOURCE: LOEB, RHOADES

—Its loan loss provision, despite reaching a record high last year, was proportionately the third worst of the top 15 banks, at 10.3 percent, and the only one of the top 10 with losses greater than the provision (Table 11).

—Returns on assets have declined every year since at least 1971 — 30 percent in all.

Putting on his vapid Jimmy Carter grin, Robert Abboud fantasizes that First Chicago has turned the corner:

“1976...(was) a year of consolidation and redirection...However...the results confirm that the fundamental earning power of the Corporation remains strong...We have successfully passed through a very difficult period of loan restructuring...”

Abboud is banking on sharply reduced loan losses, high spreads in the Eurodollar market, and a continuation of the real estate boomlet. What he is going to get is quite the opposite. First Chicago has consistently underesti-

mated its loan losses for years. Last year they had to inject an emergency \$12.5 million into the loan loss provision beyond the \$114 million already allocated as losses exceeded estimates. This year they are praying to reduce the provision markedly. Table 7 shows why. Assuming only a modest decline of earnings before the loan loss provision, if loan losses amount to \$130 million — a decrease from last year — Abboud will have the uncomfortable choice of either maintaining the loan loss reserve at approximately present levels and take a further loss in earnings (Case A), or augmenting earnings and further erode his exposed position in the reserve (Case B). If however, loan losses exceed last year's even modestly, say to \$150 million, he is in real trouble (Case C). He will then take both sharp earnings and loan loss reserve cuts. Losses in excess of \$150 million — as we indicate will indeed occur — will threaten the existence of the bank. As one prominent bank analyst said, “We aren't even bothering to estimate

First Chicago's earnings — who knows what the hell is going to happen to them!"

Meanwhile, little Bob Abboud continues to run all over Chicago, promoting himself as the modern version of the "Renaissance Banker." It is rather ironical that his big kick now is to promote use of the VISA credit card; one

wonders if he is considering a fast exit to some third world country where, according to him, "There are no debt problems." For those bankers who know Abboud as the incompetent he really is, it is high time to write him off as a total loss and begin deliberations on Lyndon LaRouche's private development bank proposal.

Table 11

Comparisons of Loan Loss Reserves and Provisions, 1976

(MILLIONS OF DOLLARS)

| | TOTAL NON-PER- FORMING ASSETS | LOAN LOSS RESERVE | RESERVE AS % OF NON-PER- FORMING ASSETS | LOAN LOSS PROVISION | PROVISION AS % OF NON-PER- FORMING ASSETS | NET LOAN LOSS |
|--------------------------------|--|-------------------------|---|---------------------------|---|---------------------|
| BANKAMERICA | 586 | 272 | 46.4 | 147.1 | 25.1 | 119.2 |
| CITICORP. | 2,206 | 311 | 14.1 | 305.5 | 13.8 | 290.9 |
| CHASE MANHATTAN | 1,991 | 324 | 16.1 | 310.2 | 15.6 | 269.0 |
| MANUFACTURERS HANOVER TRUST | 588 | 150 | 25.5 | 91.6 | 15.6 | 83.3 |
| J.P. MORGAN | 494 | 150 | 30.4 | 68.2 | 13.8 | 52.4 |
| CHEMICAL N.Y. | 1,085 | 157 | 14.5 | 128.0 | 11.8 | 116.1 |
| BANKERS TRUST N.Y. | 1,100 | 107 | 9.7 | 100.0 | 9.1 | 81.9 |
| CONTINENTAL ILLINOIS | 851 | 163 | 19.2 | 75.0 | 8.8 | 72.7 |
| FIRST CHICAGO | 1,224 | 102 | 8.3 | 126.5 | 10.3 | 145.8 |
| AVERAGE OF TOP FIFTEEN | | | 18.5 | | 14.0 | |

SOURCE: LOEB, RHOADES

Dangers Of The Present Administration's Plutonium Fuel Cycle Policy

This testimony was submitted June 8, to the House Subcommittee on Science and Technology hearings by Dr. Morris Levitt.

Gentlemen:

The issue of development by this country of the nuclear fast breeder and associated nuclear fuel reprocessing technologies — the so-called Plutonium Fuel Cycle — is central to the issue of the future direction of basic scientific and industrial development of the United States, and hence the world. The long-overdue debate opened up in the pages of the May 2 *Aviation Week* magazine over the implications of basic scientific breakthroughs in Soviet controlled thermonuclear fusion research which can be directly applied among other areas to development of directed particle beam weapons must be extended to the issue of the plutonium fuel cycle, fast breeders, and reprocessing.

In both cases, the central issue is not specific military weapons development but the underlying strategic issue of the state of U.S. basic scientific and technological research and development capacity. This means R and D applied not only for defense but for basic industrial progress and development — an impulse which has been the guiding genius of this country in the world since the policies of Alexander Hamilton, Franklin and the Founding Fathers.

In this context, there are three essential points to be made regarding the current Administration's proposed policies towards the development of the fast breeder and reprocessing.

(1) There is more than persuasive evidence that *without* development on a rapid basis of the plutonium fuel cycle technologies, there will be a major world energy shortfall within the next decade of catastrophic proportions.

(2) That the global implications of the policies proposed by the current Administration would lead the U.S. to a position of fundamentally aggravated strategic disadvantage at a time when the overall military preparedness of the country has undergone a drastic decline over the past decade. This decline has as its correlate the ongoing push by various policy think-tank circles in and around the Administration to maneuver the U.S. into a suicidal war-losing confrontation on the same basis that led to the criminal and catastrophic SALT and related fiascos — in short, strategic adventurism in nuclear terms. The decline is not one of slick military gadgetry and hardware but a precipitous decline in the country's basic underlying industrial and scientific development.

(3) That for these and related reasons, no nation of the world has been sufficiently convinced of the Administration's argument to abandon its plans for development of that plutonium technology. In fact, if anything, the enunciation of the policy has forced the point that development of such energy resources is more urgent than ever.

While these are the central issues upon which competent determination of the U.S.'s future R and D policies in the area of fast breeder and related technologies must be made, it is also necessary to answer the Administration's central argument against these technologies. The Administration argues that the danger of nuclear weapons proliferation through development of the fast breeder and commercial reprocessing warrants the proposed policy. The "proliferation" argument, as posed by leading Administration policy-makers, is scientifically fraudulent, as they well know.

We Need Plutonium Fuel

By all serious global estimates, even at present more conservative rates of projected growth of nuclear fission light water reactors, there exist throughout the world economically extractable uranium reserves sufficient to fuel light water reactors for at best another 20 years. Such studies are widely available and need not be repeated here. The essential point to be made is that introduction within the next 5-10 years of fast breeder and related spent fuel reprocessing technologies would essentially break that energy shortage well into the next century, by providing the essential Pu239 fuel for fast breeders as well as recyclable fissionable uranium for light water reactors. Without such prospects in sight, already prospective purchasers of light water reactors are reevaluating the feasibility of major capital investment in an energy production technology whose fuel source cannot be guaranteed.

Thus, cutting off the avenue of development of the next generation of nuclear power technology has immediate impact in slowing the development of urgently needed present light water reactor energy sources worldwide. Even without the addition of fast breeder technology, the decision to halt international development of nuclear reprocessing means a deliberate decision to scrap a much-needed 40 percent addition to the present world uranium supply. This is the equivalent of scrapping 35-45 billion barrels of oil or 10-13 billion tons of coal from the world's energy supply.

Strategic Part Of Integrated Development

As the enclosed background report on the speech by a

Soviet nuclear energy official to last month's Salzburg conference of the International Atomic Energy Agency underscores, basic Soviet industrial plans to incorporate development of fast breeder plutonium fuel cycle technology as an integrated part of a long range fossil-fission energy development program. This overall approach is directly linked to the basic science and engineering technologies developed in connection with formidable Soviet controlled thermonuclear fusion breakthroughs of the type which led to the cited breakthroughs in related particle-beam development. The Soviet fast breeder program rightly sees breeder development as an essential energy technology transitional to development of commercial fusion energy and development of a fission-fusion fuel cycle.

Only with the development of breeder technologies on a wide scale will the world have the adequate energy margin to develop the fusion energy technology essential to guarantee a long range solution — via the derived high-energy plasma technologies of fusion — to the world's primary resources problem. With high-energy plasma technology, the lowest grades of ore — including basalt and granite — become economical mineral resources. In light of this, U.S. failure to pursue a full-scale forced development of fast breeder and fusion development technology ensures placing the U.S. at a strategic disadvantage internationally. The lessons of the late 1950's Sputnik breakthroughs are relevant here.

For these and related reasons, whatever merits the U.S. Administration's anti-plutonium policy may have, these have not been sufficient to persuade one of the world's nations to willingly endorse such a policy as their own. In fact, recent months of U.S. diplomatic and not-so-diplomatic arm-twisting to gain some form of backing for the Administration policy has brought the postwar system of U.S. strategic alliances to the point of breakdown. This is the case with such allies as Japan, Britain, West Germany, and Italy to name only a few.

The major conferences on nuclear development held in recent weeks have almost unanimously emphasized this point in heated opposition to the proposed U.S. policy in light of the vast world energy needs. This was the case at the April Conference on Transfer of Nuclear Technology in Persepolis, Iran where some 500 representatives from 41 nations attacked the announced U.S. policy as "counter-productive." The subsequent International Atomic Energy Agency conferences in Salzburg, Austria reemphasized this widespread opposition to the U.S. Administration policy coming from such widely respected international authorities on the issue as the head of the IAEA. The Soviet Union's response to the U.S. proposal at this meeting was to counter with a major presentation of the progress and potential benefits of their fast breeder program.

Indeed, in the weeks since the present Administration made its policy clear, planned fast breeder and reprocessing programs have been given added emphasis in Britain, West Germany, Japan, France and the Soviet Union. If latest Soviet reports are accurate, the USSR has solved quality assurance problems in the steam generator portion of its breeder program and is pursuing plans to develop the world's most vigorous breeder program. France, currently the world leader in breeder

technology, has given the go-ahead to development of their Super Phenix after more than two years successful operation of the Phenix demonstration breeder. Japanese government officials have warned that amicable U.S.-Japanese relations will be jeopardized if the U.S. government continues to withhold approval of Japanese Tokai-mura reprocessing plant and the related Japanese fast breeder program. The European Commission Energy Commission has just recommended an energy program through 1985 calling for \$160 billion for nuclear energy development.

A survey of international attitudes on the proposed Administration plutonium ban reveals that, with the exception of a handful of underfed but highly vocal "environmentalists," a disproportionate number of whom appear to be directly funded or otherwise encouraged by the Ford and Rockefeller Foundations (E.G. Natural Resources Defense Council), serious opinion regards the proposal as catastrophic to world interests.

This leaves as the central argument put forward in defense of its policy, the Administration's citing of the so-called proliferation danger. The Administration uses the argument that the plutonium from fast breeders and developed in reprocessing can be used to make bombs. On this we cite the very report which the Administration cited as basis for its announced policy, the recent Ford Foundation-Mitre Corp. report on nuclear energy. Although the summary conclusions of that report deceptively chose to ignore the fact — accurately contained within the body of the same report — it is considered impossible to make a bomb out of the plutonium obtained from a commercial reactor. This is due to the additional presence of the high content of non-fissionable isotope Pu 240 which causes either a very weak explosion or none at all to occur. The report's suggestion as to how this limitation could be overcome by a perspective bomb-maker is technically ludicrous.

The fact of the matter is that obtaining weapons grade plutonium via commercial reactors of this type is the most inconceivable method imaginable. If a nation were bent on obtaining a nuclear explosive capability, either they would purchase such capability ready-made on the world market or they would develop a special weapons grade plutonium reactor, the technology for which is widely available and has been in use since the 1950's for production of nuclear weapons. The present Secretary of Defense, who signed the Ford-Mitre report knows this full well.

The final point to be made is on the Administration's argument that substitution of a so-called thorium breeder will eliminate the dangers of the plutonium cycle. This can be answered by noting that such a change in midstream to the direction of the U.S. breeder program would delay the program by at least ten years, a devastating technological delay the world cannot afford. In the terms of a plutonium ban, such a thorium cycle could not be developed since the only economical — and the most technically feasible — way to implement the thorium fuel cycle is through its transitional integration with the plutonium fuel cycle — hence requiring the immediate development and construction of commercial plutonium fast breeder reactors including the Clinch River Breeder Reactor (CRBR) demonstration plant.

Fusion Energy Foundation Holds Milestone Conference In West Germany

A conference on Energy and Technological Development, sponsored by the Fusion Energy Foundation, convened in this West German industrial city June 6, drawing more than 80 participants from major industries, universities, political parties, and government.

The conference here is the second major FEF-sponsored event in Europe, the first having been held in Stockholm in April. A third conference is already planned for October in Italy and will focus on discussion of a comprehensive Mediterranean development program.

Speakers at the conference went through a jam-packed agenda covering the entire range of political and technological requirements for a fusion-based economy. In the first presentation, American FEF member Eric Lerner pointed to the relatively limited supplies of uranium fuel as one important reason why fusion must be developed by 1990. For all practical purposes, he argued, uranium reserves will be exhausted by that time, assuming an annual economic growth rate of 20 percent. Such a rate — contrary to the usual 4-6 percent projections of European industrialists — will be absolutely necessary in order to avoid a repetition of the devastation wrought on the European population and economy by the Thirty Years War in the 17th century, or worse.

Status of Fusion Research

This was followed by a discussion of the current status of nuclear fusion research by European FEF member Ralf Schauerhammer, and a report by Dr. Seifritz, a well known reactor specialist, on the prospects for transitional technology leading up to fusion methods. Dr. Seifritz emphasized the usefulness of the type of high-temperature technologies being worked on in a West German project and its applicability for both "fusion torch" prototypes and the *sensible* gasification of coal (West Germany's most plentiful raw material).

MHD Versus Slave Labor

Two presentations during the afternoon session served to counterpose the push for a fusion-based economy

against the short-sighted, cost-efficiency, approach still prevalent in parts of the European energy sector. Representing the first approach was an industrial spokesman who outlined the immense potential in the field of magnetohydrodynamics (MHD) technology, which deals with the field-generating qualities of high-energy nuclear plasmas. In opposition to this, a representative of Ruhrkohle AG, the government-controlled coal conglomerate, argued for the benefits of modernizing existing coal-burning power plants in order to achieve somewhat higher temperatures. Echoing the pressure applied by Naderite environmentalists, he called for the use of excess exhaust for domestic heating purposes, adding that since such installations would be very labor-intensive, it could help solve the unemployment problem!

Hannes Horn, an FEF member and consultant for the lumber industry, then attacked this latter approach, stating that the investment costs for such projects would rise by at least 30 percent over current levels, without any corresponding increase in energy output. Horn went on to show how there must be no delay in developing the necessary advanced technologies, in view of the catastrophic devastation of such regions as the African Sahel and the Amazon basin, which has already resulted in serious shifts in world weather patterns.

The high spirits of the conference reached a peak when a scraggly member of the Rockefeller-connected environmentalist "Citizens' Initiative" group rose to demagogically assert that the FEF's views were "wonderful," and that he had "no differences" with the perspective presented. FEF member Hans Bandmann shot back, to the audience's delight, that on the contrary that organization and its allies have been responsible not only for sabotaging nuclear development, but for causing confusion and demoralization in the ranks of scientists and industrialists engaged in such work.

Conference participants included representatives from the Social Democratic Party's national executive, the Christian Democratic Union Research Committee, the West German parliament, Mercedes-Benz, the Thyssen steel firm, and the Procurement Office of the West German Federal Army.

EXCLUSIVE

FEF Director Reports On Oklahoma Energy Conference

U.S. independent oil and gas producers are convinced that they can tremendously increase energy production through increased rates of capital formation and exploration if government price regulations on interstate fuel are removed. However, they are completely ignorant of the nature and motivations of the political-economic forces behind Carter's restrictive energy policy and the Administration's drive for what producers and their political allies call "government socialism."

This state of affairs was made clear at a June 1-3 meeting of leading independent producers from the Oklahoma and Texas region and over 100 "consumer" delegates (including the author) from 25 states. The meeting was held at Phillips University in Enid, Oklahoma under the auspices of the National Energy Congress.

The political impotence and self-delusion of the conference and its main participant, the Independent

Petroleum Association of America (IPAA), were exemplified in the final keynote address by Oklahoma Governor David Boren. Boren was introduced as "a future President" and was otherwise considered by conferees to be "a straight Democrat." After opening with the well-worn litany that President Carter is to be praised for identifying "the problem," Boren then "took off the gloves" to attack the Carter-Schlesinger energy plan for not stimulating production of nearly enough energy and for leading to the curtailment of private freedoms and the end of the "free enterprise system." Having said this, however, Boren then reverted in his conclusion to the suicidal political tack of praising Carter and Schlesinger for their "sincerity and intelligence," qualities in which those individuals compare unfavorably to the hyena and the computer.

Practically all conference participants were committed to growth and development, some individuals being among the nation's outstanding representatives of the American Whig tradition. This commitment, however, was interpreted almost strictly in terms of the parody of industrial capitalism that "free enterprise" has become under monetarist hegemony.

Politics of the Conference

The conference itself, organized by a combination of Phillips University, the Oklahoma State Energy Office, the Enid Chamber of Commerce and related oil and gas groups, aimed at convincing representatives from non-producing states that the industry's position (for deregulation) was not simply self-serving, but represented the only way to increase energy supplies and meet consumer needs. This central message was pursued relentlessly in workshops, speeches, and debates with pro-Carter-Schlesinger government officials, and, in fact, proved persuasive to state energy commissioners from industrial Pennsylvania and Ohio, farm representatives from Kansas, and utility and other industrial customers who joined in supporting deregulation in the final conference statement.

What both groups failed to see, however, was the trap into which they had fallen by accepting the economic ground-rules of the present monetary system and the ultranominalist political categories of "producer" and "consumer." As this publication has documented, the capital shortage and profits squeeze of the oil industry is not due to price control and related government regulations or the inevitable escalation of costs associated with secondary or new exploratory recovery as primary factors. It is due rather to the inflated costs and financing charges directly resulting from the exponential growth of fictitious capital in the dollar speculative bubble. Not recognizing that fundamental causal factor, the industry has joined in helping to cut its own throat by jumping on every piece of nonsense concocted by the "enemies of free enterprise" for the benefit of credulous conservatives, especially the nostrums that "the era of cheap energy is gone forever," that "the security of the country depends on breaking the grip of the OPEC cartel," and that the long range solution to energy needs will be provided by solar energy!

In the main public event at the conference — a debate on deregulation — Dr. Phil Gramm, a leading conserva-

tive economist from Texas A and M, excoriated Lee White, formerly of the Federal Power Commission, for representing "the bureaucrats" who were strangling the workings of the market place, that all-powerful essence of capitalism, the base of the American system so presciently understood by the "revolutionary" Adam Smith. Unfortunately, Prof. Gramm did not know that for Alexander Hamilton, the actual co-author of America's system of *industrial* capitalism, Smith was just another British monetarist faker. Nor had Prof. Gramm, despite all his laudable scholarly efforts at uncovering Fabian humbuggery, ever heard of the Trilateral Commission, the authors and sponsors of all the monetarist, anti-industry policies Carter is inflicting on the U.S.

For all their shortcomings, however, the "wildcat" energy producers and their Whig allies represent one of the purest American expressions of commitment to technological progress and "getting the job done." Enid itself sits at the edge of one of the potentially greatest gas fields in the world, if advances continue to be made in drilling to record depths. Development of this field is a challenge the independents are itching to take on. And nothing but the highest forms of patriotism — in the Humanist tradition — were expressed by outstanding speakers such as former astronaut Gene Cernan and University of Texas chemical engineering professor John McKetta, who properly identified the unique legacy and potentiality of the U.S. to lead world development.

Perhaps most importantly, the conferees with whom this writer spoke were almost all people who care enough about their nation and humanity to listen and carefully consider new and more coherently formulated ideas on what must be done. Response to the Fusion Energy Foundation perspective on rapid fission-fusion development and to the Labor Party program for a new monetary and credit system spread sufficiently quickly that a major Associated Press article went out from the conference featuring the writer's warning of the war danger associated with Carter's policies.

There is, in short, no question but that a political labor movement moving for Carter's impeachment and putting the U.S. in the lead for world development would find overwhelming support among the riggers, farmers, businessmen, and scientists of independent oil and gas industry.

— Dr. Morris Levitt

West German Press Reports Mexican Reactor Order

The June 8 visits of West German Foreign Minister Hans Dietrich Genscher and President Walter Scheel to Mexico could lead to Mexico's order of a nuclear reactor from West Germany according to several West German press and radio sources in the last week. Although the report has not been confirmed in Mexico, the daily newspaper of the West German capital, the *Bonn General Anzeiger*, interpreted such an order as an attack on President Jimmy Carter in its June 8 issue, "Mexico is interested in nuclear deals with West Germany, since the

country wants to free itself and the rest of Latin America from U.S. domination." Reports of the deal were also carried in the daily *Die Welt*, June 4 and in June 8 radio reports.

Both Mexico and West Germany have signed the Nuclear Non-Proliferation Treaty, while Mexico has an outstanding reputation in Latin America for supporting nuclear energy for peaceful uses only. A nuclear deal between West Germany and Mexico would serve to discredit Carter's assertion that nuclear development in the Third World must be stopped to prevent these countries from acquiring nuclear weapons.

Japanese Fight on Nuclear Reprocessing Plant Continues

June 7 — The U.S. government is insisting on joint U.S.-Japanese operation of the experimental nuclear reprocessing facility at Tokai-Mura as condition for allowing U.S.-enriched uranium fuel to be reprocessed in the Japanese facility the Japanese press reports. The demand, part of the Carter Administration attempts to halt world development of reprocessing technology under the guise of hindering the proliferation of nuclear weapons.

According to the *Mianichi Daily News*, officials of the Japanese science and technology agency have expressed fears that the U.S. proposal, if accepted, might restrain Japan's future nuclear policies. The U.S. State Department delegation, led by Assistant Secretary of State Lucy W. Benson, is reportedly trying to separate the issue of Tokai-Mura, whose operation is due to begin next month as an experimental facility, from the overall Carter attempt to halt international reprocessing and fast breeder technology.

The Director General of the Japanese Science and Technology Agency, Sosuke Uno, has publicly warned the U.S. government that scheduled operation of the Japanese first nuclear reprocessing plant at Tokai-Mura is a "matter of life and death" for Japan's energy supply program. By terms of the treaty under which the U.S. government presently supplies enriched uranium for Japanese power reactors, Japan must obtain U.S. approval for all nuclear fuel waste disposal, including reprocessing. The Carter Administration is currently withholding delivery of enriched uranium as a form of economic blackmail to force the Japanese to abandon plans to go ahead with its nuclear reprocessing and fast breeder development. Uno went on to stress that "if the U.S. says 'no' to our plan, it will seriously hurt friendly Japanese-U.S. relations," according to the *Mianichi Daily News*.

What's Behind Carter's Plan to Bid Purchase International Oil?

On June 14 the Rockefeller controlled Federal Energy Agency will begin to 'bid purchase' oil directly from producers, thus bypassing oil companies to build up the U.S. strategic stockpile. For the June round alone the target will be 16 million barrels of crude. This means that the

U.S. government will offer to purchase the crude from producers through sealed bids at the best price. The plan is designed ultimately, once it fully evolves, to accomplish three deadly and interrelated tasks: destroy the political integrity of OPEC, enact divestiture targeting those U.S. oil companies not allied with Rockefeller (such as Gulf oil), and to thus disrupt the Arab-European dialogue based on technology for oil.

Today's *Washington Post* reports that not only does the FEA want to initially acquire the 16 million barrels of crude beginning this month through the bid purchasing, but that next week the FEA will purchase 2 million barrels on the international spot market. A congressional aide to Congressman John Conyers (D-Mich.) stated that the June 14 bid purchasing round will set a precedent. By this he was referring to the ultimate enactment of Conyers' recently proposed call to Congress that all imported oil come exclusively through Schlesinger's still pending energy department, bypassing the oil companies. The method of purchasing crude through sealed bids from sellers to 'bring down the price' is in reality a cover. In fact, it is designed to pit one OPEC producer against another in winning the rights to sell crude to the U.S., and destroy the cartel. According to the *Washington Post*, Carter will in December call for the total crude strategic stockpile to be increased from the present 500,000 barrels to 1 billion barrels by 1980. Already it is estimated that the U.S. may be buying up to the rate of one million barrels a day in the course of the build up.

The crucial element in this ploy is the response of the Saudis. Knowledgeable oil experts say that Schlesinger had 'delicate' meetings with both Saudi Crown Prince Fahd and oil minister Sheikh Yamani during their visit to the U.S. in late May. Numerous press sources indicate that one topic of discussion was whether Saudi Arabia would be amenable to contributing to the stockpile. Institute for Policy Studies connected Washington sources revealed the pitch which Schlesinger and Company would throw at the Saudis, of the variety that 'state to state' deals between the U.S. and the oil 'Comecon type' arrangements.

Announce Italian-Soviet Energy Conference

June 6 — The Soviet Committee for Science and Technology and the Italian-Soviet Association have announced a major Italian-Soviet energy conference sponsored by the Italian Center for Nuclear Research and the state National Center for Nuclear Energy (CNEN). The conference, to be held in Italy in November will promote the realization of "the greatest potential of scientific research and technology as well as industrial technology which could be available to Italy," in the words of Italian Communist Party Deputy member of Parliament, Ludovico Maschiella.

In related discussions, the Italians are negotiating new trade deals involving Italian high technology capital goods such as steel piping and drilling equipment in return for Soviet coal, petroleum and enriched uranium.

Soviets: Wall Street's Debt Collection Will Cause World War

Commentator Felix Goryunov of the internationally circulated Soviet weekly magazine *New Times* last week held the Wall Street banks directly responsible for the recent invasion and war in Zaire. There and elsewhere in the Third World, wrote Goryunov, the bankers are desperate enough to require "military guarantees" to collect on their loans.

Goryunov's is one in a series of extraordinary articles in the Eastern European and Communist Party press, focussing on these international debts as a fundamental and urgent world problem. A parallel argument, strongly suggested by Goryunov's succinct analysis, is that the Carter Administration's global policies, on behalf of Wall Street interests, have lit a fuse on world war. The Czechoslovak Communist Party daily put it this way June 3: Carter is carrying out orders from Zbigniew Brzezinski and the Trilateral Commission, who intend to "blackmail" the Third World and the socialist states; but, "the real world is other than Carter presumes in his sermons." The June *Literaturnaya Gazeta* (USSR), pinpointed the problem with equal precision when it referred to an "international Rockefeller clique" as an example of "real power" in world politics. Terminology of this sort, appearing here in an expose on the Rockefeller family's Bilderberger Club, has been out of currency in the Soviet Union for the entire "detente" era.

There is no doubt what will happen in a real war in the real world. One Soviet military writer after another is invoking the ideas and the name of the Marshal Tukhachevskii, author of the "theory of the offensive," to emphasize the USSR's war-winning strategy. Colonel Ye. Rybkin, whose article from the latest issue of *Communist of the Armed Forces* is excerpted here, is a key spokesman for the Soviet "Clausewitzians," and has been involved every time Clausewitz and the political nature of nuclear war have been debated in the USSR in the last decade. His current article, "The Truth On War Is a Weapon of the Forces of Peace," attacks the idea, often handed around by the Rockefellers' voice in Moscow USA Institute head Georgii Arbatov, that technology causes war. Marshal Bagramyan in *Kommunist* presents the Tukhachevskian approach of "swift, in-depth offensive action," which today defines exactly why in the Soviets' first move in nuclear war, 180 million Americans will die.

An article accompanying Rybkin's in *Communist of the Armed Forces* even holds up Tukhachevskii, who was a musician, as a model of "high culture" whom Soviet soldiers should emulate.

Hot Spots Within Soviet Strategic Perimeter

The just-released draft of the new Soviet Constitution

institutionalizes Soviet support for the Third World, as it does the constant combat readiness of the Soviet Armed Forces. Two officially mandated TASS releases last week asserted Soviet strategic interest in Third World hot spots close to detonation: one concerning the Horn of Africa warned that plans to invade Ethiopia are "playing with fire," and the other attacked the Rhodesian invasion of Mozambique, with which Moscow has a military coordination treaty.

Colonel Rybkin made the same point when he stressed the Soviets' "comprehensive support" to anti-imperialist struggles.

Debt Moratoria "Not Enough"

New Times and the Italian Communist Party weekly *Rinascita*, on the heels of the Soviets' *Ekonomicheskaya Gazeta* (as reported in *EIR* last issue), threw the spotlight on Third World debt and its immediate potential to cause Wall Street's demise, on the one hand, and military conflict, on the other. Writing in the East German monthly *Wirtschaftswissenschaft* for May, economist José Cavalcante argued that the debt threat could be resolved only by moratoria.

Debt moratoria alone would be insufficient, wrote Cavalcante; a new system of trade and monetary relations must be constructed, in which advanced capitalist sector industry will have a pivotal role. The advanced capitalist nations *must* export a portion of their historically accumulated capital for Third World development, he argued; if direct investments are strictly kept to productive economic development projects, then the Third World can accept temporary dependency in order to recover from backwardness.

New Times: Bankers Want 'Military Guarantees'

From "The 'New Marshall Plan' Stratagem" by Felix Goryunov in the Soviet English-language weekly New Times No. 22, May 1977

...The external debts of the developed capitalist countries have now broken all postwar records. The present situation differs from that in the late forties in that the U.S. no longer is in a position to play the part of the "rich uncle." The capitalist monetary system is oversaturated with "floating" dollars. Owing to the weakness of most capitalist currencies, the International Monetary Fund too is unable to finance the deficits. By the beginning of this year the IMF had at its disposal only

\$4,000 million in "strong" currencies — West German marks, Swiss francs, and Japanese yen.

Owing to the crisis of the IMF system, private transnational banks, and primarily those of Wall Street, have in recent years become the principal creditors of governments. Interest on foreign debts account for nearly half of the total profit netted by the Wall Street bankers. A large part of the credits they have extended has been invested not in production, but in government bonds issued to finance foreign debts. In the context of slow economic activity the bankruptcy of a big debtor could topple the entire credit pyramid not only of the United States, but also of other capitalist countries.

Bankers are no longer willing to take risks. They want guarantees — monetary, economic and political, and military guarantees too are not excluded. (The military aid rushed to Zaire was intended to safeguard not only the interests of mining monopolies, but also the dividends of the Western bankers who have provided loans running into many millions to President Mobutu.... — New Times Ed.)

Rinascità: Collapse Haunts Euromarket

Rinascità is the weekly magazine of the Italian Communist Party (PCI). In an article entitled "The Drifting Mine of Third World Debts" PCI economist Luciani wrote this week:

History is full of examples of banks, financing kings desirous of new conquests, which were destroyed because the kings either lost the war or, after their victory, defaulted.

The ghost of a gigantic collapse is haunting the Eurodollar market. The American banks are the most exposed; they hold around 65 percent of the notes. To prevent unilateral debt moratoria, these banks already lent \$1 billion to Argentina and 4350 million to Peru in 1976. But the problem was not solved this way, and is becoming worse. Zaire, with \$2-3 billion in debts, will probably be the first unsolvable debt case. In October, it was not able to pay more than \$100 million.

Now, if the developing countries declare themselves unable to pay, the Eurodollar market will undergo a grave crisis, and some of the most important American banks will risk collapse. Hence, the bankers are becoming more and more friendly to the developing countries. It's a strange alliance: The American banks, with Carter as their representatives, the Arab countries of the Gulf and the non-oil producing developing countries. All of these have an interest in pretending that credits are payable, when they are not.

The solution, if a solution can be reached at the North-South talks, must be general and will open doors to all countries. The solution must be based on two considerations at least...If Brazil, for example, suspends its debt payments, it will set off a chain reaction that will collapse not one, but all the Eurodollar banks. If this happens, the central banks will try to bail out the banks...How can the balance of the developing countries

be made positive again? In the present world economic order, it is impossible; a radical change in economic relationships is necessary at the international level. It's ironic that it is precisely the Eurodollar banks which are not agreeable to this change.

Marshal Bagramyan On In-depth Operations

The following is excerpted from "Soviet Military Science and the Defense of the Socialist Fatherland" by Marshal I. Bagramyan, appearing in the Communist Party of the Soviet Union theoretical journal Kommunist No. 7, 1977 — May.

...In military art, Lenin attributed outstanding importance to the correct determination of the main danger and the direction of the main strike, the ability to achieve the overwhelming preponderance of forces at the decisive moment, and the necessity of creating reserves. Lenin considered that the most important conditions for success in war are decisiveness, surprise actions, and seizing and maintaining the initiative....Recognizing the decisive role of the offensive, Lenin called for combining various forms of struggle and mastering all the means and methods which the enemy might have....V.I. Lenin devoted much attention to military technology and its influence on the military, and to utilization of the latest technologies.

...Soviet military science...gave the decisive role to the offensive, while orienting towards a combination of various forms and methods of conducting military actions....The theory of depth operations was a major achievement of Soviet military thought. Here the problem was first solved of breaching the in-depth defenses of the enemy and turning a tactical success into an operational one. This fundamentally new theory of offensive operations made it possible to renounce slow, gradual overcoming of the enemy's defense positions in favor of more decisive and maneuverable forms of waging combat and operations.

The essence of the theory of depth operations was the simultaneous destruction of the enemy's defenses throughout the depth of their positioning, breaching the tactical zone of defense; and swift, deep offensive action in depth, introducing an echelon comprised of tank, mechanized and cavalry units, and landing air units in the enemy's rear. Our military theory devoted much attention to economic provisions for war, and use of the moral-political factor in the interests of victory over the enemy.

...Together with the fraternal socialist countries, the USSR has made a number of peace initiatives intended to continue, deepen, and materialize détente.

These proposals, however, meet the stubborn resistance from the more aggressive circles of imperialism. Under their influence, the bourgeois press has recently launched its latest slander campaign about the so-called "Soviet threat" to the West and the supposedly over-augmentation of the USSR's armed might.

Accusing the Soviet Union of aggressive intentions is nothing other than an attempt by the enemies of peace to shift blame from the guilty to the innocent, deceive the world public, mask their aggressive plans, and increase military spending and the arms race. This was clear at the recent Soviet-American talks in Moscow, where the American side essentially called for revision of earlier agreements...(in order to) obtain unilateral advantages....

Under conditions of activation of the reactionary circles in the imperialist countries and the Chinese leaders' blocking with them,...the Soviet Union has to maintain constant vigilance and take measures to strengthen its security.

...The XXV Congress of the CPSU stressed the necessity of accelerating the progress of science and technology,...raising the efficiency of scientific research, and more effectively implementing its results. All this bears directly on military science.

Soviet Clausewitzians Surface

The following is excerpted from an article by Colonel Ye. Rybkin, appearing in the Soviet journal Kommunist Vooruzhennykh Sil (Communist of the Armed Forces), No. 10, 1977 (May). The article is entitled "The Truth on War":

...It is well known that a substantial number of bourgeois military theoreticians to this day recognize the correctness of Clausewitz's formulation that war is in essence a continuation of politics....The heritage of Clausewitz, however, is used in various ways. Marxism-Leninism adopted its rational kernel, and brought to Clausewitz's definition a totally new, class, and genuinely scientific content. The bourgeoisie, as it became more reactionary, used Clausewitz's teaching in its own way. Today, it either fully denies the political content of war, or vastly falsified the basis and essence of politics as the social phenomenon which contains the causes and purpose of war....

When it comes to the question of what causes the "balance (of forces)" to be upset — where the deeper roots of war lie — bourgeois ideologists give the most varied and contradictory answers. At the base of the political decisions which lead to wars, they discover God's will, the devil's horns, "cosmic forces," the

aggressive nature of man, demographic, technological, industrial or cultural conditions, geographical positions, the collision of strong "energy" tensions, and many other completely false factors....

At the present time, theories which locate the cause of wars in scientific and technological progress are receiving wide circulation in the West. Representatives of so-called "technological determinism," such as R. Aron, M. McLuhan, L. Mumford and others, completely ignoring the class essence of politics, view the growth of industry, technology, and science as sources of violence which not only fatalistically and inevitably breed military conflicts, but render faceless the forces which organize those conflicts. In this way, it is supposedly impossible to call those responsible for wars by name....The proponents of these conceptions and views on the causes of war...are by no means apologists for aggressive wars — many of them advocate peace. But from a scientific point of view, objectively, their theorizing at the very least makes it more difficult to see the true causes of wars in the modern epoch and expose their instigators.

...After World War II, a new round of wars occurred between oppressed peoples and colonial powers. But due to the changed historical situation, above all the existence of the socialist system, the outcome of these wars was different than it had been previously: imperialism met with defeat. The world colonial system collapsed. This does not mean, however, that imperialism gave up its policy of subjugating other countries. It continues today to kindle military conflicts and organize coups d'état and terrorist acts in the young states and threaten them with military intervention and other measures of compulsion. In other words, imperialism's policy toward its former colonies has not fundamentally changed. It has only taken on new forms, among which armed forces occupied a central place, as it did before.

Under these conditions, the socialist community is a powerful and reliable force, which gives comprehensive support to the peoples struggling for freedom....

The lessons of the world wars are of no small importance in today's struggle for peace. Lenin's analysis of the political essence of the first world war...demonstrates that in unleashing wars, imperialism only aggravates its inherent contradictions and undermines its own existence. In response to the horrors of war and new threats of military upheavals, the forces of peace grow. But since imperialism has not abandoned its plans of armed force, strengthening the defense capacity of our country and the entire socialist community...is a necessary factor for peace.

'Democracy According To NATO'

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by Dmitrij Ardamatskij
Novosti Commentator

The recent session of the NATO Council has launched in practice the realization of the new American Administration's plan for the intensification of U.S. presence in Western Europe. There are at least two reasons which impel the United States to hurriedly prepare a mechanism of more rigid control over the ongoing processes in the countries of the Old World.

Above all there is the growing economic and social instability of these countries, a foreboding of political modifications not to the advantage of the United States. In the second place, the growing economic competition by the "Common Market" causes the U.S. to foresee the danger of a more independent political line on the part of the countries which belong to it.

Not for nothing did the U.S. insist so strongly on the concept of "interdependence" during the recent meeting of "The Seven" in London. Nonetheless, it is difficult to believe that by this word the U.S. intends something other than the subordination of the interests of its partners to its own. It is also difficult to suppose that the United States could rely on a mere propagandistic slogan at the moment in which the realization of an important strategic plan is posed. In reality, secure and powerful means of pressure are needed, such as, for example, the Atlantic Alliance.

Carter has specified with extreme clarity that in order to guarantee United States presence in Europe it is indispensable to strengthen NATO. Although it has not been spelled out as explicitly, it can be automatically deduced that such a reinforcement means a more active political intervention by NATO into the affairs of the member countries.

Over recent months the leaders of several Western European countries have expressed their concern over the equivocal interpretation of detente by the new American Administration. In particular, they have expressed the fear that such an attitude could nullify many of the results reached in the area of developing reciprocal understanding.

In individual cases it has been possible to even speak of contradictions between the United States and its Western European partners concerning approaches to detente. Moreover, NATO's demands for the increase of military arsenals correspond increasingly less to the economic possibilities of the West European states, where it is very well understood that new military spending will contribute to aggravating even further their economic and social crisis.

The United States would like to solve the problem precisely with the aid of the Atlantic Alliance: it would like a rigid and lasting "stabilization" of the political situation in the West European countries (something which is only possible at the expense of democracy in these same countries and by chipping away at their autonomy); it would like to impose on them its new opinion of detente and force them to accept new commitments with respect to military spending, ignoring their own desires and their economic possibilities.

"Democracy" According to NATO

The new role of NATO, as it has been laid out by Carter and his advisors, risks leading to dangerous initiatives. The secret services of NATO and the United States, for example, will seek to influence political decision-making in the West European countries much more actively than in the past.

Meanwhile the first examples of the Atlantic Alliance's intention in this area already exist. At the end of last year a document drawn up by the Dutch social democrat Peter Dankert and examined by the NATO assembly at Williamsburg was rejected because it objectively evaluated the positions of the Western communist parties. A different document was instead published in February of this year by the Institute for Foreign Policy Analysis at the University of Cambridge (actually at Harvard in Cambridge, Mass. — *New Solidarity* ed.) and the Center for International Research at the University of Miami (both institutions are connected to the U.S. government). It affirmed that the participation of communist parties in the governments of France and Italy could have a negative effect on the integrity of NATO. The "experts" maintain that NATO must avert government participation by communists. The same things are continually repeated by the commander-in-chief of the armed forces of the Atlantic Alliance, General Haig, an American.

Avert it in what way? Perhaps by nullifying the results of free elections? Could even something of this sort occur? At the very least it has been learned that NATO's leaders have prepared a secret plan of "struggle against political disorders," with the aim of suffocating any type of protest in the Alliance's member countries.

This plan was just approved at the session of the NATO council which took place in London last May 10-11. It indicates concrete measures for repressing eventual possible demonstrations of protest, measures of strict surveillance and the "neutralization" of persons who come to be known through their participation in protest movements. It also provides for the transference, "in case of necessity," of the totality of power into the hands of the military, with the suspension of the Constitutions of the Western countries, the use of armed forces to repress strikes — as has already been advised for some

time by the British General Kitson — and to guarantee the functioning of ports and railroads, and finally the participation of military units in the “mass transfer” of the civilian population.

It would have been only odd, if after all this the participants at the last session of the Atlantic Alliance had

not declared in their public communiqué that the NATO organization has as its real goal “defending the ideals of democracy and respects for the rights of man.” This type of rhetoric jibes perfectly with the phraseology of the new administration in Washington, which has dressed itself up as the “guardian of international morality.”

Italian Union Leader Calls For Global Anti-War Drive

ITALY

The secretary general of Italy's largest trade union confederation, Luciano Lama, made an unprecedented intervention into world politics in his address June 6 to the union's quadrennial congress at Rimini, Italy. Lama's speech to the four million-member CGIL confederation constitutes a magnificent example for the international working class on how to deal with the monetarists' threat to plunge the world into a general thermonuclear war.

Dropping all traces of traditional “clean unionism” impotence, Communist Party member Lama identified the volatile Mideast and Africa situations as the potential triggers of general war and called for an *international* united front of pro-development industrialists and trade unions to avert such a danger. The upcoming Belgrade conference on European collective security, Lama noted, is the forum where “resolute” steps must be taken in that direction. Furthermore, Lama located the source of both left and right terrorism internationally in the “vital centers of power” and the “uncontrolled financial centers” who pull the strings.

Lama opened a sharp attack on the anarchosyndicalist, local-control approaches which have long been used to manipulate Italian labor. “A profound and self-critical reflection on the conduct of the trade union is needed...It would be completely inconceivable and vain to raise demands, to develop a struggle and even reach some results on a factory-level program. (But) if these results are coordinated with more general programs of economic development, the clever and gifted entrepreneurs committed to a development policy can find support and directions for pursuing the advance of their activities...”

Broadening the polemic, Lama continued: “It is desirable that in Belgrade the most incisive policies be

formulated to freeze the armaments race and to create instruments of collective security...All unions, internationally, must support this initiative so that the governments of all countries be prompted to reduce military spending and use the savings thus obtained for economic and social development...guaranteeing a flow of capital, of technology and know-how toward the Third World...”

Lama concluded by warning the Lower Manhattan banking interests that the kind of terror recently unleashed on Italy would not stop the fight for a new international economic order. “The subversive forces and their controllers anywhere they are — in the vital centers of power and the uncontrolled financial centers — must know that they are faced with a working class which is not surrendering to their criminal enterprises...”

Cleaning Out the Anarchists

Lama's speech — which followed weeks of intense pre-congress organizing by the European Labor Party under the slogan “from Rimini to Belgrade” — is the culmination of a successful operation within the CGIL to clean up the regional and local union leadership of agents from “New Left” anarchist countergangs. Over the last month, two-thirds of the regional leadership has been replaced with worker cadres, while Lama is moving fast to take hegemony over the national leadership by installing pro-development leaders in the key secretary positions of the CGIL's industrial category unions. Most notably, the Maoist-oriented head of the powerful metalworkers' category, Bruno Trentin, has been kicked upstairs to a figurehead post in the CGIL and replaced by a staunch pro-Soviet labor leader.

These developments in the CGIL prepare the unions to implement the proposals outlined at the last Central Committee plenum of the Communist Party, calling for an education program to prepare worker cadres as leaders at all levels of Communist Party and trade union organization.

EXCLUSIVE

Vatican Enters Fight To Avert Nuclear War

Major changes in the Vatican hierarchy, followed by Pope Paul's unprecedented audience with Hungarian Communist leader Kadar, have carried the Roman church into the thick of the fight to avert an early thermonuclear war. This development, culminating several decades of efforts in this direction by present Vatican Undersecretary of State, Monsignor Agostino Casaroli, means that the Catholic hierarchy, like Italy's Andreotti government before it, seeks an immediate dialogue with Eastern Europe and is on the verge of normalizing relations with the Soviet Union.

Pope Paul VI (Montini) is backing the policy shift, having been a supporter of the Casaroli faction in an increasingly open way since at least 1965.

Although it may surprise some, the Vatican, like any other major financial power, is subject to factional strife. Arrayed against the Montini-Casaroli leadership has been a group of schismatic "traditionalists" associated locally with Rome's overtly fascist "black nobility," and internationally with the Rockefeller family's Opus Dei and "Buckley connection." This faction is grouped around Monsignor Giovanni Bennelli, the principal in the U.S. National Security Council's recent uses of the Vatican for destabilization games against Poland, Hungary and other Eastern European nations.

But last week, Pope Paul "promoted" Bennelli to the position of Cardinal along with four others. While the *New York Times* hopes he is now "in line to become Pope," Bennelli in fact appears to have been promoted right out of immediate influence on Vatican foreign policy. He must report for parish duties as Archbishop of Florence, leaving the secretariat of state in the hands of Casaroli.

Coinciding with Bennelli's appointment to the College of Cardinals, moreover, was that of Monsignor Frankisek Tomasek of Czechoslovakia, who had been notified of his elevation much earlier, according to Italian press reports, although the announcement was made only this week. "The fact that Paul VI deemed to keep this name secret until now," wrote the Turin newspaper *La Stampa* June 3, "is interpreted as... a sign of good will toward the East on the eve of the Belgrade conference." Tomasek accepted his elevation "in the name of the state and church" of Czechoslovakia.

Any interpretation of the appointment other than as a sign of Vatican-Communist rapprochement was put to rest this week, when the Pope granted his first audience ever to a European communist leader. Janos Kadar, First Secretary of the Hungarian party, met on June 8 with Paul VI — and Monsignor Agostino Casaroli — for discussions of "Vatican foreign policy and the situation of the Church in Hungary."

Italy's newspaper of record, *Corriere della Sera*, reports that "Kadar found a new climate, a new style in the conduct of the discussions... Bennelli's exit from the secretariat makes Cardinal Villot (Casaroli's immediate superior — ed.) alone the head of the executive..."

The newspaper summarized: "The Casaroli line has won! Normalization of Church-State relations is the work of Casaroli."

Admittedly, the Bennelli faction is hard at work to create conditions under which an open split with the Vatican peace effort can be effected on terms favorable to themselves. On June 6, the 80-year old arch-reactionary French Bishop Marcel Lefebvre was invited to Rome by Italy's "black nobility," so-called because of their links to the Mussolini regime and its sequels in the postwar neofascist movement. Before a gathering of these aristocratic financial-landlords, Lefebvre proceeded to incant the Mass in Latin. Since the 1965 end of Vatican II, the Mass has been directed to be delivered in the vernacular.

As the Lefebvre resurrection reflects, Bennelli's fake "traditionalists" have for years conducted their pro-NATO political operations and their factional maneuvers against Montini-Casaroli by covert means — "dirty tricks." Rather than directly address the actual issues, they have preferred to provoke factional brawls around such things as the new liturgy — the mass in Latin being a principal bone of contention for Vatican II opponents. Since 1965, "underground" priests have continued to recite their Masses in Latin. Lefebvre's provocative appearance in Rome for this purpose bears the earmarks of a Bennelli group directive to bring the renegades out into the open for pro-NATO, pro-Carter factionalization.

Not Lefebvre himself, but the Bennelli group's formation of a global fraction of "schismites" around the use of the dead language and related liturgical problems could develop into a threat to the Vatican's new commitment to peace and development.

"There will perhaps be a split between the traditionalists and the progressives," predicted the June 6 *Corriere della Sera*. Pope Paul has remained quiet on the Lefebvre provocation, but as the June 10 edition of the daily *La Repubblica* also comments, "Paul's audience with Hungarian First Secretary Kadar speaks louder than anything else to Lefebvre."

The Elevation of Casaroli

The progress the Vatican has made in opening up relations with the Czech and Hungarian communist leaderships is the culmination of years of Casaroli organizing. In 1967, Monsignor Casaroli himself laid out his strategy for *Corriere della Sera* journalist Alberto Cavallari. Casaroli stated: "This line (opening to the East — ed.) has always been confused with an ideological truce," — a reference to the false, "White Communist" effort on behalf of so-called "Christian-Marxist dialogues." "The Soviet Union has accepted physical co-existence," Casaroli continued, "but has refused ideological co-existence. We are working on this area because certain international conditions have made it possible to initiate a series of negotiations... by the end of the 1950s, certain contacts became possible. The first were with Yugoslavia between 1956 and 1958... Thus, a policy of rapprochement was delineated between states, not between ideologies, and this policy was continued with my trips to Hungary and Czechoslovakia in 1963."

The Casaroli foreign policy effort was continuous, and was prepared during the years of the Cold War.

Pope Paul's commitment to a realistic Vatican-East policy strongly supported Casaroli's initiatives. Five days after Montini's election (June 22, 1963), he announced the re-convening of Vatican II. One of the major aspects of Council II's agenda was the emphasis on the Vatican's new role as a peace initiator. Pope Paul opened the fourth — and final — session of the council by motivating the discussion of the "The Church in the World Today."

The pontiff stated: "Mankind was destined to reform the world... the Church must 'historicize' itself — insert itself into history, in order to promote the renewal of the world for which it exists." Subsequently Paul established a new Secretariat for Non-Believers in the spring of 1965 under Cardinal Koenig of Vienna, to try to find "a basis for accomodation (stronger than the code-words

'pragmatic' and 'dialogue' which were used by Paul's predecessor, John XXIII —ed.) with the communists, atheists, and other non-believers."

During the open debate sessions of Council II, the major discussion centered on the documents relating to the Church's policy towards the "non-believers" and the issue of disarmament. During the Council Pope Paul himself left twice, once to address the United Nations, and then a trip to India to appeal to countries of the world to work for peace. The Secretary of State at that time, Bishop Samore, characterized Paul VI's peace policy as unprecedented. Samore stated, in part: "...The Pope's appeal in Bombay continued the quest for a different view of disarmament, as a total and international process, and as a way of getting past the logic of deterrence..."

'Strategy Of Tension' Imported To France

FRANCE

The "strategy of tension" which the Rockefeller puppet-Carter regime used in Italy has now been imported to France. If it succeeds, it will complete the process of French President Giscard's subjugation of France to the economic policy of New York banks, and to U.S. Secretary Cyrus Vance's global deployment for thermonuclear confrontation with the Soviet Union.

The "strategy of tension" is the Carter-Rockefeller policy of controlled terrorism and counter-terrorism by "left" and "right" countergangs operating under identical police agency auspices. Its aim is to destabilize significant forces in opposition to Rockefeller-Carter policy.

The immediate target of the terrorists in France is the CGT, the giant, Communist Party-linked trade union confederation which is the main obstacle to Giscard government deindustrialization programs and Giscard-Vance foreign policy collaboration.

On Saturday, June 4, strikers picketing at a plant in Rheims outside Paris, all CGT organizers, were showered with gunfire by members of the so-called CFT, a fascist "company union" outfit. One worker was killed and two others critically wounded.

Then, today, a gaggle of howling "left ecology freaks" gathered before a plant of the EDF electricity company, stoning the gates and buildings. EDF is engaged in an extensive nuclear power plant expansion program, at odds with Carter-Giscard zero growth plans.

Terrorist Goal: Slave-Labor

This terrorism unleashed against both labor and industry was carefully pre-planned in Paris and Washington. For its part in the private intelligence work, the New York Times treated its readers ten days ago to a completely unexplained news scoop: "Right Wing Violence May Erupt in France, Some Fear."

In Paris several weeks ago, the Giscard government think-tank, "Perspective and Realité," unveiled

government deindustrialization plans specifying the closing down of large industrial firms in large cities like Paris, to permit decentralization of the related production capacities into smaller units spread across the countryside. The feudal-fascist (Vichyite) plan, contrived under the direction of former French Finance Minister Fourcade, thus called for a dismantling of those heavy-industry urban sectors which are the stronghold of the CGT confederation, as well as the sites of heavy immigrant-labor concentration — the immigrants to be simply shipped home.

The only qualification to Fourcade's small slave-labor unit scheme is that some large factory units are to be maintained for conversion to military production, whose export volume could provide the foreign exchange to meet New York bank schedules for French debt repayment. European Labor Party organizers were told by Paris workers that such a conversion plan was on the books for their own plant, the giant Renault auto complex, the strongest of CGT bases.

Who fired on CGT workers in Rheims is no secret. The so-called CFT was the goon-organization named in the *New York Times*' far-sighted prediction of anti-working class violence ten days ago. Another paramilitary intelligence gang involved, the SAC, a secret fascist group, is known to have been taken over by the old Algerian "blackfoot" Secret Army Organization (OAS), itself run by Rockefeller private intelligence networks with an Interpol and Israeli intelligence interface.

And the 'Left'

The "left-wing" so-called Ecology Movement now attacking French nuclear power development is an even more hastily contrived merger of several pre-existing Rockefeller network ganglets, including "Trotskyist" and "Maoist" crazies whose color was changed from red to green at the Vincennes University sociology department in Paris — an intelligence agency behavior-modification center. Vincennes set up as a purportedly working-class institution, has been increasingly exposed as the French equivalent of the notorious Trento University in Italy, whose sociology department spawned such internationally known killer-groupings as

the "Red Brigades."

Debate over Vincennes currently centers on whether the police will be allowed in to bust the rampant drug traffic (and unleash a wave of riots) or the Communist Party, which has been linked to the institution since 1968, will succumb to supporting its so-called academic freedom.

The next stage of the "strategy of tension" is planned to be a confrontation between the zombie terrorists and

the police, to be brought on by Giscard's threats to shut down Vincennes. This scenario was invoked in linguistics mumbo-jumbo by one of the main brain-washers involved, the well-known "psychologist" Michel Foucault whose book "Madness and Society" extols the advantages of schizophrenia. Declared Foucault: "Vincennes University is the kernel of the future Italian process. Its liquidation is predetermined, for many want to avoid the Italian situation."

Rudakov Revelations Break In France

An article appearing in the Paris daily Le Figaro May 7, by Jerome Dumoulin, marked the first French publication of the year-old "Rudakov revelations" which gave the U.S. an idea of the superiority the Soviets have in basic science. The Rudakov disclosures later became one of the bases for the evaluation by retired U.S. Air Force General Keegan and Aviation Week that the USSR is well ahead of the U.S. in weapons capability. With the publication of this report, Le Figaro has simultaneously undergone a full-scale "clean up" of its editorial board, exemplified by the resignation of Raymond Aron, the French representative of the ultra-"utopian" London Institute for Strategic Studies.

"Do The Russians Possess The 'Absolute Weapon'?"

...In strategic terms, this (the revelations in *Aviation Week*) comes down to reducing to nothing the U.S. second strike capability and bringing down the entire edifice of deterrence. If the *Aviation Week* revelations are founded — and the reputation of the review is well-established — the Soviets could thus acquire, in the very near future, an absolute strategic superiority.

At the origin of these revelations, a man of experience: General George Keegan... We met him in Washington in his office at the United States Strategic Institute, of which he is presently vice-president. The institute makes no mystery of its "hard" positions on defense questions. The review which he edits, *Strategic Review*, is unanimously respected as one of the best American publications on military and strategic subjects.

For General Keegan, a Cassandra all the way, USSR military superiority — on the nuclear as well as conventional level — is now a given fact.

"The end of the thirties, Churchill preaching in the desert, the disaster invited by the policy of 'appeasement' towards Nazi Germany, how can we not think of this tragic period in our history when we become conscious of the illusory character of detente?"...

"The Soviets have a 20-year advance over the Americans as far as the development of a technology which they are convinced could soon neutralize the

threat of ballistic missiles is concerned. I have every reason to think that they are already at the trial stage. For five years intelligence circles have maintained that I was wrong. Finally, it was my small organization which buckled down to fundamental research — undoubtedly the most advanced since the development of the A-bomb — and which demonstrated the reality of facts."

According to General Keegan, the incredulity of intelligence circles — of Office of Nuclear intelligence of the CIA in the lead — is explained by both psychological and technical reasons. Psychological, because it is *a priori* very difficult for American scientists to admit that other countries, and the USSR in particular, could be in certain areas clearly in advance over them. "At the beginning," explains General Keegan, "most of our scientists were simply not armed to comprehend what we were presenting them." Technical, because the production of a beam of particles of such force would suppose that conceptual solutions, then concrete solutions were brought to an impressive series of major technological problems. "My 'young turks,'" says General Keegan, "demonstrated that all these 'barriers' had been surmounted with success by the Soviets."

The Revelations of Professor Rudakov

Their demonstration is supported by rich and precise information: the observations of American alert and reconnaissance satellites, Soviet writings on high energy physics, contacts between Soviet and Western scientists. On this last point, a curious episode: in July of 1976 the physicist Leonid Rudakov, visiting Lawrence Livermore Laboratories, gave an exposé which left no doubt among its auditors of the scope of the Soviet advance in nuclear fusion and the production of high energy particle beams. The Pentagon immediately classified the Rudakov exposé "top secret." Why did the Soviet physicist let himself go to make such explosive revelations? Hypotheses can be multiplied. According to General Keegan, the American scientists who were listening put into doubt some of his affirmations. Rudakov, angered, then went far, too far, in the detail of Soviet work — in the area of theory and its applications — leaving his American colleagues with their mouths hanging open....

...At this hour, General Keegan is not optimistic: he

does not hesitate to say that the CIA willingly kept his reports under their elbows, and that neither the National Security Council nor the White House were really made aware of them. They would have thus proceeded to stifle an affair vital for the security of the United States and the world. The *Aviation Week* article blew the cover off. During the first week of May, just before leaving for the

London summit, President Jimmy Carter was content with saying that there were "some errors" in the article in question. Several days later, a White House official declared that it was "inexact to pretend that the problems brought up by this article had not been discussed at the highest level..."

Austrian Chancellor Kreisky Behind Mideast Gun-Running Scandal

AUSTRIA

The clearest example of how Austrian Chancellor Bruno Kreisky has repeatedly violated Austrian neutrality with his gun running to the Mideast is the recent "Munitions Scandal" watering of Kreisky's Defense Minister, General Karl Luetendorf. Luetendorf was forced to resign on May 31 for his involvement in shipping munitions to Syria in December 1976. Social Democrat Kreisky, however, has escaped free of criticism for expediting the shipment of 3,000 sharpshooting rifles to Syria under the cover of "sport rifles" during May of this year.

According to the Austrian State Treaty of 1955 which reconstituted postwar Austria as a neutral state, it is a violation of neutrality for Austria to export arms to a country in a state of war — such as the state of war between Syria and Israel. Austria's former occupying powers, the U.S., the Soviet Union, France, and the United Kingdom, are pledged to guarantee this neutrality.

Although the months-long watering of Luetendorf was nearly ignored by the Viennese press, one daily, *Die Presse*, reported that Luetendorf was actually sacked because of his failure to reform the 40,000 man Austrian army, and not for the munitions scandal. Luetendorf has been replaced by one Otto Roesch, Kreisky's former Interior Minister and the leading Social Democratic security expert in Austria. Roesch was Undersecretary of Defense from 1959 to 1966, and as Interior Minister directed the security arrangements after the December 1975 terrorist assault on the Vienna OPEC conference.

Luetendorf's forced resignation came after an Austrian parliamentary investigation committee charged that he did not tell the Chancellor all he knew about a Dec. 7 shipment of 600 rifles and 400,000 rounds of ammunition to Syria. Although this shipment was blocked by Viennese airport customs officials as a probable violation of Austrian neutrality, Luetendorf's friend and arms dealer, Alois Weichselbaumer, managed to get the munitions to a Yugoslavian port before he was caught.

The press, however, did not pick up the scandal until

Jan. 12. Although both Luetendorf and Weichselbaumer initially insisted that the shipment was comprised of "sport rifles" bound for Tunisia, Weichselbaumer gave evidence against Luetendorf during the April-May parliamentary investigation that the rifles were shipped to Syria.

Kreisky's Deal

While Luetendorf was being grilled by the investigation committee, Kreisky was appearing before the parliamentary Foreign Policy Committee to expedite shipment of 3,000 rifles to Syria — a deal that Luetendorf and Weichselbaumer had set up in 1975.

In September 1975, Luetendorf, Weichselbaumer, and Syrian Defense Minister Mustafa Tlass agreed that Syria would purchase at least 2,000 Steyr-Mannlicher SSG sharpshooting rifles and would discuss an additional \$210,000,000 purchase of arms and vehicles for the Syrian Army. The Luetendorf shipment of 600 rifles and 400,000 rounds of ammunition was also discussed at this meeting. The initial 2,000 SSG rifles that were shipped to Syria labeled "sport rifles" are the civilian twin of the military SSG, and Weichselbaumer later sold the Syrians conversion kits so they could officially convert their new rifles into the military version.

None of these arrangements were mentioned in the press, and nothing was heard about SSG until an Austrian embassy official in Damascus recognized the SSG as the gun a Syrian soldier was holding over a dead Lebanese in a news photo released from Lebanon.

In April, officials from Kreisky's Chancellery appeared before the parliamentary Foreign Policy Committee to document Kreisky's support for another shipment of 3,000 SSG "sport rifles" to Syria. Kreisky shocked the parliamentarians, submitting testimony from the Swiss Foreign Ministry, the Swiss Military Department, and the Swedish government claiming that there were no violations of neutrality when a neutral country such as Austria exported "sport rifles." Kreisky then had official experts from the Vienna police department testify that the SSG could only be considered a "sport rifle." On May 4, the Foreign Policy Committee declined to raise objections to the sale of the 3,000 SSG rifles to Syria. On the same day, Kreisky flew to Syria for two days, unaccompanied by his Foreign Minister, to assure the Syrians that the Luetendorf scandal would not disrupt Austrian arms sales to the Mideast.

Tindemans Gov't Gives Belgian Socialists Green Light For Austerity

BELGIUM

Four months after the collapse of Belgium Prime Minister Leo Tindemans' shaky right-wing coalition, King Baudouin swore in a new government June 3, based on an alliance of Tindemans' Social Christian Party (PSC), the Belgian Socialist Party (PSB), and a gaggle of regionalist groupings. The distribution of portfolios in the new coalition points to the fact that this is a coalition which will try to impose a harsh local-control austerity program and the destruction of Belgium's advanced energy and related industries. It is also clear that the PSB will do most of the dirty work.

The contractual basis of the new coalition is the so-called community pact which provides the institutional framework for splitting the country into three autonomous regions; Dutch-speaking Flanders, French-speaking Wallonia, and Brussels proper. This division will be confirmed through the constitution of regional parliaments and parallel Community Councils to legislate on all issues of health, education, and social welfare. One enraged Flemish journalist pinpointed the character of this setup; "(the government) wants an Ireland, and by God, they'll have it!"

The heaviest responsibility for the success or failure of the government's local control scheme rests with the Belgian Socialists, who swept 12 out of 30 of the top-government positions, including the key Foreign Affairs and Economic Affairs Ministers. The PSB's public proposal for financing the autonomous regions is a looting policy euphemistically called "self-financing schemes with small consumer savings." Also, under the terms of the new coalition, the Socialists have made substantial headway in increasing state control over the private banking sector, in particular through the establishment of a government overseer to the activities of the country's four largest private banks, Kredietbank, Banque de

Bruxelles-Lambert, Société Générale de Banque and Paribas. These anti-banking maneuvers become more obvious in light of the fact that the Boards of Directors of all four banks are currently discussing U.S. Labor Party Chairman Lyndon LaRouche's proposal for a hard-commodity private bank.

In addition, the new Tindemans government has fully embraced the energy policy of the U.S.A.'s Carter Administration. No doubt taking some pointers from former EEC Energy Commissioner and leading PSB member Henri Simonet — the new Foreign Affairs Minister — the government will establish a National Committee for Energy, to elaborate a comprehensive energy savings program by the end of this year. A parallel government agency will also be created to act as watchdog over the nation's nuclear energy industry by controlling the distribution of uranium to individual companies.

Belgian industrialists are not taking the new government's programs lightly. The largest Flemish employers association, the VEV, issued a call at its latest congress for a new labor-industrial alliance for economic expansion. The VEV stressed that rates of economic growth in excess of the current 4.5 percent to 5.5 per annum are essential to eliminate unemployment to provide the surplus necessary for investment in research and technology. The Walloon employers, the FEB, similarly adopted an explicitly pro-growth orientation at their own gathering.

There is no guarantee that the new Tindemans-Socialist coalition will succeed in its austerity drive. The inherent weakness of the government, based as it is on the tolerance of the PSB's working class base and the heteronomic interests of numerous perpetually squabbling linguistic parties, was already demonstrated *before* the coalition was sworn in! Four ministerial appointees from the French-speaking wing of Tindemans' own Social Christian refused to appear for the swearing-in ceremonies on June 2 over petty grievances. Tindemans immediately tendered his resignation to the King, who salvaged the entire government at the last minute but could give no guarantee of its long-term viability.

Turkish Elections Increase Chances For NATO Coup

The failure of the Republican Peoples Party to win an absolute majority in the June 5 Turkish general elections has sharply increased the chances for an escalation of terrorist activity in Turkey leading to a NATO-backed military takeover.

Bulent Ecevit, leader of the social-democratic Republican Peoples Party (CHP), won 213 parliamentary seats in the election, 13 short of a majority, and will probably be forced to form a weak coalition with the Islamic revivalist National Salvation Party or with several right-wing splinter groups. Should Ecevit become entangled in such a coalition, politicians in Ankara are reportedly "wary" of his ability to remain in power even as long as eight months, the duration of his rule in 1974.

The election campaign was the bloodiest in Turkish history, marred by assassination attempts, bombings, and violent clashes provoked by self-styled neo-Nazi commandoes tied to the National Action Party of Alparslan Turkes. The Carter Administration had counted on a strong majority government coming to power in Ankara to implement the severe austerity measures being demanded by the International Monetary Fund to ensure repayment of Turkey's debt and import bill. "The worst news for Washington is not that Ecevit won the elections, but that he didn't win bigger," commented *Newsday* on June 9. Relations with the U.S. and NATO will deteriorate, warned the paper, "very probably lead(ing) to closer ties with Moscow."

In July, \$1 billion in short-term convertible Turkish lira loans fall due, augmented by several more billion owed for imports and debt servicing. The Central Bank houses only \$600 million in foreign exchange. Despite the IMF's concern over Turkey's bankruptcy, several leading bankers considering the U.S. Labor Party's private International Development Bank proposal have dismissed the Turkish bankruptcy hysteria and stressed that what the Turkish economy lacks is merely properly allocated credit for the country's basically sound industrial capacity.

The Coup Option

Without a strong government in Ankara, the Greek daily *Ta Nea* warned that "open army intervention" is likely and could lead to "a new adventurous Turkish foreign policy."

This scenario was confirmed by a knowledgeable West Coast banker who stated that if another unwieldy coalition government like that of current Prime Minister Demirel is formed in Turkey, "the likelihood of a coup increases tremendously," adding, "Frankly, we would like to see the military come to power — they would get things done. The choices for Turkey are very limited," the source continued. "Assuming that Ecevit does get in power on his own without having to make a coalition, some pretty tough measures are going to have to be taken — a major devaluation, import cutbacks, no

Turkey Thwarts Coup Attempt

A right-wing military coup attempt led by former Col. Alparslan Turkes, the leader of the neo-fascist Nationalist Action Party and a deputy prime minister in the coalition government, was averted by the prompt action of the Turkish armed forces high command and President Fahri Koruturk, according to the June 10 *Christian Science Monitor*. A number of senior army generals are said to be involved and at least 200 officers were either detained or under close surveillance since the coup attempt June 2.

On that day, Gen. Semih Sancar, the Chief of Staff of the Turkish Armed Forces, prematurely retired the ground forces commander, Gen. Namik Kemal Ersun, with the approval of President Koruturk. Ersun was said to be one of the leaders of the attempted coup and a close associate of Turkes, who

was responsible for the appointment of Ersun to his post more than one year ago. Another general involved was Musa Ogun, one of the leaders of the 1971 military takeover.

According to the projected coup scenario, paramilitary hit squads of the Nationalist Action Party would provoke street fights and attack public buildings and election rallies, forcing the military to intervene. Such provocations were slated to take place during the final election rally in Istanbul of Bulent Ecevit, a social democrat and the main opposition leader.

Ecevit, Demirel and Sancar all received letters from an informant close to Turkes warning them of the coup attempt. Demirel then warned Ecevit not to hold the rally in Istanbul because his life was in danger.

growth, a reversion to labor intensive rather than capital intensive industry." The other alternative, stated the banker, is debt moratorium, which the Turks, he claimed, "would be insane to try."

To set the stage for a military takeover and block any initiatives by Turkey against the IMF, U.S.-NATO engineered terrorism is expected to increase dramatically in the immediate period ahead. Just days after the election, the Turkish ambassador to the Vatican was assassinated in Rome by so-called "Armenian terrorists" in an incident reminiscent of the assassination of two Turkish ambassadors — one in Vienna and one in Paris — 18 months ago. Two weeks ago, "Armenian terrorists" were also blamed for the devastating bombings at Istanbul airport and Istanbul rail terminal. In April, C.L. Sulzberger, a chief Carter Administration conduit at the *New York Times*, "predicted" a wave of Armenian terrorism.

The escalation of terrorist activity will be facilitated by Turkey's National Action Party, whose number of seats in parliament jumped from a meager 3 to 16, affording his network of terrorists considerable maneuverability in their sabotage efforts.

Despite his long-time ties to the Rockefeller family and his membership in the Bilderberg Club, the elite Rockefeller strategy clique, Ecevit is under pressure from leftist as well as traditionalist layers inside and allied with the CHP not to abandon Turkey's ambitious pro-growth economic policies. At a news conference soon after the elections, Ecevit called for the restoration of "mutual confidence with the United States," stipulating that "of course, this cannot be a one-way street." Ecevit also expressed his interest in meeting with Greek Prime Minister Karamanlis and called for joint Greek-Turkish development of Aegean natural resources. The Greek press warmly welcomed this overture as an important step toward defusing the volatile Aegean dispute between the two countries. The move also provides crucial backing for the joint Arab-Soviet-European efforts to create a Mediterranean zone of peace. While he has promised to legalize the Turkish Communist Party, outlawed since 1925, Ecevit has remained silent on the crucial matter of solving Turkey's economic problems.

U.S. Sudanese Stooges Fuel East Africa Tensions

The Ethiopian Ministry of Information denounced on June 7 the "dangerous situation which the Sudan intends to provoke by the continued massing of troops" on the Ethiopia-Sudan border. The Sudanese troop concentration, which was admitted in a Sudanese Foreign Ministry statement on the same day, is the latest in an escalating series of provocations made by the Sudan against Ethiopia's socialist Military Council, provocations ordered by the U.S. National Security Council in an attempt to break up the diplomatic initiatives by the Soviet Union and Cuba on the tension-ridden Horn of Africa.

Reflecting the broad global recognition of the U.S. role behind the Sudanese actions, the official Soviet Press Agency, TASS, delivered an unusually strong warning to the Carter Administration, on June 5: "TASS is empowered to declare that the Soviet Union denounced the actions of those circles who are preparing to carry through an aggression against Ethiopia, as well as those who are pushing them to this dangerous course. Those who engage in it will bear a grave responsibility to the peoples of Africa and the whole world." A TASS release on the previous day quoted the Ethiopian Information Ministry, who charged that "...in its aggressive actions, Sudan is relying on the full support of reactionary Arab regimes and international imperialism headed by the U.S...."

While putting his army on full alert, Sudanese President Jaafar Nimeiry is attempting to portray himself as the "victim" of Soviet and Cuban aggression, and this week traveled to Peking to gain further support and credibility as an opponent of "social imperialism." In a speech June 8 in China, Nimeiry charged that Cuba has sent 2,500 military advisors to Ethiopia, who he alleged are training the Ethiopians to use Soviet weapons purchased with Libyan money. He was greeted at the Peking airport by Chinese Vice Premier Li Hsien-nien, who praised him as a "brilliant example in the fight of the Third World against imperialism and hegemonism," and who proposed a "common front" in Africa against "Soviet penetration."

Sudanese and Chinese charges of the Soviet Union's aggressive intent, however, are the exact opposite of what the Soviets and Cubans have in fact been doing on the Horn of Africa. Since the visit to Africa of Cuban President Fidel Castro in March, the efforts of these countries have been aimed at cooling down the dangerous tensions there and ensuring stability for economic development in the region. These efforts have included attempts to mediate the longstanding territorial disputes between Somalia and Ethiopia, both of whom

have good relations with the socialist countries, and a Soviet initiative to mediate a peaceful settlement of the secessionist civil war in Ethiopia's coastal province of Eritrea.

The outbreak of a war on the Horn is widely considered to be a potential spark for a major East-West confrontation, because of the strategic importance of the Red Sea not only to Europe, but to Israel, which receives most of its petroleum shipments through the Sea. Sudanese aggression against Ethiopia, aggression which has the support of private Rockefeller-Interpol channels in Egypt and Saudi Arabia, is seen as part and parcel of attempts led by Rockefeller-linked Saudi elements to turn the Red Sea into an "Arab lake," a development which would almost certainly provoke an Israeli response. While Nimeiry is contributing to further this scenario, Soviet efforts have been aimed at heading it off.

In addition to the Sudanese provocations a parallel effort is underway to pull the socialist government of Somalia away from its longstanding excellent relations with the Soviet Union and into the war scenario on the Horn. This latter effort of necessity includes a plan to overthrow Somali President Mohammed Siad Barre who rejected efforts by the U.S. and their agents in Saudi Arabia to buy him off.

Attempts to draw the Somali government into a blowup on the Horn, however, have met with little success. In an interview with the Paris newspaper *Afrique-Asie* this week, Somali President Barre rejected rampant rumors of a break between Somalia and the Soviet Union over Soviet support to Ethiopia, with whom the Somalis have outstanding territorial disputes. "We are not putting into question at all our relations with the USSR," he said, "We can express to our Soviet friends our appreciation of the situation and tell them that we can't remain indifferent to the reinforcement of a regime hostile to us...but, and I repeat it with force, this policy of the USSR doesn't put into question at all our agreements and our close relations which we have with her and which are stamped with solidarity and profound friendship. We chose the revolutionary camp, once and for all."

The possibility of overthrowing Barre has raised — for the second time — by the right-wing French daily *Le Figaro*, which pretends that a pro-Soviet coup is in the making, cover for the large Somali right wing to launch a "pre-emptive" coup. Reporting on the return from a visit to Moscow by Vice President and Defense Minister Mohammed Ali Samantar yesterday, *Figaro* speculated that the "pro-Soviet" Samantar might have "prepared the fall of his boss."

Sudanese Fuel Tensions

In their June 7 statement, the Sudanese attacked the Ethiopian government, declared their support for *any* separatist movement in that country, announced that the Sudanese army was on full alert and declared that the Sudan "reserves the right to take appropriate measures," in the event of any Ethiopian "provocation." President Nimeiry has previously stated that such provocations would include Ethiopian efforts to retake parts of Eritrea which have been "liberated" by the secessionist movement. Nimeiry also told the Jordanian newspaper *Al Akkbar* recently that "France has committed herself to supply us all the arms which we will ask for."

In a recent statement, an Eritrean spokesman announced the rejection by the Eritreans of a Soviet-delivered Ethiopian offer of a federation including "recognition of a distinctive Eritrean status," i.e., regional autonomy. The statement revealed several meetings between Soviet representatives and the Eritrean movement at the Yugoslav embassy in Khartoum and elsewhere. Eritrean spokesmen have also announced the unification of the "socialist" and "Moslem" factions of the secessionist movement, which in the short term means greater military pressure on Ethiopia, but in the longer run is a precondition for negotiating a peaceful settlement.

Another provocation against Ethiopia came last week from a tribal countergang in southern Ethiopia, which dynamited the country's only rail line to the sea, which runs through the soon-to-be-independent French colony of Djibouti.

TASS Statement On Africa, June 4:

Armed detachments of the Rhodesian racists who illegally govern the land of the people of Zimbabwe recently carried out a new plundering invasion of the territory of a neighboring state — the Peoples Republic of Mozambique.

These actions by the Rhodesian racists, led by I. Smith, are causing a further deterioration of the situation in the southern portion of Africa, and may bring with them serious international consequences. They are an outrageous crime, for which I. Smith and his minions and patrons merit severe censure.

At the same time some western states are conducting constant negotiations with the I. Smith regime, and are in fact providing a cover for and legitimatizing that regime, which has no right whatsoever to be on either the territory of Mozambique or of Rhodesia. The British government's statement that it will not use force against the I. Smith regime under any circumstances is a direct incitement of the Rhodesian racists to armed attacks on neighboring states, to even more vicious and inhuman suppression of the people of Zimbabwe.

In the Soviet Union, the news of the invasion by racist troops of the territory of the Peoples Republic of Mozambique, with which our country not long ago concluded a Treaty on Friendship and Cooperation, was greeted with deep indignation. TASS is authorized to state that all responsibility for the consequences of the invasion rest with the racist regimes of southern Africa and their patrons.

Japanese Revolt Against Carter And Fukuda's China Policy

JAPAN

After highly successful Japanese-Soviet talks on the economic development of Siberia last week in Tokyo, a revolt has broken out in Japan's ruling Liberal Democratic Party (LDP) against Japanese Premier Takeo Fukuda's plan to push Japan into an anti-Soviet peace treaty with China.

Fukuda, a political henchman of the Rockefeller financial circles, has made a series of overtures to Peking in the past two months including the dispatch of two Japanese military missions to China, as part of the overall Rockefeller-puppet Carter policy for a Japan-China "Second Front" against the Soviets. The alliance is to be concluded by a Japan-China peace treaty which would incorporate a statement denouncing the Soviet Union's "hegemonistic" desires.

Fukuda is determined to sign that treaty this summer.

Fukuda's game is now being upset by Soviet efforts to patch up Japanese-Soviet relations which had deteriorated badly during a recent protracted dispute over fishing rights between the two nations. But, many conservative leaders, including a leader of the "new right" Serankai grouping inside the LDP, are now saying that the fishing dispute was largely caused by Fukuda's overtures to the Chinese.

Last week's economic cooperation talks with Japanese business leaders were conducted by Soviet Deputy Trade Minister Patolichev. Then, in an interview in Japan's leading newspaper, the *Asahi Shimbun*, Brezhnev proposed improving relations on the basis of cooperation in areas of mutual interest. He proposed that the two countries conclude peace treaty as soon as possible, or if still unresolved territorial disputes prevent that, an initial treaty of friendship and cooperation.

In response, Fukuda was forced to announce that his Labor Minister, Hirohide Ishida, head of the Dietman's League for Japan-Soviet Friendship, and a staunch ally of the anti-Fukuda former premier, Takeo Miki, will go

Brezhnev Proposes Preliminary 'Good Neighbor' Treaty With Japan

The following are portions of an interview with Soviet leader Leonid Brezhnev printed last week by Japan's leading newspaper, the Asahi Shimbun, and reprinted June 7 in the Soviet party paper Pravda.

Q: During (then premier) Tanaka's visit to the Soviet Union, it was recognized that the dispute over the northern territories between our countries is unsolved. Has not the position that the Soviet Union has taken on this recently, been a departure from agreements that were reached?

A: We recall very well the talks that took place with Japanese leaders at that time....As you recall, in the joint Soviet-Japanese statement of October 10, 1973 agreement was reached to continue talks on a peace treaty. The Soviet Union is ready — if, of course, the Japanese side does not put forward unacceptable conditions — to take this matter, which is important for our countries, to its conclusion....It is known that peace treaties, as a rule, encompass a broad complex of questions, including

that of border-lines. This also concerns the Soviet-Japanese peace treaty. But to say that in relations between our countries there are some kind of 'unsettled territorial problems' is a onesided and inaccurate interpretation.

...If we understand things correctly, Japan is not yet ready to conclude a peace treaty. Taking this into account, we have proposed, while not ceasing negotiations on the peace treaty, to exchange opinions and sign a treaty on good-neighborliness and cooperation, which would encompass those areas of our relations which have matured sufficiently that they can be placed on a firm treaty basis....

We called our proposal a treaty on good-neighborliness and cooperation. In the final analysis it is not a question of names, but of the content. We are prepared to also review possible initiatives from the Japanese side in this direction. It is important that such a bilateral state document serve the goals of establishing genuinely good relations between our countries....

to Moscow in June for "unofficial" talks with Soviet leaders. Ishida will discuss Japan-Soviet economic cooperation in Siberia, as well as ways to re-start talks on a Tokyo-Moscow Peace Treaty.

The LDP Revolt

Inside the ruling LDP, a revolt is breaking out against Fukuda's overtures to the Chinese. The leaders of the revolt are LDP party elder and powerbroker Etsuaburo Shiina, and LDP faction leader Yasuhiro Nakasone. Both these men, who have enormous influence in the conservative and business community, and a long record of encouraging Japan-Soviet economic cooperation have previously been divided on LDP politics internally.

Nakasone was former premier Miki's ally against Fukuda's eventually successful takeover from Miki, while Shiina was bitterly opposed to both Miki and Fukuda. But Shiina and Nakasone met last week for the first time in six months, and publicly agreed that the government should "go slow" on the China treaty. Nakasone and Shiina have the strong support of Japan's business community, including the leadership of Nippon Steel, the world's largest steel corporation, whose chairman was in East Germany last week where he met with Erik Honnecker, the head of that country's ruling party, SED.

Fukuda's Dilemma

Fukuda is especially vulnerable to pressure from Shiina and Nakasone, since he wants to enter the upcoming Upper House elections this July with a united LDP behind him. He will face a strong political challenge from former premier Miki if the LDP, as is now generally expected, does poorly in the vote. Fukuda has been trying to woo Nakasone in particular into his camp with promises of a cabinet post.

Fukuda's political base inside the LDP centers around the "Taiwan-Korea" lobby, still under the heavy influence of former premier Nobusuke Kishi — a top hawk ally of the Rockefeller, and Fukuda's political mentor. That lobby, of course dislikes his China policy. On June 8, Fukuda met with Kishi, Shiina and leading pro-Taiwan hardliners Naka Funada and Mitsujiri Ishii, and pledged that he would be "more prudent in promoting negotiations with the Chinese" on the peace treaty, according to the *Daily Yomiuri*.

Former premier Kishi stressed that the United States itself has yet to decide its policy towards China, and that Japan should not do anything "rash".

The pro-Rockefeller hawks, according to a Washington-based think-tanker, also fear that if a U.S.-China-Japan pact were formed, the Chinese would try to weaken the "special" relationship Japan enjoys with the U.S. in favor of a more Peking-oriented U.S. policy. Kishi knows that Nakasone and Shiina both have great influence in the "Taiwan-Korea" lobby themselves. Should Kishi-ally Fukuda attempt to force through a pact with the Chinese, the pro-U.S. "hawks" around Kishi could rapidly lose control over the lobby.

Nakasone and Shiina's "go slow" policy towards China is being strongly supported by the governments of Taiwan and South Korea, both of whom are increasing overtures to the Soviet Union to improve relations; this increases Nakasone and Shiina's leverage in Japan.

Miki's Role

Fukuda, to break-up the threatened Miki-Nakasone alliance against him, has attempted to use the fact that former premier Miki has himself fought for closer Japanese-Chinese ties in the past against the "Taiwan" lobby. Fukuda has decided on Shoji Sato, Vice-Minister for Foreign Affairs and a leading Miki supporter, as Japan's new envoy to China. Both Miki and Nakasone however are unlikely to fall for the ploy.

The Carter government itself is now a major factor in Japan's growing rapprochement with the Soviets. Carter's threat to cut off U.S. supplies of enriched uranium, should Japan go ahead with plans to open a uranium reprocessing plant this summer, has forced the Japanese to seriously consider accepting offers of enriched uranium from the Soviet Union.

Japan's rage at the U.S. was evident in a speech that Japan's Science and Technology Agency head Susuke Uno gave to the Foreign Correspondents Club in Tokyo. Uno, a political ally of Nakasone, warned that Carter policy "greatly mars friendly relations" between the two nations. The *Baltimore Sun* in reporting Uno's speech, mentions the Soviet uranium offer and then adds its own State Department-authored threat: if Japan ever took Soviet uranium, the U.S. would abolish its military security treaty with Japan!

Bhutto, Opposition Near Agreement To End Two Months Of Crisis

PAKISTAN

Pakistani Prime Minister Zulfikar Ali Bhutto and his civilian opposition, the Pakistan National Alliance (PNA), have made significant progress in three rounds of negotiations to resolve the country's two and a half months of economic and political paralysis. Sources close to both sides indicated this week that the talks will probably result in new elections and that the major issue on the table is when and with what stipulations will new elections be held.

To reach this near resolution of the domestic crisis, Bhutto has had to fight a massive western media campaign aimed at discrediting him on so-called "human rights" violations — aided by a consistent series of "leaks" from the Carter Administration characterizing him as a "loser." These have included efforts by the Carter Administration to pressure France to back out of an agreed nuclear technology sale to Pakistan, a lead indicating that a U.S. sale of 110 A-7 jet fighters will be reneged on, and indications that the World Bank sponsored Aid-Consortium scheduled to meet later this month has been postponed — the last being followed by a *Far Eastern Economic Review* report that when such a consortium did meet, allocations by western donors will fall far short of Pakistan's needs.

In all these maneuvers, India has been held up as a model democracy with the Washington unveiling of a Carter Administration pro-"India tilt." Such a U.S. foreign policy inevitably deepens existing hostilities between India and Pakistan, thereby putting in cold storage the ongoing efforts by both countries to improve relations through trade and development pacts.

Both Bhutto and the PNA have used the good offices offered by Saudi Arabia to begin negotiations. Saudi Arabia, in the interest of peace on the subcontinent, has informed the Pakistan government that it is prepared to offer substantial amounts of economic assistance to help the country return to a development path if both sides agree to negotiate a truce preventing further strengthening of the military enforcement of "law and order." According to finance ministry official statements, Pakistan has lost \$765 million, in the months during which the PNA has disrupted all economic activities through protest of purported vote rigging by Bhutto's Pakistan Peoples Party (PPP) in the March 7 elections. As a result, exports this year will fall below last year by 35 percent.

The conditions of the current truce were revealed in a joint communique released early this week by both sides. The PNA has placed a moratorium on street demonstrations and civil disobedience for the duration of the talks, and has withdrawn its previous demand that Mr. Bhutto resign as a precondition to negotiations.

In turn, Bhutto has released the detained PNA leader-

ship and freed most of the PNA supporters arrested during the demonstrations. Following progress in the negotiations, Bhutto lifted martial law in the three major cities. The latter decision occurred after the Punjab High Court had declared martial law unconstitutional; a neighboring Sind High Court ruled the opposite way. The Supreme Court ruled in favor of the Punjab High Court, thereby placing Bhutto's government on thin constitutional ground if he enforced martial law.

The feeling in many Pakistani circles that the Carter Administration's policy is aimed at weakening Bhutto's negotiating position was reaffirmed by the content of three "leaks" from Washington in the past ten days. First, the Carter Administration authorized shipment of a long delayed supply of enriched uranium for India's Tarapur nuclear plant, despite its repeated failure to get India's agreement to curtail its nuclear energy program. So far Carter has only received assurances that India will continue talks on preventing proliferation of atomic weapons — already accepted Indian foreign policy. Similar assurances from Pakistan were deemed "unacceptable."

On May 31, the *New York Times* ran a front page report that after talks with Secretary of State Vance, France had backed down on its contract to supply Pakistan with a nuclear plant. Subsequent Agence France Presse wire reports denied that the French-U.S. meetings had even discussed Pakistan's nuclear technology let alone agreed to renege on it. One day later, another Times "leak" reported that the sale of 110 A-7 jet fighters would be stalled for three reasons: Pakistan has held firm on its nuclear energy development program (which goes against Carter's policy), India has objected to the U.S. supplying jets to Pakistan (a factor that never previously worried U.S. policymakers); and the U.S. is concerned about the "tenuous nature of Bhutto's government which has been beset by violent agitation."

This "concern" was also evident in a special memorandum compiled by White House staffer Charles O'Keefe who privately informed Carter's top drug control advisor, Peter Bourne, that *after* Bhutto is ousted, a PNA government would let the opium trade proliferate without controls. O'Keefe indicated that a faction of the PNA receives its funding from the opium trade, an observation that unwittingly substantiates Bhutto's charges that there is a foreign element in the funding of the PNA.

It is expected, that despite the Carter Administration's doubts about Bhutto's future, he will reach an agreement with the PNA within the week, allowing elections to determine who governs. One option that Bhutto is known to be considering is lifting the ban on political parties, thus legalizing the banned pro-Soviet National Awami Party. In such a situation it is possible that the NAP leaders would enter the negotiations. This actions would also serve to undercut the right-wing provocateur component of the PNA, the very forces that Bhutto has accused of receiving U.S. funding.

How Senator Dole Is Helping To Start The Next War

Senator Robert Dole, who reminded the nation last fall that the Democrats have started every war for the last century, is now prepared to help start one himself. On the heels of the Carter announcement that the U.S. and Cuba will exchange diplomats and consular officials as "interest sections" of the Swiss and Czech embassies in Washington and Havana, Dole has authored a Senate resolution which specifies the following preconditions for the restoration of diplomatic relations with Cuba: 1. the withdrawal of all Cuban troops from Africa; 2. the release of all American prisoners in Cuba and progress toward the establishment of "human rights" in Cuba; 3. compensation for all property nationalized by Cuba after the 1958 revolution; and 4. the renewal of the U.S.-Cuban anti-hijacking treaty which expired in April.

Dole's resolution, which will be sponsored in the House by Representative Broomfield of Indiana, already has the support of Senators Goldwater, Hayakawa, Helms and others. It caps a week in which leading conservatives have been straining to outdo each other in denunciations of the Carter announcement. Senator Baker called this "The worst conceivable moment to improve relations with Cuba." Former President Ford asserted that it is a mistake to establish relations with "a country that propagates communism." Dole specified in his own statements that the problem is "Castro has made no concessions" to the U.S. as yet.

Dole's position agrees exactly with that of Trilateral Commission member Sol Linowitz whose script on the establishment of relations with Cuba calls for "a sequence of reciprocal actions" which will gradually force Cuba to concede on its Africa policy and on the question of human rights. The Linowitz approach was first laid out last December in the report drawn up for the Administration by the Commission on U.S.-Latin American Relations and generally known as the Linowitz Report. Significantly, the report identified the other major confrontation point in the hemisphere as the Panama Canal — an issue which draws a like response from conservatives.

Since Cuba has made it clear since the beginning of the negotiations that its Africa policy was "non-negotiable" and has rejected as "hypocrisy" Carter's human rights stance, the Linowitz scenario can only lead to headlong confrontation with Cuba and with the Soviet Union itself — and that is precisely its intent.

The more recent publication on Latin America of the equally Trilateral-dominated Commission on Critical Choices, of which Linowitz is also a member, spells this policy out even more explicitly as an attempt at "making Cuba the Socialist camp's first true deserter." However

the Commission is equally explicit that the cost of this policy may be U.S.-Soviet confrontation. As they state it: "Neither the Soviets nor the Cubans are likely to alter their course until they are sometime confronted by the United States." In other words the policy is a replay of the 1962 Cuban missile crisis. But this time the USSR will not back down.

In addition, the Commission directly tied the Panama Canal question to confrontation with Cuba. Their report makes clear that opposition to the negotiation of a treaty that would give Panama control of the canal is as much part of the regional confrontation plans as are the negotiations themselves. They predict a chain of events "that would begin with the Senate rejection of the treaty," lead to "low-level violence," or possibly to "a prolonged campaign of terrorism and outright guerilla warfare," conducted with help that "could only come from Castro's Cuba." "In such a case," the Commission asserts, "the United States should certainly take the measures necessary to protect itself from outside intervention."

The barrage of conservative and editorial objections to Cuba's failure to make substantive concessions to date has already escalated this scenario into a "phase two" mode. The atmosphere is being created in which the Carter Administration can demand the virtual abrogation of Cuba's revolution and the "intransigent" Cubans can be identified as an enemy of the U.S., setting the preconditions for confrontation. The *Baltimore Sun* has asserted that Castro "should be tested rather than appeased." The *Washington Post* complains: "Has Fidel Castro been told in effect that he can have the advantages of normalized relations even while continuing unabated the interventionist policy (in Africa) of which the Carter Administration officially complains?" According to the *New York Times* the Administration has warned right on cue that any improvement in relations could be quickly undone by "opposition in Congress to the Administration's initiatives and reports that Dr. Castro plans to send troops to join the military advisors that Washington believes have been sent to Ethiopia."

The Next World War

With the notion of containing the liberals' "sell-out to the Commies" by forcing a hardline show of force, conservatives are simply proposing the Linowitz war games strategy — the Carter policy. Conservatives are actually lowering the threshold for world war by giving dominant Soviet military forces the impression that there is no opposition in the U.S. to the Carter Administration's war policies.

— Cornelia Reynolds

Outcry Delays Candidate's Jailing

Bare FBI, Carter Use Of Fake Dossier To Frame Up Ogden

Amid dramatic new developments in the case surrounding his February 1976 frame-up conviction for trespass and resisting arrest, U.S. Labor Party candidate for Governor of Virginia, was given a one-week reprieve this morning by Virginia State Court Judge Tucker before beginning service of a 32-day jail sentence for the conviction.

The issues in the case have now expanded to involve a nationwide FBI-Carter Administration Cointelpro operation with explosive implications in the atmosphere of impeachment surrounding the administration.

The delay in the date Ogden must begin serving the sentence — originally scheduled for today — follows a nationwide mobilization by the U.S. Labor Party, supporters and others including scientists and state Republican officials, protesting the railroad conviction and urging Governor Mills Godwin to grant executive clemency to the USLP gubernatorial candidate. Godwin earlier refused to grant pardon to Ogden, but did not rule out the option of clemency, which would keep Ogden out of jail but, unlike a pardon, would not erase his conviction.

But the most dramatic turn in the case was the announcement by U.S. Labor Party officials today that the party will bring forth new evidence showing that Ogden's conviction — as well as similar arrests and jailings of the candidates during his 1976 congressional campaign — are the direct result of the distribution to Virginia law enforcement officials of a fabricated FBI dossier which portrays Ogden as an international terrorist. Labor Party officials in Richmond announced that they will present the new evidence in Federal Court in seeking an injunction barring enforcement of the jail sentence and any further state proceedings against Ogden.

At the same time, USLP National Executive Committee member Warren Hamerman issued a call this morning for a congressional investigation of the Ogden FBI files and their dissemination. The USLP is also asking Governor Godwin to launch an investigation through his own office and the State Legislature.

FBI-Carter Frame-Up

According to information supplied by high-level sources in Washington, D.C., and corroborated by government documents released to the USLP under the Freedom of Information act, the case of the faked dossier includes these elements:

Since the Carter inauguration, Ogden's file has been

"flagged" by the FBI for inclusion of lies and fabrications, some of which implicitly link Ogden to the Patricia Hearst kidnapping.

Further, the Washington D.C. sources intimate, both Ogden's arrest and conviction and the recent refusal of Gov. Godwin to grant a pardon are due — at least in part — to the dissemination of the disinformation and slanders by the FBI.

The Ogden FBI dossier includes the following items of false or "dis-" information:

*Ogden was included in an FBI investigation into the Weathermen terrorist organization, beginning in the early 1970s and has also been falsely identified as a member of the Socialist Workers Party.

*FBI agents in Richmond included Ogden's name in the list of targets of investigation during the nationwide search for Patricia Hearst.

*In 1976, during Ogden's Senatorial campaign, Special Agents of the FBI in Richmond contacted the Secret Service to include Ogden on their list of dangerous individuals.

*Ogden has been given a permanent classification as a "political extremist" by the Carter Administration, and his dossier has been turned over to U.S. foreign intelligence agencies, including the State Department, the CIA and the Overseas Bureau of Interpol. Domestic agencies, including the Virginia State Police, the Washington Metro Police and the U.S. Park Police have been given similar disinformation. Meanwhile, the FBI maintains a permanent dossier on Ogden in its Criminal Investigations Division.

FBI and LEAA files obtained under the Freedom of Information Act reveal intense "Cointelpro"-type harassment of the Richmond Labor Party members since at least April 1972. The files reveal express FBI interest in the start of Labor Party electoral activities during fall, 1973.

In a July 14, 1973 report which was disseminated to state LEAA officials, an FBI agent lies: "Alan Ogden and John Green...stated that the NCLC planned to interfere with the campaigns of legitimate candidates for office in local elections throughout the U.S...." When, approximately two months later, the USLP decided to run Ogden for Congress against Rep. David Satterfield (D-Va.) in the 1974 congressional election, arrests of Ogden increased sharply.

Also strongly confirming that the FBI file is heavily

doctored is the fact that, although it ranges from 1972-1976, it does not mention one single arrest of the more than 14 suffered by Ogden during this period.

Such basic information is standard in the typical FBI file on a Labor Party region.

USLP Electioneering Disrupted

The information on the doctored FBI files and their continued employment by the Carter Administration appears to explain the intense harassment received by Ogden since 1973, when he received 18 percent of the vote in citywide Richmond elections. Since that time, Ogden has been arrested some 14 times on trumped-up charges, has been the victim of assaults, and has been fired from jobs.

Since last year, such harassment has been coordinated out of the office of former State Attorney General Andrew Miller, a Carter supporter during the 1976 campaign and now one of the state's most vociferous proponents of the Carter "energy program," who recently

resigned to run as Ogden's Democratic opponent in the gubernatorial race. Last year, local sources informed the Labor Party that Miller himself had circulated slanders that Ogden had threatened the life of an officer in the trespassing and assault case.

Although Judge Tucker granted a reprieve on the sentence until the U.S. Labor Party completes petitioning to put Ogden on the ballot June 15, his remarks in court this morning reflected the FBI Cointelpro operation. After Ogden's attorney, Arthur Lowie of Washington D.C., argued that service of the sentence would "irreparably harm efforts to put Ogden on the ballot," Judge Tucker said: "Mr. Ogden is a troublemaker in this area, particularly in the years 1974 and 1975 when he has been arrested seven times. The conviction was from a very serious charge. Mr. Ogden disrupted a meeting, he was disruptive, and the sentence of the jury was extremely lenient given the scope of the charge. Nonetheless I will allow Mr. Ogden to come back here on June 15."

NCLC Demands Attorney General Retract Claim That Organization Is 'Violence-Oriented'

Warren Hamerman, Director of Organization of the National Caucus of Labor Committees wrote the following letter to Attorney General Griffin Bell demanding a retraction of Bell's slanderous characterization of the National Caucus of Labor Committees (NCLC) as "violence oriented marxist revolutionary" organization in the Annual Attorney General's report.

The Bell report's significance is deeper than its scurrilous attack on the NCLC. The report is a coverup of the role of the FBI, units of the Justice Department, and the Institute for Policy Studies (IPS) in fostering domestic terrorism.

While the report identifies various individual proponents of domestic terrorism, the report fails to mention the key coordination by the Institute for Policy Studies in each one of the aborted or actual terrorist incidents.

The slanderous characterization of the NCLC in the Attorney General's report has also served as the starting point and justification of present illegal collusion between the Federal Election Commission, Federal Bureau of Investigation, and IPS, and other government agencies in "plumbers"-type financial harassment of the organization.

Copies of the letter were also sent to FBI Director Clarence Kelley, Assistant Attorney General Benjamin Civiletti, the House and Senate Judiciary Committees and the House Civil Rights Subcommittee, the Senate Governmental Affairs Committee and its Permanent Subcommittee on Investigations, the House Government Operations Committee, and the Senate Select Committee on Intelligence.

The complete text of the letter follows:

"I have just obtained the 1976 Report to the Congress of the Attorney General of the United States which contains information about the National Caucus of Labor Committees that is completely false and self-serving. I refer to the characterization of the NCLC on page 155 of that report which is attached.

"We have continuously documented before federal courts that there is an ongoing and continuous COINTELPRO program directed against the NCLC and the U.S. Labor Party. The characterization of the NCLC as a 'violence-oriented marxist revolutionary' organization submitted here by the FBI only serves to justify continuing illegality.

"I am writing this letter to demand that the above-mentioned characterization of the NCLC be immediately expunged.

"In reality, the activities of this organization are entirely consistent with the First Amendment of the United States Constitution. I am willing to meet with you at any time on this matter. I would like a response from you within five days. I also advise you that I have taken the matter under advisement with legal counsel.

"You are also reminded of the case of *Lyndon H. LaRouche, Jr. v. Clarence Kelley*, 75 Civ. 6010, before the honorable Judge Robert Owen of the United States District Court, Southern District of New York. Last Fall the plaintiffs filed and argued a motion before presiding Judge Kevin T. Duffy to hold defendant Clarence Kelley in civil contempt for violating a Consent Order dated September 28, 1976 'prohibiting defendants from interfering with the normal electoral processes and from violating certain self-imposed restrictions which have come to be known as the Levi Guidelines.'

On October 2, 1976, the American Broadcasting Corporation (ABC-TV) aired a charge disseminated to them by the FBI who themselves quoted statements made by Director Kelley before congressional committees in 1975 and 1976 of March, which said 'LaRouche's party is oriented towards violence and brainwashing...'

"Judge Duffy in his Memorandum and Order issued November 15, 1976, ruled that Kelley could not be held in contempt since the statements attributed to him by ABC had been made at least six months previous to the September Consent Order. Duffy, in denying the plaintiffs their motion, stated that, 'There is no proof whatsoever

in the record before me that Kelley repeated these statements or made new disparaging remarks about the U.S. Labor Party.'

"Since the Attorney General's Report appears considerably after the September Consent Order it in fact does constitute a dissemination of the exact same characterization of the NCLC and the U.S. Labor Party not only to Congress but also to the American public-at-large.

"I would therefore like to afford you the opportunity to retract the abovementioned characterizations before we once again must meet to test the usage of Judge Owen's Consent Order."

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