August 2, 1977
Vol. IV
No. 31

EXECUTIVE INTELLIGENCE REVIEW

New Solidarity International Press Service

five dollars

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August 2, 1977
Vol. IV
No. 31

ISSN 0146-9614

EXECUTIVE INTELLIGENCE REVIEW

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

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Executive Intelligence Review is published by Campaigner Publications, Inc.,
231 West 29th Street, New York, N.Y. 10001 — Printed in USA
Single issue price: $5.00 (U.S.)
Subscriptions by mail: $225 for 1 year (52 issues)
$115 for 6 mos., $60 for 3 mos.
Address all correspondence to: Campaigner Publications, Inc. P.O. Box
1922, GPO New York, N.Y. 10001

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IN THIS WEEK'S ISSUE —

When the **Bank of England** 'decoupled' the pound from the **sinking dollar** last week...it spelled **the beginning of the end** for the House of Rockefeller. Our **International Report** details the significance of **Europe's first major break with the dollar**...excerpts European and U.S. **press reaction**...includes an analysis of what's going on behind the scenes to establish a new **gold-based** international **monetary system**...Plus a strategic report from U.S. Labor Party chairman **Lyndon H. LaRouche, Jr.**, who explains why the **"fundamentals"** of political economy cited by the Bank of England will send the present system **crashing down** in the short term.

* * *

Carter Administration puppet **Anwar Sadat's** week-long **war against Libya** may well have triggered Europe's decision to dump the dollar. Despite the **Brzezinski**-circulated line that the war was merely a controlled **'proxy conflict'** with the USSR...the actual major purpose of the operation was to **destroy OPEC and cut off Europe's oil supplies**...see **International Report.**

A **Soviet 'show of force'** in response to Rockefeller provocations has long been on the agenda...Now the British wire service **Reuter's** has revealed that more than three months ago...the Soviets ran a **massive naval exercise** in the North Atlantic...corresponding to **pre-World War III deployment patterns**...see **International Report.**

* * *

David Rockefeller has reversed himself...come out for a **'strong dollar'** policy...and the **U.S. workforce** has been targetted in dozens of **slave-labor** 'regional development bank' schemes to **pay for it.** Meanwhile, the Carter-Schlesinger **no-energy program**...the prerequisite to full scale **fascist economy**...is **sailing through Congress**...see **National Report.**

* * *

The accelerating **shutdown** of both the **U.S. and European economies** is the powerful **underlying motivation** behind **Europe's search** for a new world economic order. Our **Economics** report assesses the most recent **damage** done to Western **productivity** from **monetarist incompetence**...

INTER-NATIONAL
NATIONAL
ECONOMICS
COUNTER—INTELLIGENCE
EUROPE
MIDDLE EAST
ASIA
LATIN AMERICA

Former Attorney General **Ramsey Clark**...with the assistance of a **convicted criminal**...runs a huge federation of **youth gangs** deployed in **looting** and **arson** operations during the recent New York City **blackout.** A full exposé of Clark's career, from **Operation Garden Plot** to his present direction of the gangs in **"get out the vote"** registration projects **for Jimmy Carter**...is featured in this week's **Counterintelligence** report.

* * *

Some **slick maneuvering** by Italian Premier **Giulio Andreotti** in Washington...new **stability** for the **Callaghan** government and its 'industrial strategy' in Britain...and strong **government** action **against** environmentalist **nuclear-terror scenarios** in France...add up to **renewed continental strength** against Carter Administration destabilization efforts...see **Europe.**

* * *

Carter's **'Bust OPEC'** assault on Libya was planned to **spread** into **regionwide confrontation**...New fighting in **Lebanon** has already **shattered** a fragile **truce** agreed to by the **PLO**...and **Carter** is vowing to **supply arms** to Sadat's ally Numeiry in **Sudan, to Somalia,** and to **Chad** to heat up the situation on the Horn of Africa. Our **Middle East** report analyzes all the **hotspots**...reports on the bitter **political struggle** focused on **Saudi Arabia**, to **link OPEC** with Europe and the East Bloc in new world trade and monetary arrangements...

* * *

Now that 'capitalist roader' **Teng Hsaio-ping** has been **rehabilitated** in China...will that nation emerge from its zero-growth chauvinist madness...see our news analysis in the **Asia** report.

* * *

This week's **economic survey** takes a hard look at the 'economic miracle' in **Brazil**...reaching near holocaust proportions. Also featured in **Latin America:** a report on the European-Latin American **Interparliamentary conference** which voted up strong resolutions on behalf of a new world economic order...

Britain Breaks From Dollar

Western Europe, with the backing of powerful forces in the leading oil-producing countries, has struck back at Rockefeller's war plans by sending the U.S. dollar into the biggest crackup in financial history. Europe's decision was signalled by formal Bank of England action on July 27 to break the British pound sterling away from the dollar, and includes plans to replace the bankrupt U.S. currency with a European-Arab gold reserve system.

Europe and its allies are responding directly to the Egyptian invasion of Libya, launched on direct Rockefeller instigation as the first of a series of planned wars among member-nations of the Organization of Petroleum Exporting Countries (OPEC). The immediate purpose of the Egyptian attack was to physically destroy critical sources of European oil, and eradicate OPEC as a political institution, thereby destroying the prospects for an anti-dollar coalition among the Europeans, Arabs, Soviets and others.

The dollar credit structure is now locked into a final irreversible collapse, triggered by the combination of European political action, and the encroaching rottenness of the system itself. Britain's move to end the 50-year link between sterling and the dollar will be the "Kreditanstalt" of this collapse, the equivalent of the great 1931 Austrian bankruptcy that threw Europe into a panic and brought down the once-mighty British pound.

The Bank of England action came just as world foreign exchange markets were already reeling from the announcement of a record U.S. trade deficit of $2.8 billion during June — a staggering annual rate of $30 billion. Also on July 27, a second haymaker punch hit the battered dollar on the New York stock market, when the leading market average plummetted an incredible 20 points to 888, the lowest point in a year and a half. U.S. investors discovered, as the panicked editors of the *Wall Street Journal* wrote this morning, "the weakness of the dollar...is part of a broader pattern."

David Cries "Uncle"

By the morning of July 28 even David Rockefeller himself was ready to cry "uncle." In a highly unusual eight a.m. personal interview with a *Reuters* reporter, Rockefeller admitted that the dollar collapse was "unhealthy" and called for U.S. central bank intervention.

Similar statements by Federal Reserve Chairman Arthur Burns earlier in the week, signalled that the Rockefeller-controlled Carter Administration is reverting to a high interest rate regimen to "save the dollar" by gutting the U.S. industrial economy. Carter himself demanded in a July 28 press conference that the U.S. be put through the deflationary-austerity wringer, complaining that if Congress had not been so slow to implement his "energy conservation" program the U.S. would be recording a $20 billion trade surplus! (see *Business Outlook*).

This desperate policy shift breathed momentary life into the dollar July 28, as did the dollar's role as a "vehicle currency" — ironically, holders of continental currencies who want pound sterling must first purchase dollars, creating an artificial demand for the currency. But competent foreign exchange analysts readily agreed that the underlying economic realities preclude any more than a temporary respite.

Bank of England Breaks Loose

The Bank of England has made that perfectly clear. On the morning of July 27 the old lady on Threadneedle Street called in the press and coldly stated that the dollar collapse "is due to fundamental economic factors" and "is not temporary." Britain's currency will link up with the European Economic Community in the future, not with the United States, the officials said, since Britain — once considered the world's sickest economy — does not "wish to be linked to the U.S. dollar, which is a deficit currency." This contemptuous proposal that the dollar should find its own way to hell is the most explicit statement of the policy break from governmental quarters, but it is mild compared to the vehement attacks on the dollar in the European press. Nor is it the only move: the French and West German press revealed this week that the two countries plan to rejoin the French franc to the European monetary bloc, the European "snake."

What emerges is a comprehensive European agreement to undermine the bankrupt dollar, and retaliate against the Carter Administration's "despicable, abominable, monetary policy," in the words of West Germany's prestigious daily *Frankfurter Allgemeine Zeitung*. "Bonn is fed up with this money war on Europe," Britain's BBC blared on July 28, in the context of a report that West German Finance Minister Apel has called for an emergency meeting of European finance ministers to discuss the dollar plunge. London's *Daily Telegraph* demanded that its government "cut loose from the shrinking dollar" in an editorial written before the Bank of England action; the next day banner headlines triumphantly announced "Pound Rises 2 Cents as Bank Deserts Dollar Standard."

West Germany's industrial daily *Handelsblatt* scored the Schmidt government for fearfully ducking a confrontation with the Carter Administration over the depreciating dollar, while allowing Fed chief Burns to act as an ostensible European spokesman. *Handelsblatt,* in an article headlined "Behind the Scandal, Official Manipulation is Suspected," further accused the U.S. Federal Reserve of deliberately dumping dollars to drive the rate down and labeled Blumenthal an "elephant in a china shop." European central bankers worry that large corporations will decide to hedge against further dollar losses by liquidating their dollar positions, *Handelsblatt* reported, creating a speculative tidal wave against the dollar.

The West German machine-builders association denounced the "wild west" conditions on the foreign exchange markets and the consequences for West German exports.

French economist Christian Boromée warned in the widely read weekly *L'Express* that "the only countries that are going to survive the monetary collapse are those who prepare for it. We have to defend against the double threat of foreign enemies and internal subversion," Boromée wrote, "and defend our monetary independence at all costs."

The Gold Dinar

The linchpin of the European agreement is a deal-in-the-making with OPEC to replace the Eurodollar mess, now on the verge of dissolution as debt payments from Third World countries fail to come through, and to create a gold-reserve monetary system. Highly reliable Saudi sources report that weeks of desperate wrangling between pro and anti-Carter factions inside the Saudi royal family have been resolved, in the wake of the Carter Administration's military offensive against OPEC nation Libya. Saudi Arabia's $50 billion in financial reserves and $1.5 billion a month in new excess cash are the "big potato," the cash stockpile that Rockefeller is willing to go to war to get hold of.

France's President Giscard, and British financial muscle allied with the Rothschild family, are pushing the Saudis to break with the dollar, and create a gold-backed Arab currency, a "gold dinar." The anti-dollar faction in Saudi Arabia, jointly with the oil-rich Kuwaitis, has decided to demand payment for oil in "gold dinars" instead of dollars in retaliation against Carter Administration plans to destroy them. The immediate effect of the launching of a gold currency, which knowledgeable sources time for mid-August, will be to wipe out the trade basis of the dollar's value. By linking their currencies to gold, these sources report, the Europeans will be able to join a currency bloc on a par with the Arabs.

In addition, according to Saudi sources, the newly created Arab Monetary Fund, the central bank for Arab countries, will be used as a center for long-term development loans to the Third World, expanding the market for Western European exports. The combined impact of these measures, the Europeans are aware, would be to trigger a massive run against the U.S. dollar against the emerging gold currency union.

The combination of dollar collapse and the creation of alternative credit sources would be to institute a de facto debt moratorium on over $500 billion in unpayable foreign obligations of the Third World and weaker industrial countries. The immediate casualty of these events will be the New York banking group and allied Chicago and other banks, who, as the West German daily *Die Welt* wrote July 26, are the "end risk" for the non-repayment of international debts.

Press On The Dollar Collapse

Europe

Following are summaries and excerpts from West European press commentary on the sudden fall of the dollar and related developments:

Daily Telegraph, July 28:

"Sterling Lifts Its Head In
World Currency Arena"

"Many factors played a part in the Government decision to unpeg sterling. One of the more potent may have been worries about the way the money supply is likely to behave over the coming months. The most important question of all, however, is whether the authorities would allow sterling to appreciate against all other currencies if it showed a consistent tendency to do so. That would be another U-turn for official policy. It would mean putting the need to preserve export competitiveness in second place to what many see as the prime requirement, reducing the cost of imported goods in order to lessen inflationary pressures."

Die Zeit, July 27:

"Stop Blumenthal Now!"

The Blumenthal strategy sounds nice, but it is actually reminiscent of a "wild west floating," and has alarmed German industry. If Carter and Blumenthal succeed with this forcing strategy, the government and the Bundesbank will have to rethink their strategy. "If the unrest continues, the Bundesbank should no longer shrink back from massive intervention," and "a few more billions of Deutschemarks would do no harm to the money markets."

Handelsblatt, July 28:

"Behind the Scandal—
Official Manipulation Suspected"

The Treasury and the Federal Reserve Bank have gotten together to force through the Carter-Blumenthal policy. Blumenthal is an "elephant in a porcelain shop," but European bankers are less worried about the devaluation of the dollar as such, as they are about the rate of the dollar's decline, which, they fear, will unleash a wave of speculation. As past experience shows, such speculation is almost impossible to control. Federal

Reserve head Burns, by stating that the United States has the responsibility to support its own currency, is really only appropriating the arguments of his European colleagues. Publicly, the Europeans' attitude is to back Burns, but this is only because "they do not yet dare to publicly attack the young administration."

Welt am Sonntag, July 24:

"D-Mark Upvalued"

"The revaluation of the D-Mark is taking on alarming proportions and tempo...The Bundesbank hasn't done much to halt the dollar's fall, and Frankfurt traders suspect that this is on orders from Bonn... A further dollar devaluation would be the straw that breaks the camel's back."

Frankfurter Allgemeine Zeitung, July 27:

"The Dollar Debacle"

The dollar's fall is a problem mostly for tourists. There is no real direct connection to exports, because 80 percent of West German business is done in Deutschemarks anyway; however, there is bound to be pressure coming from export customers for West German goods for us to lower prices. More serious, however, is how long OPEC is going to accept payment in a currency continuously losing its value. Washington is playing an "objectionable game...more egotistical than it bears responsibility for the world economy."

Die Welt, July 28:

"Bank of England Draws the Consequences"

The Washington-London axis is now broken. This axis had the function of moving the dollar downwards, and now this has been spectacularly broken.

U.S. Press

New York Times, July 28:

"Britain Ends Rein On Pound Rate
To Cut Danger From Tie To Dollar"

...Today's action reflected not just the deterioration of the dollar, which has accelerated markedly this month, but substantial improvement in most measures of the British economic picture...Britain is trying to let the pound reflect a more representative "basket" of things it buys...

"Move Bolsters the Dollar"

...The pound's new-found strength prompted dealers to start buying it all over Europe and this indirectly helped the dollar because of its role as a "vehicle currency" on the foreign exchange markets...

Wall Street Journal, July 28:

"UK Currency Reaches 10-Month High"

...Spokesmen for the bank and the UK treasury said the decision to unleash the pound from the dollar reflected the U.S. currency's weakness in the past few weeks...The pound's climb helped the U.S. dollar in other markets, as dealers traded other currencies for dollars that they later sold in London for pounds.

"U.S. Sustains Record Deficit in Trade
For June"

...Yesterday, officials of both the Federal Reserve and the Treasury insisted that there isn't any conflict...A Treasury spokesman said the Administration supports "a flexible exchange-rate system, in which the dollar's value is determined fundamentally by underlying economic and financial conditions." He said there isn't any disagreement with Mr. Burns, who , he said, "has stressed the need to protect the integrity of the dollar (through) a strong, stable, noninflationary U.S. economy. That has been and continues to be the focus of our efforts."

New York Times, July 28:

"Monetary Good Intentions:
Side Effects, 1927 and 1977"

...Today, as the industrial world moves toward the golden anniversary of the boom and bust of the 1920's and 1930's, several differences from the earlier era stand out. There are also some curious parallels. Perhaps the biggest difference, from the viewpoint of the United States must be the lack of optimism today... Indeed, the stock market, as measured by the Dow Jones industrial average, plunged 19.75 points yesterday.

In a world context, the American recovery is almost as singular a phenomenon today as it was 50 years ago. The European recovery remains hesitant... Among the other differences are the many reforms in the financial markets and the fact that the importance of monetary policy is far better understood today... In contrast to the differences with the 1920s there are also parallels. National economies are still interdependent... today gold is no longer the basis for either a nation's money supply or the value of its currency... many analysts would argue that as a substitute for gold, there must be political and social discipline.

Journal of Commerce, July 27:

"British Pound Jumps in Heavy Trading"

...The unusually reticent central bank annnounced that it had stopped its intervention because it wasn't appropriate any more to link sterling to a dollar that has moved sharply lower...In any event, some traders viewed the Bank of England move as another step in a coordinated effort to keep the dollar from falling any further... A stronger pound helps the dollar for technical reasons. Unfortunately, one observer said, there doesn't seem to be enough cooperation for that...

New York Times, July 29:

"Dollar and Pound Continue Gains"

The dollar showed strong improvement in foreign-exchange trading yesterday for the second consecutive day, posting gains against most foreign currencies in New York and abroad, *The Associated Press* reported....

Also the dollar was helped by the strength of the British pound. On Wednesday the Bank of England severed ties between the dollar and pound, letting the pound rise. This in turn benefited the dollar because it is used as an exchange medium.

Journal of Commerce, July 27:

"Treasury's Assurances Boost Dollar"

After three weeks of nervous waiting, the foreign exchange market got what it wanted — an assurance from Treasury Secretary W. Michael Blumenthal that " a strong dollar is of major importance not only to the U.S. but also to the rest of the world...The market exploded in hectic and volatile trading, sending the U.S. currency sharply higher. Traders were acutely aware that the Federal Reserve had let the federal funds rate rise to 5.75%...Traders said that there was utter confusion after reports of Mr. Blumenthal's remarks as they scrambled to find out where rates should be...

New York Post, July 29:

"West Germans Blast Carter's 'Risky Game' After $ Slides"

Bonn — ... they feel the Carter Administration is playing what the respected *Frankfurter Allgemeine Zeitung* newspaper this week called a "selfish... risky game... that shows little responsibility to the world economy..."

Transfer Ruble Flotation Behind Weakness In Gold Price?

The odd failure of the international gold price to respond to the chaos on the foreign exchange markets in the dollar's precipitous decline this week may be due to a triangular operation between the Soviet Union, the European Economic Community, and the OPEC nations to establish a new international monetary structure based on gold.

The Comecon International Bank for Economic Cooperation may be issuing transfer rubles to the central banks of France, Britain, Italy, and West Germany, and to the Arab nations, via the Big Three Swiss banks in Zurich, in return for payment in gold bullion.

The thesis is given weight by clear moves in Europe for re-entry into the European monetary snake by France, Britain, and potentially Italy, at a time when Europe is enraged over the state of the dollar. Simultaneously, the French Guallists led by Jacques Reuff in particular are working with Kuwait and the anti-dollar faction in Saudi Arabia to speed creation of a gold-backed Arab Dinar.

The evidence for the transfer-ruble (TR) flotation is as follows. While gold rose from $144.95 per ounce at the close on Friday, July 22 to $146.55 during the hectic fall of the dollar last Monday, it slipped back in the course of the most voracious foreign exchange trading in two years to $144.25 on Friday.

At the same time, rumors began circulating through the Zurich banking community that the Soviet Union, which in trading almost entirely via Zurich has for years been a net supplier of 20-25 percent of the world gold market's annual new bullion influx, has recently become a net *purchaser* of gold. London gold market sources, normally well informed of Soviet gold sales trends, could not refute the rumor and expressed uncertainty about previous estimates that the Soviets would sell even more gold this year than last due to their foreign exchange needs. Adding to the mystery, the three large Swiss banks that run the Zurich gold pool — Union Bank of Switzerland, Swiss Credit Bank, and Swiss Bank Corporation — are reliably reported accumulating buy orders on their own accounts for any gold coming onto the market. Between this apparant shift into large net new demand for gold and the dollar shakeup, the price should have soared during the week.

A New York bullion dealer agent for one of the five London gold market banks further believes that major market participants are conducting a bear raid — speculating the gold price down now to buy it up cheap and shove it up again. Certain European dealers with large positions are simultaneously selling gold short in the short term, and going long on six-month and longer gold futures. These dealers' clients expect a short-term collapse of the gold price and then a fast rise, the New York source said. A West Coast think tank with gold market expertise also predicted today a near-term fall in the gold price to $130 and below, and then a rise at year-end above the $250 level after consultations with circles close to Jacques Reuff in Paris.

The Snake

It is clear someone is planning something major and that the gold price is being artificially depressed. Zurich sources familiar with Soviet Economics Ministry experts hold a thesis on the transfer ruble that the Comecon International Bank for Economic Cooperation (IBEC) is issuing TR certificates to the account of OPEC and European central banks at the three Zurich gold pool market-makers, and being paid in bullion. Thus it would appear that the Soviets are net takers of bullion without the transaction, or even the rumor of the transaction, driving up the price. In effect, it would represent a gold swap similar to the two already done by the South African Reserve Bank and the Swiss Central Bank in which South Africa swapped bullion to the Swiss for foreign exchange for an indefinite period without having to put the bullion on the market and depressing prices. The TR-bullion arrangement is a central bankers' operation.

The Swiss gold pool banks have had considerable experience in TR factoring between the IBEC and their European trading partners. Further, they are not only the virtual monopolizers of the Soviet gold trade but of the Middle East gold trade as well. The same three Swiss banks are also the major general financial agents for Arab funds more broadly in Europe.

The TR report coincides with reports from an overwhelming number of gold and oil-dollar experts that the French Gaullists are leading European-wide efforts to speed up negotiations for the creations of a gold-backed joint Arab Dinar by Kuwait, Saudi Arabia, and the other Arab states. The Arab dinar, already under serious study at the newly-formed Arab Monetary Fund, would be issued as the required currency for making oil payments, sources close to Zurich report. In that case, Western companies wishing to buy oil would have to go into the foreign exchange market and sell their national currency for whatever it would bring under circumstances when every foreign exchange market in the world would be doing the same thing. Considering that annual Western world oil payments today are some $150 billion, several Swiss bankers confirmed today, there would be an immediate run out of soft currencies and into Deutschmarks, Swiss francs, and the new Dinar in an unmanaged market situation.

But why would the Gaullists, the London gold pool, and other Europeans now pushing the Dinar be acting for the collapse of their own weak currencies in this way? The answer can be seen in the French balance of payments and the British reserve position in the International Monetary Fund's own statistics. For the past three quarters, there has been a massive inflow of short-term capital into the franc, while British reserves have risen from below $5 billion to over $11 billion since the end of 1976. Italian reserves similarly have doubled during the recent period. Most of these are Arab funds, as most central bankers publically admit, and it is clear that the semi-open agreement the Guallists and the Saudi government to support the franc by deposits in French banks is being extended to the EEC as a whole and would be extended under conditions of issuing an Arab Dinar.

In short the U.S. dollar would be left to bear the full brunt of the run into Dinars and European currencies. The severe instability of the dollar has already caused the Bank of England to abandon its pegging the pound to the $1.72 level, and peg it to a basket of EEC currencies. The leading West German financial daily *Handelsblatt* reports that the British are in good shape to rejoin the European snake. A U.S. representative of the Banque de France similarly agreed with reports flooding the French and West German press that France's Giscard d'Estaing and West Germany's Helmut Schmidt are negotiating the French franc's return to the snake. Morgan Guaranty's *World Financial Markets* admitted in its latest issue that the stability of the Italian lira in the long term is assured, especially give the advance in political support in EEC loans which have bolstered Italy's reserves. The lira too is a candidate for entering the snake.

All or Nothing

The result of this new European-Arab motion alone, even without the Soviet angle, is at the very least a definite step toward an EEC-Arab monetary arrangement involving gold and deserting the dollar in the short run, numerous international bankers concurred this week. West coast gold circles just back from Paris report that Jacques Reuff and Raymond Barre are the real power behind the Giscard government's push toward the Arab Dinar, as evidenced by the founding of a $300 million capitalized joint venture bank by the Giscard family's Banque de Suez and the Saudi Arabian Monetary Agency (SAMA) last week.

But as one leading Anglo-American bank in London pointed out, there must be a Soviet political angle somewhere beneath all this. "The Saudis are loaded with rotten paper, dollars and U.S. Treasury bills. You're stuck with them. You could sell them to the Soviets for Euro-Rubles but you can't get fet fighters from the French with Euro-Rubles without an international arrangement. The Saudis have to go for all or nothing."

Goodbye Humpty Dumpty

The following statement was released on July 28 by Lyndon H. LaRouche, Jr., U.S. Labor Party and Presidential candidate.

Although the Eurodollar Humpty-Dumpty has not yet struck the ground, the past 24 hours' events, centering around London and Paris, have pushed it off the wall. The wall being a very high one, some brief time must pass before the actual, decisive crunch occurs. Overall, allowing for the fact that a number of curious developments may transpire before the tragic "thwack" and "kerplop" resound,the general nature of the result is now broadly a foregone conclusion.

There is a minority of well-informed persons who already recognize the implications of yesterday's events. Most others, to whom the power of the Manhattan banks is a treasured perception, will go through an agonizing process of successive misinterpretations of the development before the reality of the matter is broadly comprehended.

We must expect to witness a shortlived but vigorous debate over the hypothetical proposition, whether the U.S. dollar is or is not "undervalued" in terms of current exchange-rate trends. The form that debate will take will properly remind more astute observers of the situation described by satirist Jonathan Swift concerning the learned circles of his not-entirely-fictional floating island of Laputa.

Among the amusing sidelight developments of the next week or so will be the allegation by some that I personally caused the collapse of the dollar. Pointed reference will be made to a strong resemblance between my proposal to launch an International Development Bank as a private banking venture and the pattern of actions emanating from certain Paris, Arab and other relevant circles. It is true that certain relatively powerful forces have followed their own version of my monetary gameplan, however they have recently kept a maximum distance from direct contacts with myself and my associates for several reasons, reasons most emphatically including concern to avoid the consequences of any visible collaboration with the Labor Party leadership.

On that specific point, although the actions of certain forces did have the effect of triggering the current Eurodollar crisis in its present form, neither the eminent Jacques Rueff nor others can be rightly charged with improper actions on this account. The Carter-Mondale policies absolutely ensured the collapse of the dollar during this quarter's developments, whether or not Western European and other forces intervened to effect a showdown. Moreover, these Europeans and others have acted merely to defend their nations' most vital interests against the effects of the lunacy represented by the Carter-Mondale energy-austerity package and the kamikaze-inflationary attack on Western Europe by U.S. Treasury Secretary Blumenthal.

In keeping with the greatly augmented intellectual authority I and my immediate associates have gained because of this development, I have a special responsibility at this juncture for summarizing the principal, relevant facts of the current situation, and including some points of explanation and advice to aid, particularly, trade-union leaders, industrialists, and congressmen in the United States.

I shall cite first the most relevant points of background information concerning the present developments. I shall then cut through the nonsense-discussion over the "undervalued dollar" by identifying what bankers term the "fundamentals" causing the dollar to tumble in the direction of a bottomless collapse. I shall then refer to the probable course of developments and situate necessary lines of USA action in that context.

How The Break Developed

There are three most prominent facts to be taken into account to understand the developments of yesterday. First, certain French, Arab and other forces have been preparing for the establishment of a gold-based new monetary system along lines significantly coinciding with my proposals. This has been in progress for some time, and has been unavoidably increasingly visible during most recent weeks. Second, the kamikaze-style inflationary assault upon Western Europe and Japan by the Carter-Mondale Administration forced Europeans and others to commit themselves to effective countermeasures. Third, the Carter-Mondale Administration's unleashing of its rent-a-political-puppet, Egypt's Anwar Sadat, against France's long-standing ally, Libya's Qaddafi, as part of a "bust-OPEC" action directed against Europe and Japan, left Western Europe with no alternative but to exploit the weakened position in which Blumenthal had situated the Eurodollar market, to save Europe's credit and export potentialities.

It is of some importance, but only secondary importance, to know whether the Carter Administration's manipulation of Sadat simply coincided with a broadly-pretimed development, or whether Sadat's aggression against Libya caused the timing of the monetary break to be pulled forward. It was going to occur in any case. The Carter Administration's launching its "bust OPEC" caper against Europe and Japan eliminated any reasonable possibility that the action could be postponed further.

Labor Party Role

It is one of the ironies of the situation that although I and my close associates have played an important part in these developments, I do not know at this juncture exactly how much I contributed directly to the present course of events. A summary of what I do know in that connection has included usefulness.

The first reaction to my announcement of the private International Development Bank effort was an enthusiastic endorsement from among a wide selection of leading major and other bankers. It was uniformly agreed among those circles that the analysis was correct and the proposal "brilliant." After slightly more than a week of this pattern of interested responses, the "iron curtain" was rung down. A defamatory "line" began pouring out of the mouths of leading bankers with whom I had sufficient earlier acquaintance to know that they were engaged in bare-faced lying. This was corroborated from certain very high-level circles, to the effect that many of the same bankers professing to denounce my private banking proposal were boosting it enthusiastically behind closed doors among privileged circles.

In general, I knew that a massive deception operation was afoot. Banking and allied circles who were publicly denouncing my proposal were at the same time acting to put it into effect.

The reason they should adopt that tactic was obvious enough. I am personally under the most massive and intensive surveillance of any living individual of the moment, the subject of pathological extremes of fascination among Carter-Mondale and certain Manhattan circles. Governments, major parties, major industrial and banking groups in numerous countries have reported themselves to be under the strongest pressure from the U.S. State Department and allied agencies to give no direct or indirect support to the Labor Party or its efforts. The best way for any force to act on my proposals was at the maximum distance from any overt sign of collaboration with me.

Consequently, I knew that some forces were grouping around a course of action at least paralleling my proposals, and soon knew who some of these were. However, in general, I did not know — and still do not — the exact lineups in terms of various known configurations of financial, political, and other interest. Under these circumstances, I played the game accordingly, tossing the right added information "over the fence" of the containment around me, knowing that all on the other side of that fence would receive this information, including those known and anonymous persons to whom the messages were primarily addressed. Once I was certain that I had the "cat among the pigeons" to this effect, I was free to tip off certain relevant friends and acquaintances in the USA as to what the game was and how I was playing it.

Consequently, although I know certain addresses at which the answers to my questions might be found, I do not yet know the exact configuration of the total forces involved, nor do I know to what degree my proposals have shaped the exact course of actions adopted. I merely know that what I have contributed caused the perceptions given in Labor Party work on a new monetary system to figure significantly in shaping the thinking of these partially known, partially anonymous circles. Consequently, my capacity to predict what they will do next is not based on privileged confidences, but on an understanding of the general reality of the situation and of the kind of thinking those forces are visibly applying to the problems represented.

Lacking other forms of payment for its services in creating a new world monetary system, the Labor Party has been compelled to take compensation largely from the contemplation of the ironies of the process.

The Debated Value of The Dollar

No one in the United States can competently criticize the actions of the Labor Party on this account. If the "European snake" of currencies is stabilized on a gold-reserve basis, this does not injure the United States, but exactly the contrary. If the United States lacks the combined brains and guts to defend its own vital interests in maintaining levels of industrial and agricultural production and employment against the lunacy of the Carter-Mondale Administration, such cowards and fools ought at least to be immensely grateful that someone in Western Europe has the combined competence and will to force the United States to follow a course in its own most vital interests.

David Rockefeller has been reported as stating that the dollar is "undervalued." This is sheer nonsense, as satirist Jonathan Swift would keenly appreciate. Under the Carter-Mondale "energy" and monetary policies, *the U.S. dollar is not only presently enormously overvalued* in foreign exchange, but its present tendency to fall is a plunge with no bottom. The proof of that point is a matter of what the Bank of England yesterday referred to as "fundamentals."

The value of any currency on international markets is determined in a twofold way. The first valuation of a currency in international markets is as a trading currency. This value is determined in terms of negotiable bills of exchange against "hard-commodity" exports and export-import balances on "hard-commodity" account. The second valuation of a currency in international capital markets is based on the rate of profit on investments within the national economy. It is the relationship between these two international valuations of a currency which is the proper concern of individuals in the position of U.S. Treasury Secretary Blumenthal and Federal Reserve Chairman Burns.

Both the trading-value and the investment-value must be maintained, and any weaknesses on trading account must be fully compensated on investment account. This, George Washington's administration, and the second administration of Thomas Jefferson, clearly understood, as did the Whigs of the Lincoln administration. Neither faction of the Carter-Mondale Administration nor Senator Humphrey's tame Joint Economic Committee of the Congress comprehends so elementary and vital a set of facts. On this matter, Secretary Blumenthal is an imbecile, whose only useful function is to make Arthur Burns appear quite sane by contrast.

I explain each kind of valuation and then explain the present gross overvaluation of the U.S. dollar in those "fundamental" terms. In those terms, the necessity for the Bank of England's action becomes indisputably clear to any rational person.

As a trading currency, the international value of a currency is first of all what one can buy with it. In the end, this comes down to a list of industrial and agricultural exports from that nation. If there is a deficiency of such exports relative to the claims against the nation in terms of its currency, then either the foreigners convert those unsatisfied balances into term investments in the nation's internal economy, or they have no option but to demand gold payment to make up the shortfall in export balances.

At present, the rate of expansion of dollar-denominated claims in international markets far exceeds combined export balances and gold reserves available. As Blumenthal forces the Fed to print new volumes of dollars for international circulation — dumping large masses of unsupported dollars on the world market — and as the Carter-Mondale policies force a drastic fall in industrial and agricultural exports, the dollar's true value as a trading currency is falling at an accelerating rate, with no bottom in sight.

Under the Carter-Mondale "energy package" and related austerity and WPA-style make-work programs, the U.S. dollar as an investment currency is collapsing even more rapidly than as a trading currency.

This, after all the armtwisting and cute, cute covert operations Carter-Mondale run against the Saudi royal family seeking Saudi support of Chase Manhattan, the Saudi royal family is faced with the "fundamental" fact that it must reasonably expect losses in the order of 30 percent on today's dollar purchases during the remainder of 1977 alone. The recent fall of the dollar from DM 2.36 to DM 2.26 on the Frankfurt exchange underlines this point most dramatically.

The lunatic antics of Secretary Blumenthal are a grotesque aggravation of the problem. However, contrary to Arthur Burns and David Rockefeller, moving Blumenthal off to Scott Paper Company's toilet paper production line does not solve the more fundamental problem.

The cause of the U.S. depression is twofold. First, the collapse of exports. Second, the collapse of the internal economy. The U.S. Congress's submissive "compromises" with Carter-Mondale are the fundamental cause of the collapse of the dollar at this moment. As long as that prostration continues, the situation will get much worse rapidly.

The key to the collapse of exports is the so-called "IMF conditions" for loans to developing and other nations (such as Italy, Britain, Denmark). These are not real loans, but mere bookkeeping frauds. In general, New York and other banks rewrite unpaid debts upon their books as new loans issued, without a net penny actually going into the so-called borrowing nations as a whole.

The "IMF conditions" are modeled on the Chilean "solution" of 1973. Chilean President Allende was not overthrown because he had Communist support for his government, but because Chile could not pay its debt to New York banks under conditions of the fall in its copper earnings, and Allende resisted going as far as Milton Friedman prescribed in forcing genocidal extremes of austerity on his nation's population. This is the same policy the New York banks imposed upon Peru from the beginning of 1976 — although not without rearguard internal resistance there — and upon other nations.

These "IMF conditions," outlined in broader terms by World Bank lunatic Robert McNamara, demand that nations slash their internal consumption *and production*, in order to squeeze from a shrinking internal economy the means to roll over pyramided debts — debts which are largely pure inflationary write-ups of line-entries on Manhattan and other banks' ledgers. The object is to squeeze out sufficient flows of funds from these nations to cover up cosmetically the fact of the bankruptcy of Manhattan and other dubious banks.

The result is a catastrophic collapse in imports by those nations. These reductions in imports are translated immediately and directly into falls in exports from Western Europe, Japan, Canada and the United States. That is not the limit of the effect. "Reverse leverage" is set into motion. Any drop in export levels of industrialized nations causes a significantly larger drop in the overall levels of industrial production within those industrialized nations. This causes a sharp drop in trade among industrialized nations, dropping their imports level still further. In short, a spiral of collapse is set into motion by those methods of loansharking practices against the Third World.

The Carter-Mondale "energy policy" ensures that this collapse turns into the worst depression ever. The only basis for increasing the developing nations' debt-paying and import capacities is to increase both their levels of total production and the per-capita rates of industrial and agricultural productivity through a high-technology development orientation. The crucial element for all such development is energy production, which means primarily the export of nuclear energy plants and electrical grid construction on a massive scale from the industrialized into the developing nations. By simultaneously attempting to destroy nuclear energy export programs and also destroying the supporting infrastructure for such programs within the United States, Carter is turning the United States back toward the depths of the Middle Ages, and making the U.S. dollar almost worthless on international markets.

Meanwhile, for spice, Carter-Mondale-Humphrey domestic programs destroy large portions of the internal market. Instead of opening up productive, industrial employment, Carter-Mondale-Humphrey are shutting down industrial production and employing the unemployed at slave-labor wages in non-productive WPA jobs, which is simply purely inflationary waste.

It is not astonishing that some West German editorial circles have derisively described the Carter dollar as a "Blumenthaler" (the diluted coffee served to young children in Germany is termed "Blümchen Kaffee," and "Thaler" is the original, German name of "dollar.")

France, the Bellwether

Yesterday, on the same day that the Bank of England expressed its well-founded appreciation of the Carter dollar, France's President Giscard d'Estaing announced that France was going fully ahead with the projected 10 gigawatt nuclear energy program. This morning, the prefect of the region at which this weekend's projected 100,000 anti-fission demonstration is to occur announced that no demonstrators would be permitted within five kilometers of the site, and that adequate police force would be deployed to enforce the order.

The environmentalist-terrorist movement, linked to Marcus Raskin's networks and the Brussels-based World Federalist Youth organization, Agenor, is about to find that its days of more or less free rampaging against industrial progress have come to an end. If they insist on pursuing their course after the clear warning given, the end will be, I regret to foretell, a very bloody one.

The possibility of saving the French franc and all the European Economic Community currencies as well, depends absolutely upon France's key role in a joint European program of massive nuclear-energy and electricity-grid exports into the developing sector. With such a program, and only with a package which includes such a program, the franc and other European currencies can be quickly put on a gold-reserve basis for export. To attempt to interfere with that program at this critical juncture of dollar-collapse is to make war upon the European and other nations involved.

West Germany might conceivably vacillate briefly on this issue, but "fundamentals" prescribe that West Germany, Benelux and Italy have no real choice but to swing over decisively. If the Carter-Mondale forces attempt to sabotage this process by various monetary tricks, Europe will either resist that in the most forceful way with existing governments, or produce new governments quickly which do. Cute tricks and covert operations are now of greatly reduced effectiveness since Carter's Libyan caper. The fundamentals have begun to operate, and now real politics will assert itself.

Any effort by the Carter-Mondale-Humphrey to counter this development will only worsen the situation of the dollar, as long as the present Carter-Mondale policy continues. If Europe is shifting toward a hard-commodity policy, while Carter-Mondale-Humphrey continue the deindustrialization-funny money policy, with or without superausterity in the USA, the "fundamentals" referred to by the Bank of England yesterday mean that Europe must win at the expense of the dollar.

Since the Carter-Mondale crew is faced with that reality, the risk that they will attempt to provoke a general thermonuclear confrontation with the Soviets, as a "last gamble" for saving the Manhattan banks is the gravest problem of this period.

Otherwise, the best solution is to get me into the White House very quickly. The only alternative is someone in the White House who accepts my authority as the administration's "grey eminence." There is no problem facing the United States which Carter, Mondale or Humphrey would not make worse, and no problem which I can not solve.

Goodbye, Humphrey-Dumphrey. All the king's horses and all the king's men couldn't put your world together again.

Carter's Puppet Attacks Libya

The following statement was released on July 25, by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman.

Contrary to all lies being conduited through press and other "authoritative sources," the Egyptian invasion of Libya is the activation of one-half of a plan of the Carter U.S. National Security Council, which has been planned to be put into operation for at least three months to date. The other half of the plan is an Israeli strike into Lebanon and Syria, triggered through destabilization of the delicate balance in Lebanon.

Highest-level European circles have been duped into accepting the version of the operation put out from Washington and NATO Brussels headquarters. The insiders' "cover story" for this operation is the explanation that this is a Brzezinski move to clean out all Soviet bases and influence from the Middle East.

The truth is that it is an operation whose objective is the destruction of the French, West German and Italian economies through a violent disruption of OPEC and Middle East petroleum supplies. It is, in short, an action taken in behalf of the policy being pushed by Senators Jake Javits and Frank Church, and Javits' and Church's backers, of course.

Although the primary objective of the actions by David Rockefeller's puppet Anwar Sadat is to break up OPEC and break the back of the European economies, there is a dangerous element of confrontation with the Warsaw Pact in this operation. However, the issue of the confrontation has nothing to do with the story being put out from Washington and Brussels. The pattern of confrontation is that of which I warned in my nationwide U.S. half-hour television address of Nov. 1, 1976.

Essential Elements of Information

The essential elements of information to be considered in arriving at an evaluation are as follows.

Anwar Sadat and his minister-president are currently functioning under the terms of a rental contract held by David Rockefeller of Chase Manhattan Bank. The reported rental fee paid for Sadat's services during the present period is in the vicinity of $900 millions. There are also indirect influences to the same effect on Sadat, through pro-Rockefeller or pro-London factional elements within Saudi Arabia. For all practical purposes connected with the current operation, Sadat is at the moment a mere puppet of Zbigniew Brzezinski, and each of Sadat's actions, until further notice, are being fine-tuned by the corresponding Washington, D.C. and Brussels coordinating agencies.

Any report to the effect that Libya's government is in any way a Soviet influence-conduit is nonsensical, and if from high-level sources a deliberate lie. Historically, to date, the Libyan government's closest political ties are with a certain department of the intelligence services of a certain Western European country, not Italy. All high-level intelligence and informed political sources in the world are adequately informed of this arrangement. Although the details are complex — as all political intelligence connections involving states are — the essentials of the arrangement are quite clear.

Libya is not a Soviet political influence in the Mediterranean or Africa. Libya in no sense "belongs" to the Soviet orbit. Rather, Soviet relations to Libya conform to a Comecon policy of attempting to stabilize the Mediterranean and Middle East in concert with those Western European political forces to which Libya is in fact historically closest. Soviet technical assistance to Libya, of which military assistance is a part, is a combination of a Soviet policy of developing friendly relations with devoutly anti-Communist Arab governments and also of strengthening detente cooperation with certain Western European governments.

These facts are known to every European government. Up to that point those governments have the proper facts, but do not yet go one essential step further.

It is also known to European governments that the three-month project for an Egyptian invasion of Libya is complementary to a plan under which Israel attacks Lebanon and Syria.

The triggers for the second operation are chiefly U.S. National Security Council-controlled elements within Israel's military and the Chamoun- Falange element in Lebanon. Since the Israelis have been induced to adopt the Falange as part of Israel's overall strategic interest in the region, certain Lebanese configurations, when coordinated with direct pressures into certain circles in Israel, will automatically activate an Israeli invasion of Lebanon and Syria despite the political controls to the contrary established by the Begin government.

These two attacks combined set into motion the general Middle East conflagration which points toward destruction of OPEC oil fields. However, the real purpose of the operation has been kept "covert" in effect by strenuous efforts to impress Western European governments with the argument that the objective is Soviet Mediterranean and Middle East influences and military bases. Typically, Washington and Brussels are using the old bloody shirt of anti-Communism to lull West Europeans and key USA forces into passively watching David Rockefeller et al. cut the vital interests of West European, USA and other nations to ribbons in favor of one Lower Manhattan's idiotic but nonetheless obsessive conception of a "dollar bail-out."

The Soviet Confrontation

By pumping out the smokescreen explanation of the Carter administration's invasion of Libya, the Carter administration has located the confrontation with the Soviet command on an issue of actually tertiary importance, thus distracting attention away from the real nature of the confrontation involved.

First, the strong intimation of a direct confrontation with the Soviets pouring out of Washington and NATO circles creates an atmosphere mid-way between the effects of the Bay of Pigs operation and the 1962 Missiles Crisis. This posture changes the internal political configuration within the Warsaw Pact command from one of attempting to save detente toward that of preparations for fighting World War III. This operation convinces the Soviet leadership that Carter-Brzezinski is committed to general war **in fact**, and that the London-Mondale-Carter alternative inside the administration and US Congress is merely a cosmetic posture either by intent or otherwise by fact of its ineffectualness.

The Soviet command, which does not think in the "line-by-line cost-benefit analysis" terms popular around Washington and NATO headquarters, will not respond quidproquo under such circumstances, but will choose a pattern of posture and supporting actions as they envisage their overall two-layer counteroffensive. They will now shift fully into operations along the Soviet version of Clausewitzian postures.

The Soviet Clausewitzian posture operates on two levels. Level one is a Clausewitzian war-avoidance phase, which continues as long as war-avoidance does not mean reduction of their potential thermonuclear war-winning capabilities. The other level, which is concurrent with the first, is preparations for winning a general thermonuclear war. The passing-over from the first level to the second is triggered either by a sharp confrontation, or by the cumulative effects of an attempted chewing-away of Soviet strategic deployments.

The exemplary flash-points include: (1) A general Middle East crisis. (2) Escalated operations in the Horn of Africa against Ethiopia. (3) Eliminating the resistance of Eastern Europe to fully-committed NATO "forward defense" postures. In general, any combination of developments which the Soviets view as irreversible preconditions leading into general war represent the configuration in which they will react at a point of their choosing.

The Soviet reaction will not be determined by specific issues, but by an overall estimate of the strategic situation. This discrepancy between the way of thinking in Washington, Brussels and that in Moscow is a prominent feature of the consistent pattern of aggravated miscalculation in Washington, Manhattan, London and Brussels circles.

Brzezinski and others profile Soviet responses in terms of Soviet individuals and currents. In a crisis-situation, the Soviet command operates collectively, not individually, and reverts to the cathexes of World War II to group all individuals and currents into a process of collective thinking centered around the military-strategic outlook of the overall command.

The overall pattern of the Carter administration to date has been to act upon the Warsaw Pact nations to the effect of driving them out of the mode of political interactions and judgments characteristic of the 1963-1976 period into the aversive circumstances in which the dominance of the collective mode of judgment is crystallized. On performance, barring the observations from Governor Harriman's circles, and some insights by U.S. conservative Republicans and others, the administration and Congress ostensibly lack the capability of comprehending the way in which the Soviet command thinks under the collective-thinking circumstances of a pronounced aversive environment. In such circumstances all Soviet leaders become "Stalinists."

The form of "Stalinist" Soviet thinking in the present period cannot be compared for strategic effects with that of earlier periods. First, the Soviet command is more sophisticated than during any past "Stalinist" period, and this distinction is qualitative rather than quantitative. Second, the Soviets have a slight strategic war-fighting margin — but only under conditions of total war — which the Soviet Union has not commanded in past periods. If pressed sufficiently, a "Stalinist" CPSU will be guided by only one fundamental consideration: at what point do they enjoy the relatively greatest war-winning advantage by launching total war?

Apart from certain flash-points at which a total-war threat posture is highly probable (if not certain), the pattern of which I warned during my Nov. 1, 1976 nationwide address is the fundamental consideration to be watched. It is not a process of isolation of the Soviet Union which itself leads toward war, but a process of aggressive efforts to isolate the USSR conducted by a USA administration visibly committed to 1962 Missile Crisis-echoing postures of strategic confrontation.

The Carter administration's operations in Libya are deadly, but even more deadly is the pattern of hints being insinuated into leading Western European circles by NATO Brussels. These hints have been interpreted by some very sophisticated recipients as indicating that a Soviet intervention into the Libyan affair might probably result in a selective strategic launch against East Germany, Poland, Czechoslovakia and so forth. That pattern of hints, which cannot fail to gush into reports hastened to Moscow, will shape Soviet thinking in the most dangerous way. Faced with reflections of such thinking in NATO-Brussels, the Soviets' inclination will be a qualitatively-increased disposition for launching total war.

One of the most dangerous elements in the current situation is the Carter administration's hysterical effort to consolidate its political position with aid of a hard-line "anti-Communist" posture, thus attempting to neutralize its trade-union and conservative critics in the USA and elsewhere. That thrust will convince the Soviets that the Carter administration's strategic confrontation thrust is not offset by internal controls within NATO.
The trade-unionists and conservatives who allow themselves to be manipulated by this gimmick ought to be accompanied by the act of kissing cherished parts of their anatomy a fond, final goodbye. Their gullibility in falling for that trick means that one not-so-fine early morning, the United States will probably cease to exist.

The way key Congressmen and others react to Carter's current insane escapade will inform us all whether these Congressmen and others have sufficient combined brains and guts to enable our nation to survive.

A Soviet Lesson

In April of this year the Soviet Union made a dramatic show of strength in the Atlantic Ocean which left NATO shocked. A *Reuter* release citing NATO intelligence sources has made known that the Soviets deployed 89 submarines, a fleet of surface warships — including the new aircraft carrier Kiev — and long-range aircraft in the unannounced maneuvers. The sources admitted that the show of strength was more than NATO tracking procedures could handle.

In May, the USSR moved 120,888 troops into Eastern Europe by air in the space of one week.

Alert readers will recall that around this time, Secretary of State Vance returned from his mission to Moscow, and the full brunt of Soviet anger at the Carter Administration's provocational SALT package was first felt. Foreign Minister Gromyko, in a Moscow press conference, and *Pravda*, in a 5000 word editorial, charged that the package was designed to be unacceptable. With the deployment of Admiral Gorshkov's fleet, Moscow flexed the muscles behind its verbal warnings that Carter was heading for war.

The *Reuter* wire did not conceal the import of the Soviet move: "The North Atlantic Treaty Organization views the deployment of the Soviet submarine fleet to sea as one of its most important warning signs that a conflict is about to begin. Intelligence experts expect the submarines to begin moving out to operational areas between seven and 14 days before the start of war."

The news story sheds light on reports emerging in the intervening period to the effect that NATO's monitoring ability at the Iceland entrance to the North Atlantic waters, through which the Soviet fleet passes on the way from its base at Murmansk, should be revamped.

Also in April, it will be recalled, the conflict in Zaire with the involvement of NATO-directed French forces was escalating. The massive transport of foreign troops to aid Zairean President Mobutu was audibly contemplated. During and after the Zairean war, the Soviet press portrayed it as a Wall Street-run operation that could lead to global conflict.

In light of events to date, readers might also return with interest to an April 24 article in the Soviet Military daily *Red Star*, which reported tension mounting at that time between Egypt and Libya. "The possibility of an attack by Egypt on Libya," commented the newspaper, "is linked with the recent visit of President Sadat to Washington, where he received positive statements of American support for such an action. Such support results from Egypt's pro-American policy in Africa and the Middle East, as demonstrated in Egypt's interference in the Zairean crisis."

Just last weekend, in the feature excerpted here, *Red Star* situated the several African "hot spots" as focal points in a single U.S. "local war" strategy which will cause global war.

Experienced observers in the United States greeted the *Reuter* report with a query: if the Soviets did *that* in April, what did they do last week?

General Haig Plays The Hypocrite

This article by Major Yu. Gavrilov and V. Vinogradov appeared in the Soviet military daily Red Star, *July 24.*

A few days ago Supreme Commander of the Allied Armed Forces of NATO in Europe General A. Haig gave an interview to the paper *France Soir* in which he said that he fears the beginning of a war in "the Third World." This war, in the opinion of A. Haig, "could break out as the result of an evolution of the situation in the Third World, without even any encouragement from the so-called superpowers.

This is patent hypocrisy. Everyone knows that it is precisely as a result of gross interference and "prompting" by the United States and other NATO countries that armed conflicts sporadically flare up in the "Third World." Africa is a good example.

In the south of the continent, with the active assistance of the major imperialist powers (there are still) dangerous hotspots of military tensions. With the military help of the USA, the racist regimes in Pretoria and Salisbury are attempting to suppress the liberation movement in South Africa, Zimbabwe and Namibia with the help of an armored fist. They are aided by mercenaries recruited in NATO countries. The racists are committing one armed provocation after another against member countries of the OAU (Organization of African Unity). Mozambique, Angola, Zambia and Botswana have been recent victims of such pirate assaults.

Imperialism is sowing the seeds of conflict in relations between independent countries of Africa, provoking confrontations over problems inherited from colonial times. There are now alarming reports from the Horn of Africa. Imperialist circles are furiously attacking Ethiopia and its course for social reconstruction of society, supporting the intrigues of internal reaction, kindling separatism, instigating the Sudan to armed conflict with Ethiopia, and trying to involve other countries in it.

All this is done to weaken the independent countries of Africa, for the destruction of anti-imperialist struggle and the unity of the peoples of the continent.

The Beirut paper *An-Nida* writes that the Western countries — especially the USA — are "more than ever resorting to encouraging local wars and, so to speak, local military interference to inflict blows on the liberation movement in Africa and the entire world." As their tools they use regimes who follow reactionary internal and pro-Western foreign policies. The goal, according to the newspaper, is the following: to remain in the shadows while merely "sending transport, arms and ammunition" to these regimes.

Secret operations and subversive actions against the young states formed from the shards of Portugal's former colonial empire also serve to ignite military conflicts. Recently, the name "Cobra-77" has appeared on the pages of the press. The President of the People's Republic of Angola, Agostino Neto, wrote in the journal *Afrique-Asie* that with this operation the imperialist forces are planning to liquidate the Angolan people in an armed incursion. The plan is as follows: seizure of a number of regions of the country by splinter group forces consisting of traitors to the Angolan people, establishment on these territories of "puppet states" obedient to imperialism, and suffocation of the People's Republic. In this connection, attention falls on reports of the CIA's participation in these plans. As the Nigerian paper *West African Pilot* wrote at the beginning of this year, the subversive activities of the Angolan schismatics in the FNLA and UNITA are coordinated by a special military-political committee which is headed by CIA cadre officer General Moore.

The risk of African countries' involvement in armed clashes in aggravated by plans for the creation of a so-called South Atlantic treaty bloc including several Latin American countries and racist South Africa. The planned military pact is aimed against the liberation struggle of peoples. The main inspiration for this block which "is necessary to preserve the strategic and economic interests of the West" in southern and central Africa, writes the Senegalese journal *Africa*, is the Pentagon — although for tactical reasons the American generals prefer to still remain behind the scenes.

Facts are stubborn things. In this case, they leave no doubt that responsibility for the already existing tension stops in Africa, for the danger of drawing new countries into the maelstrom of military confrontation, belongs to the imperialist circles of the Western powers. Such a course goes against the efforts of peoples to strengthen peace and international security.

Carter-Mondale Begin Final Solution To Dollar Crisis: Slave Labor, NERA

The Carter-Mondale Administration has begun its "final solution" to the dollar crisis with an undisguised looting spree against the U.S. working class.

Using the preplanned July 13 New York City blackout-cum-crime outbreak as a backdrop and egged on by staged demands for action from such liberal critics as Vernon Jordan, head of the National Urban League, the Administration is setting up a complete package of Nazi labor programs. The key components of this final solution include: the elimination of unemployment insurance and welfare by forcing recipients of these programs to take slave-labor jobs; a vast increase in the size and range of low-paying, menial public works and public service projects; and the revival of the "Boxcar Bill" National Emergency Relocation Administration (NERA) "Boxcar Bill" that would ship masses of jobless workers from one place to another.

This particularly odious proposal originated three years ago with Walter Mondale.

Labor Secretary Ray Marshall quietly announced the cutting edge of the Administration's slave-labor push last week: workers in 37 states now receiving extended unemployment benefits are to lose them *immediately* because of a supposed increase in the employment rate. This means that 218,000 jobless workers in such notoriously high-unemployment states as Ohio — many with no other source of income — will be dropped, while millions of others now running through their regular benefits will soon face the same fate.

Marshall also signaled the Administration's intention to do away with the unemployment program altogether: he announced a new federal regulation specifying that

Mondale,Humphrey Lead The Way To Fascism

Senator Hubert Humphrey and his protégé Walter Mondale are taking the lead in the New York banks' renewed drive to impose a "final solution" to the dollar collapse. Over the past forty-eight hours, the neo-Fabian duo has taken to the hustings with calls for "helping" the poor and unemployed by creating millions of new slave-labor jobs and by establishing a grossly-misnomered "National Development Bank" to pay for those jobs out of workers' pensions and other savings.

Humphrey — the dean of the country's New Deal social fascists — was the star speaker at Joint Economic Committee hearings July 28 called to plot strategy for getting the National Development Bank off the drawing boards. Backing up his demands for a "Marshall plan for the cities," Humphrey demagogically attacked the "big banks" for neglecting the cities and warned that unless his plan — itself a Wall Street-concocted scheme for bailing out the "big banks" — was adopted, a 1929-type economic collapse will soon ensue. Humphrey also issued a statement endorsing National Urban League head Vernon Jordan's criticisms of Carter, charging that Carter has "missed the boat" by failing to move rapidly enough down the road of fascist economic policy.

The day before, Humphrey's sidekick, Fritz Mondale, elaborated the aims of the National Development Board proposal: in a speech to the National Association of Counties in Detroit, Mondale vowed that the Administration "is committed" to reforming the welfare system and providing "fiscal relief" to municipal governments, principally by putting one million welfare recipients into slave-labor jobs.

While Humphrey and Mondale were on the stump, HEW Secretary Califano revealed the Administration's strategy for getting its fascist labor and economic package through. Speaking before the National Urban League convention in Washington, Califano told the audience that the Administration fully supported their demands for more public-service jobs. Instead of criticizing Carter, Califano directed the delegates, you should vent your rage on Congress. "You must speak to the Congress... if you want to get your rights enforced. We cannot do this alone," Califano said.

Califano's invitation was taken up immediately by Jordan, who told the convention that the League and its allies would soon initiate a major lobbying campaign to pressure Congress into acceeding to the Administration's slave-labor policies.

The Humphrey and Mondale have stepped "up front" on the issue, in the atmosphere created by Jordan last week, indicates that the distinctive "Fabian" faction which they represent is leaving its options for a "Cartergate" (to put Mr. Mondale in the driver's seat) wide open at this time.

workers eligible for extended unemployment benefits must take *any* job available — so long as it doesn't pay less than their weekly unemployment allotment (which is at best half of their former weekly salary). The penalty for noncompliance, Marshall said, is immediate loss of benefits.

The New York Times gleefully reported on these new regulations July 25, citing the example of a highly-skilled master carpenter in Kentucky who usually made $10 per hour, but was forced to take a job as a maintenance foreman at $3.50 under the threat of getting his unemployment check summarily cut off.

Hitler's Manpower Policies

These two decisions regarding the nation's unemployment program are the core of the Administration's fascist program and come straight from national manpower planner Eli Ginzberg, an avowed admirer of Hitler's manpower policies. Ginzberg stressed to Ray Marshall and other attendees at a meeting last fall where the Administration's current slave-labor push was designed, that there are two prerequisites to achieve a progressive lowering of the nation's overall wage bill: first, knock the notion of skill level out of the heads of the working class and second, eliminate fall-back options such as unemployment insurance and welfare. The Carter-Mondale crew has clearly followed Ginzberg's advice to the letter.

The slave-labor programs into which the nation's jobless will be shunted are also coming on line quickly. Congress obligingly passed the Administration's $1.5 billion Youth Employment Bill last week, amid dire predictions from the New York Times, New York's Senator Jake Javits, and other monetarist mouthpieces that riots like those of New York's blackout would break out in other urban areas unless Congress acted speedily to deal with the youth unemployment problem. The bill, primarily aimed at ghetto youth, establishes a Young Adult Conservation Corps, modelled on the CCC of Roosevelt's New Deal. Among other things the bill undermines the already low educational level among low-income youth by setting up a work-study program: under this euphemism, high-school youth would be excused from school to get relevant job experiences shoveling dirt and raking leaves.

Congressional collaborators of the Administration are confidently predicting that the Conservation Corps bill portends a national program to employ every jobless worker — under similar conditions. As evidence an aide to Senator Javits cited Secretary Marshall's recent pronouncement that slots for the Job Corps, an existing CCC program, will be increased sevenfold in the coming months.

Two days ago President Carter told the National Urban League convention in Washington that a "whole flood of new programs" for the poor and unemployed is in the offing. We'll be putting one million welfare recipients to work, increasing summer youth employment programs to over one million — "more than ever in history" — and doubling the number of public service jobs for the unemployed to 725,000, the President told the black organization.

Meanwhile, the self-styled leadership of the black community (led off by Vernon Jordan's continued attacks on Carter for not "caring" about the underprivileged) is working out the details of a major organizing campaign slated for an August kick-off that will create a "public demand" for the Administration's slave-labor push. An aide to Congressional Black Caucus leader Parren Mitchell (D—Md.) confided in an interview this week that national black leaders will meet in mid-August to devise a list of demands. At the top of the list will be the Humphrey-Hawkins bill and NERA, the latter proposal identified by New York Times editorial board member Roger Starr in an interview last week as "the absolutely number one priority" for dealing with urban unemployment. (Starr is best known for his prescription for depopulating New York by razing its ghettos.)

Despite the brouhaha about a falling out between the Carter Administration and its black and liberal constituents, the two alleged foes are working hand-in-glove to get the Nazi labor programs off the ground. Bruce Carp of the White House Domestic Council, a former aide to Mondale, is now heading up a task force that will soon produce its own version of NERA, while Javits' office disclosed this week that the senator from Chase Manhattan will introduce his own version of the forced relocation program, "The Labor Market System Act," when Congress reconvenes in the fall.

— *by Kathy Murphy*

Javits' Relocation Bill: A Case Study In Boxcar Economics

One of the principal goals of the Carter Administraiton's manpower policy is the creation of a national labor pool consisting of all "employables," from long-term welfare recipients on up through highly-skilled technicians. The underlying concept behind the national labor pool is to set up the conditions under which the individual worker's sense of identity, particularly regarding his skill level, but also in terms of his ties to a specific industry, trade and(or) geographical area, can be rapidly obliterated. In this situation, the Administration hopes, it will be possible to shuttle unemployed workers from one area of the country to another at will, while recycling them through an inexorable downward spiral of skill and wage levels.

Several proposals aimed at accomplishing this goal have been put forth in the last few years. The most notorious of these was Walter Mondale's National Employment Priorities Act of 1974 whose major provisions included the establishment of a National Emergency Relocation Administration (NERA) charged with overseeing the *forcible* mass relocation of jobless workers.

In the context of the Carter Administration's current campaign, it is not surprising to find that the old NERA bill is being revived. Senator Jake Javits (R-NY), the key transmission belt for most of Wall Street's Nazi labor policy proposals, introduced such a bill last year (The Federal Employment System Act of 1976) and will reintroduce a similar bill after the August recess. Within the Administration itself, a Domestic Council, headed by former Mondale aide Bruce Carp, is developing its own version of NERA.

The Javits' proposal, excerpts of which are printed below, calls for setting up a Federal Full Employment Board, to function as a centralized command-and-control apparatus over the entire national labor market. The Board, together with its ten regional boards, would not only conduct in-depth analyses of regional labor market situations, but would also be empowered to tell Congress and the Administration what kind of employment programs are needed and where, and would, furthermore, be given the authority to oversee their implementation. At the core of the Javits' bill is a proposal for relocating workers to areas of "greater job opportunities" — a handy euphemism for describing a policy of forced relocation to low-paying, menial jobs amidst a rapidly collapsing economy.

Federal Employment System Act

A BILL

To provide for the implementation of a full employment policy through the establishment of a Federal Employment System.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Employment System Act of 1976..."

(b) It is the purpose of this Act to provide for the implementation of a full employment policy through the establishment of a Federal Employment System, composed of a Federal Full Employment Board and ten Regional Full Employment Councils...

Federal Full Employment Board

SEC. 4. (a) There is hereby established as an independent agency in the executive branch of the Government a Federal Full Employment Board, to consist of five members appointed by the President, by and with the advice and consent of the Senate, representative of labor and management and of the relevant professions and of investors and the public, the Secretary of Labor, the Secretary of Commerce, the Secretary of the Treasury, and the Commissioner of the Office of Education. Not more than three of the members appointed by the President shall be members of the same political party. The President shall designate one member to serve as Chairman...

Functions of Board

SEC. 5. (a) The Federal Full Employment Board is authorized and directed to—

(1) recommend to the President and the Congress by January 20 of each year (beginning January 20, 1978) a legislative program to help to achieve full employment in each fiscal year and alternative means of attaining that objective;

(2) upon analysis of the national unemployment problem and consideration of the recommendations of the regional employment councils provided for in section 6, request the President to direct the implementation of federally funded programs directly or indirectly affecting employment;

(3) review and make recommendations with respect to monetary, fiscal, income, and other governmental policies in terms of the impact of such policies upon achieving full employment;

(4) review and make recommendations with respect to decision made by public and private employers and establish appropriate procedures for the receipt of information, from such employers, necessary to carry out the purposes of this Act;

(5) in cooperation with the regional full employment councils, undertake national and regional manpower and employment planning, estimate long-range and short-term patterns of labor demand and labor supply by region, sector, industry, and occupation and recommend implementation of regional programs to match job va-

cancies with job applicants;

(6) assess the activities of relevant Federal agencies, including the Department of Labor and Office of Education, to develop an improved labor market exchange system, including—

(a) identification of manpower needs and career prospects; and

(b) preparation of a national inventory of the labor force, with specific reference to the supply of required skills;

(7) take affirmative action to encourage participation and cooperation of employers and trade unions to improve manpower planning, including—

(a) advance notice of significant changes in labor force requirements;

(b) maintenance of current job data banks; and

(c) monitoring of labor surpluses and shortages;

(8) hold nationwide and regional conferences designed to encourage the support of management and labor in meeting the objectives of this Act;

(9) analyze and make recommendations with respect to the extent to which the Federal budget may assist in reaching full employment, including the effect of different types of governmental funding and procurement policies; and

(10) perform such other functions as the President may direct...

Regional Full Employment Councils

SEC. 6. (a) There is hereby established, as integral components of the Federal Employment System, ten regional full employment councils, each to consist of five members from each region, representative of labor, business, and the public, appointed by the President after consultation with the Governors of the States in each region. The Regional Administrator of the Employment and Training Administration, the Regional Commissioner of the Office of Education and the Regional Commissioner of the Bureau of Labor Statistics shall serve on the Council in an ex officio capacity...

Functions of Regional Councils

SEC. 8. (a) The regional full employment councils are authorized and directed to—

(1) recommend to the Federal Full Employment Board policies appropriate to the dimensions and characteristics of individual regional unemployment problems:

(2) seek the cooperation of regional labor and industrial organizations, to undertake long-and short-range labor supply and demand analysis and estimation and general assessments of labor shortage and surplus conditions in regional labor markets;

(3) report annually to Federal, regional, State, and local authorities on conditions in the regional labor market, including probable causes of and possible solutions to regional unemployment problems;

(4) recommend to State and local education and training institutions implementation of programs to prepare youth and adult members of the labor force for regional job opportunities and generally encourage integration and improvement in the linkages between education and work;

(5) encourage a greater coordination between the institutions of education, training, and skills acquisition on the one hand and industrial and labor organizations on the other;

(6) disseminate studies, reports, and other materials which might be used in the preparation of educational curriculums for employment and in career counseling;

(7) publish and make available, an annual nontechnical report to the people of the region, on conditions in local labor markets with respect to present and anticipated job vacancies and surpluses, and on the availability and location of youth and adult occupational preparation institutions.

Reports

SEC. 9. (a) The Federal Full Employment Board shall transmit to the Congress, on or before January 20 of each year (beginning January 20, 1978); a report, to be known as the full employment report, setting forth a program to achieve full employment for the following fiscal year, and alternative means of attaining that objective...

Carter Energy Program: Breezing Through Congress

On its current schedule — the schedule demanded by energy advisor James Schlesinger — the Carter Administration's no-energy package will become law by early October. The omnibus energy legislation — over 500 pages in length with 113 sections — is presently being railroaded through Congress at such breakneck speed that, even though Congressional leaders consider it to be "one of the most important pieces of legislation in Congressional history," it will likely pass with only a modicum of debate and deliberation.

OMNIBUS ENERGY BILL: After discussion in the House Ways and Means Committee and a few other key committees, the core of Carter's energy program was approved and sent to the specially established House Ad Hoc Committee on Energy, which gave its okay to the bill July 22. Set for round-the-clock debate and discussion for only six days — the brevity of this schedule considered "unprecedented" by leading Congressmen — the Committee actually completed its deliberations in an unheard of three days. Following orders from Carter's chief Congressional hack. Speaker "Tip" O'Neill (D-Mass.), the "amended" form of the legislation then breezed through the House Rules Committee in one day. Frantic to get the legislation passed before the August 5 recess, House leaders agreed to devote Friday to a full

House debate and vote on stringent groundrules. "No Congressmen will be able to offer anything but a minor amendment from the floor," the Rules Committee decided. Once the rules are approved — and the expectation is that they will be approved in their entirety on July 29 — the entire legislative package will be sent to the House floor on Monday, August 1. So convinced that this legislation will be approved without major opposition, the House leaders have allocated only five days — and they are hoping the vote will come in much less.

Since the Senate has no constitutional power to initiate revenue bills, it must wait for House passage before acting on the legislation. So confident are Carter's Senate hatchetmen of pre-recess passage in the House, Senator Russell Long (D-La.) has scheduled Senate Finance Committee hearings during the recess and for right after Labor Day when Congress reconvenes. Senate Majority Leader Robert Byrd (D-W.Va.) has made repeated public threats to the Senate that either they pass the legislation prior to the final Oct. 7 recess or the recess will be postponed until passage. Byrd has also predicted that the Senate will pass the package not giving Carter everything he wants but "more than he wants."

ENERGY RESEARCH AND DEVELOPMENT AGENCY NUCLEAR ENERGY BUDGET: On July 11-12 the Senate passed the Administration's nuclear energy budget with only minor modifications. After beating back an amendment to kill the Clinch River breeder reactor, the Senate then turned around and supported by voice vote a "compromise" amendment which limits funding to $75 million rather than the minimum of $150 needed for advancing to the commercialization stage. The end result is that the Senate approved a slow rather than a quick death for the breeder.

The Senate's retreat further intensified when, again by voice vote and with little discussion, it agreed to fund the Barnwell, N.C. plutonium reprocessing plant at $14 million but limit funding to a study to determine "alternate use" of the plant. The next day — with 10 minutes of debate — the Senate supported the President's crippling fusion power budget request.

The House has not yet considered these measures. Although initially scheduled for a House vote in mid-July, House leaders, again catering to the Administration's wishes, stalled on setting the date of the vote. Carter was worried, a House Science and Technology Committee source revealed, that he would lose the breeder vote.

In a joint House-Senate conference on July 20, Congressional leaders accepted a Carter-proposed deal to postpone the authorization vote until September in exchange for the continuation of nine water projects. While pro-nuclear energy Congressmen have rationalized this move as a "good deal," Schlesinger and Co. have already gone into full gear armtwisting Congressmen into supporting Carter on the breeder. The fact that the media has already erroneously reported the breeder as being killed by the conference action has put psychological dampers on previous forward motion.

ENERGY DEPARTMENT: On July 22, the same day that the Ad Hoc Energy Committee finished its review, another House-Senate conference worked out differences hanging up the Energy Department legislation. A final vote is expected on the bill which will set up an extra-constitutional dictatorial body, before the August recess. The Energy Department legislation had been adopted in both Houses of Congress earlier this year by a wide margin and with little discussion. At that time, not one Congressman condemned the role that Schlesinger, as Energy Secretary, will play and the wartime powers he will assume. His nomination will be considered, most definitely before the October recess, once final approval for the Department is obtained.

Curb Federal Election Commission

The St. Louis Globe Democrat printed this editorial in its July 25 edition.

The way the federal election campaign law is written, the Federal Election Commission can launch as many investigations of suspected violators of campaign laws as it chooses and it is not required to make public the details of these inquiries.

This came to light recently when a number of minor parties complained that the FEC was investigating them for reasons they considered invalid. They charge they are being harassed by he FEC.

When *The Globe-Democrat* called the FEC to ask about details of the investigations, it was told that none could be revealed due to a provision in the election laws that says "Any notification or investigation (of the Federal Election Commission) made under paragraph (2) shall not be made public by the Commission or by any person without the written consent of the person receiving such notification or the person with respect to whom such investigation is made."

Why is the FEC investigating the American Party? Why is the FEC seeking the records of the Libertarian Party? Why is the FEC demanding records and documents of the U.S. Labor Party and asking its contributors to furnish records?

The response of an FEC spokesman to all these questions is that under the above restriction in the law details of the investigations cannot be revealed.

There is another provision in the law that the FEC does not seem to be following. It says that "Any investigation under paragraph (2) shall be conducted expeditiously...."

It is known that the FEC investigations of the minor parties have been going on for many months. Can these lengthy probes be considered as expeditious? The longer they continue without any charges being filed, the more credence is given to the complaints by the organizations that they are being harassed by the FEC.

In the case of the U.S. Labor Party its spokesmen say the FEC launched its investigation because the party has not paid bills owed to corporations that were contracted during the campaign. Under an FEC regulation the commission can construe an unpaid debt to a corporation as an illegal campaign contribution if the corporation or the candidate, committee or persons has not undertaken "commercially reasonable" efforts to satisfy the debt.

Thus the FEC, at its discretion, can declare certain debts to corporations as illegal campaign contributions. This is not part of the law but it has the force of law because Congress gave the FEC the power to make such regulations.

It seems odd that the FEC chose the Labor Party as its target for this regulation when the Democratic National Committee has had millions of dollars in unpaid debts for years.

So while there is much talk about openness in government, Congress gives agencies a cloak behind which they can hide their operations. And it also gives them a blank check to write regulations of highly dubious value and then the power to enforce them as law.

Congress should keep tabs on the FEC to make sure that it does not abuse its tremendous powers. Under the present setup the FEC could become a Gestapo and almost no one but those being victimized would know about it.

The FEC should be required to report on its investigations and observe the mandate to conduct them expeditiously. Congress should suspend the right of the FEC and other agencies to make regulations ad infinitum. This undeserved privilege has allowed these agencies to act as a second unelected Congress, drafting regulations that have the power of law at the rate of more than 70,000 a year.

Carter Scandals Multiply... But Congress Becalmed

WASHINGTON WEEK

In an echo of the first exposés to hit Richard Nixon, Congressman Paul McCloskey released documents this week suggesting that Jimmy Carter was influenced by political campaign commitments in supporting protectionist shipping legislation. Passing over the advice of his economic advisers, who warned that such action would increase unemployment, Carter supported legislation to require a fixed percentage of U.S. oil imports to be shipped in American-flag ships. Carter took the advice of his domestic policy adviser, Stu Eizenstat, that such action was "politically necessary"...

Carter may soon get caught in the KCIA hullabaloo as well. Investigators have uncovered photographs of the President with Korean Mata Hari Suzi Park Thompson, an expert on Capitol Hill affairs. There is no indication the photographs show Carter to be in more than a compromised position...

Carter is already in such political trouble around the country that even the latest CBS-New York Times survey shows that the population gives him little support for his programs, and only somewhat more support for his style. As for Carter's intelligence — here's one story that is making the rounds:

There were four men in an airplane: a pilot, a priest, a hippie, and Jimmy Carter. Suddenly the plane experienced severe engine trouble. There were only three parachutes aboard. The pilot, saying he was of value to his country and deserved to live, grabbed a chute and bailed out. Jimmy Carter piped up "I'm the smartest man alive," and also bailed out. Then the priest told the hippie that, as a man of the cloth, he was ready for his maker and would stay. Replied the hippie, "You're outta sight Father, but we're both saved. The smartest man alive just bailed out with my knapsack..."

Despite the "Good Housekeeping Seal of Approval" that Senator Lawton Chiles awarded Budget Director Bert Lance this week, "Carter's personal banker" is still in deep trouble over the millions of dollars in loans he received from First National Bank of Chicago and Manufacturers Hanover Trust. Comptroller of the Currency John Heimann is still conducting investigations into possible violations of the National Banking Act in connection with Lance's loans. Rumors are flying in Washington that Lance may suddenly resign. Carter is reportedly terrified the scandal may expand and embroil him, and is hoping to keep Lance at a distance. Apparently some angry words were spilled when Hamilton Jordan announced this week that Bert Lance was one of the President's closest friends.

David Smith, the Atlanta businessman, who has reportedly offered to relieve Lance of his embarassing bank stock at $5 above market value, is a man of many business skills. Several years ago Smith ran an overseas encyclopedia sales firm; unfortunately his credit lines were cut off and he was forced into liquidation.

Smith's new firm, International Horizons, produce biorythm calculators — handheld gadgets designed to "program" various emotional, physical and mental aspects of your personality. It is rumored that a shipment of the calculators destined for the Yerkes Primate Center founded by Dr. Peter Bourne's father ended up at the White House. Judging from the monkey business there, the rumors may well be true...

That paragon of objectivity, the *New York Times* last month devoted a full column of its Sunday edition to attacking John McGoff's Panax newspapers chain for its reporting on *Times'* darling Jimmy Carter and his friends. Panax had tackled the pot-smoking Bourne, Carter's head of the Office of Drug Abuse Policy, in an article on the moral imbecility characteristic of the Carter regime. "Vietnam Veterans Against the War co-founder" Bourne, the man known as the "Rasputin behind the White House Throne," Panax reported, has "never treated a private patient" but spends all his time on "community (mental) health projects" — otherwise known as community drug pushing.

Speaking of Dr. Bourne, Bourne also revealed, according to Panax, that "Carter condones promiscuity among his male staff members." Apparently Bourne has become a liability...his office of Drug Abuse Policy is scheduled to be eliminated if the OMB reorganization plan gets Carter's okay...

Apparently agreeing with her brother's permissiveness, psychological healer and born-again Christian Ruth Carter Stapleton, just back from a revival in Kansas City, was caught dancing a mean boogie in a smoke-filled New York disco last week. Mrs. Stapleton told reporters she thought it was good for Christians to enjoy themselves in a loving atmosphere...God is everywhere...

American University professor H.H.A. Cooper, told Congress last week that there is a "strong connection between sex and terrorism." Cooper, who insiders say is one of the leading coordinators of terrorist activities, should know. Our short curly-haired, moustached Britisher has often been seen in the company of another terrorist controller Nicholas Kittrey, a man who flaunts his dyed red hair, hippie beads and cowboy boots...

Capitol Hill has recently been decimated by two epidemics: hoof-in-mouth disease and cat-got-your-tongue. Senator Robert Dole, one-time Vice-Presidential candidate with presidential ambitions, has been touring the country pulling together a conservative coalition by attempting to out-Carter Jimmy on human rights. "If we are to condemn our traditional allies in Latin America, Africa, and Asia for their violations of internationally recognized standards of human rights, can we be any less attentive to the flagrant violations which abound in Communist-governed nations?" Dole is challenging his audiences. On the Senate floor, Dole has offered a series of amendments forbidding aid or concessions to Vietnam or Cuba.

Only a few short weeks ago, the Senator was warning that Carter has a "dangerously superficial understanding of fundamental geopolitics" which threaten to lead the country into nuclear war. Has Mr. Dole flipped his Whig, or is he just suffering from a temporary mental aberration?

The newly formed anti-Carter Defense Task Force, announced by Rep. Phil Crane and Sen. Jake Garn at a July 19 press conference, has gone into hiding. Embarrassed by its inability to get organized, and traumatized by internal squabbling over what to do now that it's gone public, it's quietly folded its tents and stolen away.

"A steamroller named Tip O'Neill is mowing down everything in sight in the Congressional hallways and committee rooms," Capitol Hill sources report. The 255-pound House Speaker, affectionately known as Carter's "Enforcer," announced July 26 that the Justice Department will seek indictments against five to ten former and current Congressmen in August and September in connection with the South Korean influence-buying scandal. Fellow Democrats are cringing under the whiplash of their leader, each afraid he is one of the targets. Republicans are gleefully crowing that Koreagate will be the Democrats' Waterloo.

Abba Eban, former Israeli Foreign Minister just flew into New York. Word is out that Eban has decided to make a deal with the new Israeli government and is here to promote Begin in return for having charges against him for currency rules violation, dropped. Two consecutive wire reports from Jerusalem to Europe last week noted, first that Eban was coming to the U.S. on a tour arranged with the Begin government to ask support for Israel; second that the Israeli currency charges against him have suddenly been shelved...

If you've been wondering what the Kennedys have been up to lately those in the know say one of the The Family's big operations is to gain control of the media, in light of the recent rough treatment JFK has been receiving. Kennedy hands Sander Vanocur and Pierre Salinger have been brought in to handle the ABC's network news operation. Kennedy intimate David Burke will head up the network's New York TV news...

Speaking of the networks, sources at NBC confirm that NBC's Weekend Show producer James Gannon purchased a slanderous story on the U.S. Labor Party from FBI agent Greg Rose, at a cost of $200, after NBC declared the Labor Party feature they planned had been killed. Weekend Show executive producer Reuven Frank could not explain why Gannon made the extravagant investment for a show which had already reportedly been cancelled.

Hubert Humphrey isn't dead yet, but his friends have already decided to erect a memorial to his memory. So far, Humphrey's old Minnesota cronies have contributed $2.3 million towards a projected "Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota." Rumor has it that the cornerstone of the Institute's new building will contain some of Hubert's most beloved personal effects — including his larynx and his bladder.

Backing Up The Dollar With 'Political And Social Discipline'

Leading New York bankers and their political allies, who for weeks preached a policy of "benign neglect" for the U.S. dollar, are suddenly demanding shock treatment for the U.S. economy to strengthen the unsalvageable, bankrupt currency — much as they did in August 1971 at the onset of the dollar's demise. The moment the pound sterling severed itself from that "deficit currency," the U.S. dollar, a universal cry went up on and around Wall Street for President Carter's no-energy program, higher interest rates, wage cuts, industry shutdowns — in short, a program for industrial disaster.

BUSINESS OUTLOOK

On July 28 the *New York Times* offered a comparison of 1927 — the onset of the pre-crash speculative boom in the U.S. — and today. In 1927, the *Times* concluded, central bankers like Benjamin Strong and Sir Montagu Norman, chiefs of the Federal Reserve and Bank of England respectively, looked to gold to discipline the world economy; today "as a substitute for gold, there must be political and social discipline."

Stop!!!

On July 27 Chase Manhattan chairman David Rockefeller gave an interview to the Dow Jones wire service in which he said the dollar's fall had gone far enough, and he added that he suspected that Treasury Secretary Blumenthal was having "second thoughts" about his repeated pronouncements that the U.S. trade deficit could grow forever. The day before the Commerce Department reported that the U.S. trade deficit grew by another 2.82 billion in June, bringing the deficit for the first half of the year to $12.6 billion or more than double the deficit for the whole of last year.

Treasury Secretary Blumenthal, speaking at the Louisville Chamber of Commerce shortly after the Rockefeller interview, promptly changed his line and intoned that a strong dollar was in the interests of the U.S. and the world. Echoing President Carter's own plug for his no-energy program at a press conference earlier in the day, Blumenthal said that cutting the U.S.'s oil imports and imposing stringent energy conservation are the medicine required to close the burgeoning trade deficit and bolster the sagging dollar.

The Federal Reserve is backing up this energy conservation-austerity line by tightening interest rates, putting the strategic position of the dollar before the fate of the U.S. economy and the stock market. On July 28 the Fed allowed the Federal funds rate, the rate which determines the rest of the credit markets, to move up to 5.75 percent before intervening to stop the rise; in the preceding week the average Fed funds' rate was 5.45 percent. Traders said the Fed was responding to the continued depreciation of the dollar on foreign exchange markets and persistent inflation and explosive money supply growth. Later in the day the Fed reported that in the latest reporting week the basic money supply grew a whopping $5 billion, pushing the money supply growth for the month way outside of the Fed's target range.

Earlier in the week Fed Board member Henry Wallich gave an interview to the Associated Press which left little doubt as to the Fed's overall policy. Wallich suggested that the British "social contract" system — which collapsed in Britain this month — should be tried out in the U.S.; U.S. workers must accept wage cuts to help create jobs for other workers and control inflation.

Dollar Murdering U.S. Economy

The medicine that Wallich and the *New York Times* are demanding, however, is sure to kill. The fundamental problems of the dollar stem from the underlying weakness of the U.S. economy, which an austerity regimen will only aggravate. The stagnation of exports — which is the primary reason for the growing trade deficit, contrary to what Mr. Carter and Blumenthal say, is one reflection of this. Miserable second quarter earnings of U.S. industrial corporations are another. Despite the attempts of the *Wall Street Journal* and other press to whitewash the profits picture by reporting the "modest to strong" gains of the aggregate companies, the stock market plunged a whopping 33 points last week on the news of the continued erosion of the profits of some of the country's major corporations. On July 27 the news that Bethlehem Steel's second quarter profits were off 36 percent from the year before and that the corporation was cutting its quarterly dividend in half was sufficient to precipitate the 20 point nosedive in the market that day. Lewis Foy, Bethlehem's chairman, simultaneously announced that in addition to the four closings of "smaller, older facilities" to date, cost cutting was being "intensified" in the wake of the corporation's disappointing second quarter earnings. At present Bethlehem's 11,000 worker Johnstown, Pa., plant is completely shut down as a result of the severe floods in that region, and it is not clear when the plant will reopen. There are rumors that Bethlehem may close down its giant Number 4 open-hearth furnace at its Sparrows Point plant, though the company denies that cost cutting will go that far.

In addition to Bethlehem, U.S. Steel reported a 36 percent drop in its second quarter earnings. U.S. Steel Chairman Edgar Speer ritually blamed the drop on Japanese imports, however even he admitted that continued depressed demand from the capital goods industry was a factor. National Steel reported a 5 percent drop in its second quarter earnings. And Lykes reported a net loss for the quarter, blaming the loss on its Youngstown Sheet and Tube Division, one of the plants on the Commerce Department's "next to go" list.

As expected, the copper companies are also reporting miserable earnings. Phelps Dodge's copper mining operations pulled the company's earnings down 7.3 percent in the second quarter. A spokesman for Phelps Dodge said in an interview that the company is close to settling the month-long strike and has had to abandon its original offer of ten cents over three years and a cost-of-living clause indexed to the price of copper. But the spokesman added that there could still be significant shut downs in the industry — though he denied that they would be at Phelps Dodge mines.

Summing up the situation in the copper industry, Kennecott announced early last week that it was going to use the $1.2 billion obtained from the sale of its Peabody Coal subsidiary to diversify out of the copper industry.

Europe Industrial Output In Steep Decline

"Europe is slipping back into economic recession. They haven't recovered from three years ago. Since that time Europe's economy has been turned to the financing of consumer purchases and that's now coming to an end."

SPECIAL REPORT

This declaration made to NSIPS by the unanimously respected Wall Street investment adviser Gilbert Haas proves to be exceedingly *optimistic* when compared to the actual situation of the European economies: recently released figures show a sharp fall in all industrial outputs between March and May — 5.3 percent for the Netherlands, 3.8 percent for West Germany (BRD), 3.7 percent for Great Britain, 3.4 percent for Italy, and 1.6 percent for France.

A general decapitalisation is *already* in full process.

This is an industrial collapse extended all over Europe and sparing no economic sector. The April-May monthly decline of the West German industrial output (from 122.4 to 117.9) was one of the sharpest since the Hitler period. Orders for manufactured products went down by 2 percent in only one month. France's industrial index is now back to the levels of 1974 — and France, together with debt-ridden Italy, is a country in relatively better shape. Great Britain's index is once again declining from a level already lower than in 1974, the notorious year of the three-day week then imposed upon the British working-class and industry by a desperate Heath government.

The official unemployment figures are at post-World War II lows and the latest six-monthly *Economic Outlook* published on July 20 by the 24 advanced sector nations' Organization for Economic Cooperation and Development (OECD) recognizes that there is no outlook for improvement. "There is no room for relaxation of stabilization policies in France, Great Britain and Italy," says the OECD, what the July 21 London *Financial Times* properly translates into plain English: "tougher austerity is needed." Given the high "partial employment" or "under-employment" in all Western Europe, it is estimated that about 15 to 20 percent of all potential labor-power is wasted. This figure is still less dramatic than the overall idle capacity in the West European industry, now at 25-30 percent.

Fixed capital expenditure — the measure of all economies' future — is at its lowest level ever since 1970 in England and Belgium. Italy, which has maintained a relatively satisfactory level of investment up to now, is "operating on borrowed time," according to Italian government sources. Indeed, for the first quarter of 1977 Italy's foreign trade deficit has been running at an annual level of $10 billion — which means a corresponding increase of its foreign debt. But the "Italian miracle," based upon the lira-printing machines, is now over. April's production index dropped by 11 percent against March, while Italian imports declined significantly during the past two months. The Italian economy is now shaped by International Monetary Fund austerity. In France and Great Britain, rates of industrial bankruptcies are now near or above all-times highs.

Inflation, as part of the breakdown process, has destroyed all possibilities of forceful industrial programs, as shown by the erratic pattern of West German monthly production, reflecting some huge foreign orders gained in the midst of a general fall. Inflation rates now reach "South American" levels in countries like Spain (30 percent), Italy (over 20 percent), Great Britain (18 percent), and France (around 12 percent).

Killing the Patient

Faced with such an unprecedented postwar crisis, the dollar-trapped West European governments are still trying to apply traditional medicines — austerity, export-drives, currency devaluations — which, not unlike the leech bleeding of the Middle Ages, will kill a weak patient outright.

In France, Prime Minister Raymond Barre is trying to develop some sectors of French industry, mainly related to energy production, through foreign indebtedness. Money borrowed from the international markets is used to finance investments in the public sector and to issue credit to expand French exports in the Third World and Comecon countries. Under circumstances of trade contraction, this means that the value of the French currency can only be maintained by imposing austerity to the national labor force and deliberately triaging more and more industrial sectors. This is precisely what the French government is doing.

But, such a policy is not viable. First, it antagonizes the working class and thus deprives the government of its crucial support to maintain its independence, notably in the development of its energy policy. Second, it kills the patient — i.e., the whole French economy. There is no such thing as a "selective deindustrialization:" it is impossible to proceed as the French government is doing, subsidizing its nuclear, oil, telecommunications and other sectors, while "rationalizing" (triaging) others, like the textile, machine-tool and steel sectors.

At the end of the process, the French government faces a dilemma within the dollar system: either it maintains austerity, further triages the national industry and provokes working-class upheaval — ruining France as a nation — or it relaunches the economy through paper-printing, which breaks the French franc-deutschemark axis, increases the cost of French imports, fosters international speculation against the franc — ruining France as a nation. There is no way out.

The same dilemma — at different stages — is confronting *all* West European countries. The Mediterranean countries are the most vulnerable. Spain, with a current account deficit topping $4 billion last year and threatening to reach $5 billion in 1977, has imposed a 20 percent devaluation of the peseta and a vicious austerity program. In Portugal, the Lisbon municipality is so broke that it cannot afford to replace bulbs in street lamps.

Ironically, the Western European nations, if they don't move now, would perish following a collapse of the industrial branch which formerly made their prosperity: the automotive sector. In France, commercial vehicle sales have fallen by 20-40 percent since April-May; and in West Germany, the fall is more spectacular in passenger car production because of the high level of the deutschemark. The consumer-boom bubble is pricked.

— Louis Carriègues

EXCLUSIVE

Ramsey Clark Ran NYC Riots For The Carter White House

Evidence gathered this week by NSIPS establishes beyond a shadow of a doubt that:

1. The looting which took place during the highly suspicious July 13-14 blackout in New York City was emphatically *not* a spontaneous "act of God," but was an organized, pre-planned deployment of young hoodlums under the auspices of top officials of the Democratic Party and the Carter White House.

2. The entire project was *personally* run — down to the coordinated street deployments of 15,000 New York City youth gang-sters — by former Attorney General and close Carter collaborator Ramsey "Garden Plot" Clark;

3. The project was funded through law firms and foundations intimately tied to the Democratic Party's Advisory Council and the 1976 Carter-Mondale Campaign Committee;

4. The organized "loot and burn" operation was *intended* by its planners to escalate into full scale civil disorders that would justify bringing in the National Guard, precipitating further escalations in rioting, arson and murder;

5. This project, modeled on the Lyndon Johnson Administration's Operation Garden Plot for military occupation of the nation's ghettos, was designed to bring down the Beame mayoralty and replace it with a straight bankers' dictatorship under David Rockefeller flunkies like Stephen Berger of the Emergency Financial Control Board (EFCB) and the technocratic fascists of the Russell Sage Foundation and 20th Century Fund;

6. When bold initiatives by Mayor Beame, Police Commissioner Codd, City Council President O'Dwyer, the Nation of Islam and others prevented the orchestrated crisis from escalating out of control, a coverup was set into motion through WINS and WCBS local affiliate radio stations (the only continuous public information sources to the city's population). This centered around black propaganda reports — immediately denounced by Beame — that Ramsey Clark would head the Mayor's blue ribbon investigation panel;

7. The New York City operation is the model for what the Carter Administration has set to activate in every major urban center in the country in order to force its slave-labor plans upon the U.S. population;

8. The hooligan network deployed for the July 13-14 events was identical to the network that carried out the massive Nov. 2, 1976 Carter vote fraud — employing much the same methods of terror.

The Evidence

The crucial evidence confirming the conspiracy that the U.S. Labor Party, Mayor Beame and others knew to be operating within hours of the July 13 power failure was the discovery of the command center out of which

ICRY

INNER CITY ROUND TABLE OF YOUTH
100 AVENUE OF THE AMERICAS/N.Y. N.Y. 10013
(212) 966-5300

ICRY Roundtable of Directors

Black Bulls (Bklyn)
Black Cats (M)
Black Spades (Bx)
Black Spades (M)
Black Stabbers (Bklyn)
Blue Angels (Bx)
Bold Ones (Bklyn)
Champions (Bklyn)
Chingalings (Bx)
Chingalings (W)
Crazy Homicides (Bklyn)
Death Dealers (Q)
Dezoes Raiders (M)
Dirty Dozen (Bx)
Dirty Ones (Bklyn)
Dynamite Brothers (M)
Freedom Fighters (Bklyn)
Jesters (Bklyn)
Latin Crowns (Bx)
Latin Tops (Bklyn)
MamaHawks (Bklyn)
Mamas Peoples (Bklyn)
Mean Machine (Bx)
Nobodys Children (Bx)
Nuyoricans (M)
Outlaws (Bklyn)
Pure Hells (Bklyn)
Royal Brothers (Bx)
Savage Nomads (Q)
Savage Nomads (Bklyn)
5% Nation (City-Wide)
5% Earths (Bklyn)
Henchmen (Bx)
Homicide Laws (Bklyn)
Stick-up Kids (Bklyn)
Superhawks (Bklyn)
Tomahawks (Bklyn)
Unknown Riders (Bklyn)
Warlords (Bklyn)
Washington Hts. Monsters (M)
Savage Outlaws (Bx)
Savage Samurai (M)
Satan Priests (Bx)
Satan Spades (M)

ICRY Advisory Board

RAMSEY CLARK, Attorney-at-Law
David N. Dinkins, NYC City Clerk
Geraldo Rivera, ABC-TV
Robert Schure, Assoc. Neighborhood Housing Developers, Inc.

the "Operation Blackout" was launched: the Inner-City Roundtable of Youth.

ICRY was created and is run by Ramsey Clark with the active participation of other leading Carterites including: John Doar, Carter's onetime choice for FBI Director or Deputy Attorney General and a Clark collaborator in designing and instituting the original Garden Plot; David Dinkin, New York City Clerk, former head of the New York Board of Elections and head of Carter's New York "Get Out the Vote" operation; and Manhattan Borough President and now mayoral candidate Percy Sutton, the chief political broker for Carter's postcard registration fraud bill in New York state.

The so-called Roundtable of Directors of ICRY consists exclusively of the 40-50 major Law Enforcement Assistance Administration-controlled street gangs including:

******Crazy Homicides:* A front-page article in the July 21 New York Post identified this group as professional arsonists-for-hire, responsible for most fires in the Bushwick and Bedford-Stuyvesant sections of Brooklyn. Confirming the accuracy of the Post story this week, ICRY Executive Director Carl Shinn added that over 7,000 fires in the South Bronx in the past year were also the gang's work.

**Tomahawks:* A 1973-74 U.S. Labor Party investigation confirmed that the Tomahawks were involved in an extensive gun running ring in Bedford-Stuyvesant, in conjunction with the LEAA, the Treasury Department's Alcohol, Tobacco and Firearms Division, and such Ford Foundation operatives as Les Campbell and convicted murderer Sonny Carson. Campbell boasted to an interviewer during the July 14 blackout that "his people" in

'I Had To Do Some Tall Talking'

Excerpts from an interview with Carl Shinn, ICRY Executive Director on the New York City gangs' 1976 and 1977 registration drives.

Q: Where did ICRY do most of their voter registration, what were the areas of concentration?
Shinn: I had to do some real tall talking to all of the kids regarding the voter stuff. But we were mostly in Brooklyn and the Bronx, we really didn't do much in Manhattan, because that's where all the parasites gather to get votes anyway. But we went to Brooklyn, Bronx, through housing projects, got everybody that nobody else could get. I'm pretty sure I have that documented.

Q: You had mentioned earlier that there were ten groups, youth gangs that did most of the voter registration work, do you remember which ones they were?
Shinn: Let me see, the Chingalings of course, especially in the South Bronx. Satan's Priests, Satan's Wheels, they're Bronx. Well of course the Five Percenters, they're citywide and the Tomahawks, Bold Ones, Stick-up Kids, Dezoes Raiders. The Raiders that's Manhattan, they practically did the whole thing down there for Manhattan, ...then let's see, there's Mama's Peoples, and I can't think of it but it was either the Roman Kings or the Spanish Mafia. I can't remember all which ones, but I'll look it up, because there were probably others and they won't be slighted for their efforts.

Q: How closely did David Dinkins become involved in the ICRY voter registration and turn out drive?
Shinn: At that time, he had a lot to do with it, because he was president of the Board of Elections for 11 years, so we worked with him and a group basically known as the Citizens Voter Education Committee.

Q: In the ICRY historical Report for this year it's indicated that in June of this year, you were active again in this area, was that just a straight ICRY?
Shinn: Yeah, that was just a thing that we did.

Q: Did Dave help with that?
Shinn: No, Dave is running for office (Manhattan Borough President). He really was like helpful in it, but...

Q: Oh I see, it would have been partisan...
Shinn: Yeah, it was something that he could never own up to and I would never own up to it, because our tax exemption status comes at stake when they think that a person running for office, well that you might possibly have assisted them in their drive for office.

Q: In the 1976 voter registration drive, you said that you had gotten approximately 9,000 people registered, is this a conservative figure?
Shinn: I didn't say 9,000. O yeah, well here I said this, that we estimated that we actually registered about 9,000 people but we only got credit for about 5,000.

Q: Why was this?
Shinn: Because what happened in the beginning we, remember I told you I started stamping our applications so that they (Board of Elections) would know they came from ICRY, then we started thinking that this was a terrible move because basically they would know where they (applications) came from, what type of people and that they, I mean we felt that,...see another thing that came about. This is the thing that the kids and I are really interested in, we felt that those things (the voter registrations) we turned in, well that a certain political machine held them and they held them back beyond the primary. We feel that they held over half of them, about 4,000 even though we had turned them in about six months ahead of time.

the street would keep up rioting and looting even *after* power had been restored.

**Dynamite Brothers:* This Lower East Side gang run out of the Ford Foundation's Henry Street Settlement House is known to be part of what police identify as a citywide assassins-for-hire ring which carries out murders for as little as $50.

Evidence compiled from police precincts and eyewitnesses in the targeted sections of Brooklyn, Harlem and the South Bronx confirm that within one hour after the July 13 blackout began, organized "bands of marauders" dominated by ICRY gang personnel were *initiating* the looting and burning.

ICRY case files confirm that gang members arrested for such crimes as rape, homicide and armed robbery have been provided with high-pressure legal counsel through Doar, Clark, and attorney William Kunstler — and that through LEAA "plea bargaining" programs in coordination with LEAA police, there is an unprecedented high incidence of charges being dropped and sentences waived.

Who's Behind ICRY

The individual selected by Clark and company in summer, 1975 to start the ICRY project was Carl Shinn (aka Nizam Abdul-Fatan) — a 12-year junkie initially recruited into Rockefeller domestic terror operations during the 1950s in Chicago. Shinn was a founder of the Black P. Stone Rangers gang, one of the first large-scale projects in organized ghetto youth gun and drug running. The project was directed by the Alinsky Institute under the political sponsorship of University of Chicago Law School president, Russell Sage Foundation Board member and Rockefeller family protégé, Edward Levi.

During the 1960s, Shinn was part of the Ford Foundation's "black power" project — working closely with Julian Bond and H. Rap Brown, both linked to the Rockefeller "left" terrorism think-tank, the Institute for Policy Studies. Shinn's involvement with Brown in provoking bloody riots in Maryland resulted in his imprisonment in New York, where he came in contact with brainwashed Black Liberation Army cop killers and with the street gangs. Shinn claims to maintain correspondence with BLA member Joanne Chesimard, under indictment for the murder of a New Jersey state trooper.

It was while in prison that Shinn claims he "developed" the idea of building a ghetto fascist movement based on gangs: "The gangs are really dictatorships, and I knew if I could get the leaders, I have their members. If I get 50 leaders I've got the 15,000 members. The only way most city agencies see fit to deal with gangs is to break them up. I think it's a waste of collective energy. We want that energy intact, but we want to change its direction."

The "direction" into which that energy was to be "changed" was towards politically centralized, Democratic Party shock troops. Shinn was approached in prison by "high priced lawyers and Justice Department (then under Edward Levi) people." Released from prison in 1975, Shinn took a $30,000 a year job with a New York City "non-profit" agency, Hospital Audience Inc. — a profiling project directed towards prisons, hospitals and rehabilitation centers.

Dinkins: Shinn Can Reach Me Day Or Night

Excerpts from an interview with David Dinkins, ICRY Advisory Board member, former New York City Board of Elections President, and presently City Clerk running as a candidate for Manhattan Borough President.

Q: How much of an impact did ICRY's vote drive make in terms of getting people into the electoral process?
Dinkins: Well, I don't have any statistics, but they helped to register a lot of people. Also they have the ability to reach people who in some instances are not easily reached. If you have a volunteer effort going out knocking on doors, canvassing, setting up street tables or in church lobbies or in supermarkets, you go to the logical places where people congregate. ICRY could go to places in those areas where we know them to be underregistered which is very easily determined by just consulting the records of the Board of Elections.

Q: How active are you in ICRY activities?
Dinkins: Well I'm kind of active, Carl Shinn can reach me day or night, he has my home number, my office number, he can call anytime. I'm always available.

Q: The Republicans did not really launch a big campaign to turn out the voters in 1976, but the Carter campaign was extremely active in this area, especially in New York. Did you or ICRY's efforts come into conflict with the Carter drive, or have any problems?
Dinkins: No not at all. I supported Carter so we had no problems whatsoever. It's like I said, when you have a specific candidate or issue to sell then it makes it easier in getting people to the polls.

In September, 1975 Shinn was contacted by Stuart J. Beck (attorney then defending H. Rap Brown) and was formally told to get ICRY into motion. Beck was from the law firm of Williams Connolly and Califano, and was without a doubt acting on order from the firm's senior partners Edward Bennet Williams and Joseph Califano. The firm functions to provide direct links between top level intelligence operations and lower level terrorist activities, as well as legal services. Califano, a special operations expert and co-designer of Garden Plot, is the current Health Education and Welfare Secretary.

Within two weeks of the meeting, Shinn received $100,000 from undisclosed sources as ICRY seed money. Beck personally delivered the money, which was passed to the law firm Paul, Weiss, Rifkind, Wharton and Garrison, the law firm of Ramsey Clark, Ted Sorensen and Morris Abram. This firm serves as the principal "dirty tricks" vehicle for the Democratic Party. ICRY was simultaneously absorbed under the tax exempt umbrella of Kenneth Clark's MARC, Inc., the New York-based counterinsurgency center responsible for creating Newark Nazi Imamu "Leroi Jones" Baraka, as well as the Hanafi Muslim sect of Abdul Khalis which terrorized Washington, D.C. earlier this year.

Vote Fraud

By March, 1976, through the combined efforts of Shinn, Clark, Doar, the American Civil Liberties Union and the Center for Constitutional Rights of terrorists' attorney William Kunstler, ICRY controlled the leaders of the 41 largest New York street gangs.

At the first official "Roundtable" meeting, ICRY joined the "Citizens Voter Education Committee" — an adjunct of the Drug Abuse Council — Ford Foundation Voter Education Project and the central vehicle for Carter's 1976 vote fraud. According to Shinn, the gangs under ICRY control put in 11,000 manhours "registering" new voters in such documented fraud-contaminated areas as the South Bronx and Bedford-Stuyvesant.

On election day, 60 gang leaders were deployed as part of the Carter-Mondale Get Out the Fraud machine, herding local residents into the polls, and serving as an interference and intimidation force against any attempt to impede fraud.

Terrorism and Slave Labor

During and following the pre-planned disorders, virtually every Carter Administration mouthpiece from Kunstler, Sutton and Clark to Carter himself declared the New York City events the "absolute proof" that only massive urban public works labor gangs can prevent urban centers from being burned to the ground and looted dry. Such media promoters of the slave labor outcry as New York Times editor Roger Starr and ABC-TV reporter Geraldo Rivera are now known to have been operating in active collaboration with ICRY.

The Inner-City Roundtable for Youth now has a $1 million grant pending with the U.S. Department of Labor and VISTA for a 200 person "youth labor training" (i.e., kapo) program, which Shinn recently described in the following terms:

"I am particularly interested in agricultural skills and alternative energy projects. One fifth of the Bronx has been burned or blitzed. I am researching the possibility of clearing the land, rebuilding the soil and using solar energy techniques to grow produce in the city...Remember, youth can cost the city $185 million a year in jail operation and maintenance, $1.5 billion a year in burglaries and they account for 400 homicides a year...They need a job."

Shinn, who has "personally conferred" with Rosalynn Carter, claims that Rosalynn and Senators Kennedy and Humphrey are in total agreement with him.

Ramsey Clark: Profile Of A Political Terrorist

Ramsey Clark is one of the chief political terrorists in the lower Manhattan-Democratic Party arsenal. Since his public career began during the John F. Kennedy Administration, Clark has both been the principal institutor of 1984 fascist "official government" projects and a "civil libertarian" protector and controller of terrorist gangs, like the Weathermen, Baader-Meinhof, and the current ICRY. We provide below an outline of Clark's criminal career.

1951: Clark joins the law firm of his father, then Supreme Court Justice Tom Clark, former Attorney General under President Franklin Delano Roosevelt. As a partner in Clark, Reed and Clark, based in Dallas, Clark establishes himself within Democratic circles, campaigning for JFK, who later gives him his first job in the Justice Department.

In the late 1950s, Clark joins the East Coast establishment law firm, Paul, Weiss, Rifkind, Wharton, and Garrison, itself set up by leading participants in FDR's labor control apparatus. Partners in the firm include Lloyd Garrison, chairman of the National Labor Relations Board in 1935 and chairman of the National War Labor Board from 1942-45. Morris B. Abram, another partner, was a member of the International Prosecution Staff at the Nuremberg Trials in 1946, where he was involved in the cover-up of Rockefeller links to the Nazis through their control in I.G. Farben's General Aniline. Other counsel at the law firm include Ted Sorenson, and Arthur Goldberg, former OSS agent and Secretary of Labor, 1961-62.

1961: Clark becomes an original member of Kennedy's "New Frontier", appointed as a Department of Justice troubleshooter under Bobby Kennedy, as Assistant Attorney General in the Lands Division. From this post, Clark was sent to visit federal lands while setting up racial confrontations, as detailed below. Clark is an original member of Bobby Kennedy's "Get Hoffa" campaign, along with Archibald Cox (later a Watergate Prosecutor), where first attempts to raid the Teamster Pension Fund are made by the Justice Department.

1962: Sent as official federal marshall to the University of Mississipi, where a potential bloodbath was planned by the Department of Justice when James Meredith enrolled. Says Clark of the nature of the scenario: "Our force was made up largely of U.S. marshalls. They were mostly old men, they were inexperienced in law enforcement techniques, they were in alien surroundings... Well, these men didn't fire a single shot. If they had, there would have been a real bloodbath, because the other side was just spoiling for a fight. Scores of people would have been killed, and nobody down there would have forgotten it."

1963: Goes on Southern tour for Robert Kennedy, including a stop in Birmingham during the rioting there, ostensibly to "force" desegration of schools.

Helps spearhead the Voter Registration Drive in the South, along with Andrew Young, Carter's current Ambassador to the U.N. The Voter Education Project, lasting until 1965, forged the vote fraud apparatus used by Carter to win the 1976 election.

1964: Clark formulates the Civil Rights Act.

1965: Clark is appointed Deputy Attorney General by Lyndon Johnson. His role under Attorney General Katzenbach was to oversee supervision and management of the Department, including direction of all U.S. Attorneys and marshalls, and to serve as liaison between the Justice Department and Congress. Clark thereby was responsible for the drafting of legislation.

1965: Clark drafts the Voting Rights Act of 1965;

Serves as the Chief Federal Officer during the Selma-Montgomery march led by Martin Luther King, Jr.;

Clark is deployed to oversee the Watts riots, where he chairs a special Federal Task Force.

1966: Serves as Acting Attorney General, and in March is appointed Attorney General, when he immediately sets into motion the creation of the Interdepartmental Intelligence Unit (IDIU), establishing a massive computer dossier bank to profile millions of Americans, using records from every federal and state agency available.

1967: Drafts legislation creating new regulations on wiretapping. "Operation Garden Plot" initiated following the Detroit riots, creating a blueprint for the imposition of martial law to be implemented jointly by the Justice Department and Pentagon in the event of intensified civil disorders and riots.

1968: Clark signs an Executive Order officially ordering the use of Operation Garden Plot as a contingency plan. (For details on how Garden Plot operated, see EIR Vol. IV, No. 14.)

1969: Clark heads operation to destroy the Chicago Daley Machine, through his support for the Chicago Seven after they disrupted the August 1968 Chicago Democratic Convention.

1970: Along with Kenneth Clark, the racist "sociologist" and counter-insurgent, Ramsey heads the Commission of Inquiry Into the Black Panthers and the Police, which serves as a major cover-up of the role of the Institute for Policy Studies terrorist networks in the Fred Hampton murder. It further aids attempts to discredit the Chicago Democratic Party apparatus. Clark takes the Berrigan Brothers as clients at Paul, Weiss.

1975: Clark helps set up the Inner City Round Table of Youth (ICRY) in New York, a street gang terror network designed to implement a latter day Operation Garden Plot.

1975: Clark visits West Germany in company of terrorist lawyer William Kunstler, to guarantee a "fair trial" for the Baader-Meinhof zombie terrorist gang.

1976: Clark is participant at June Ralph Bunche Institute conference on terrorism, where the Ugandan hijack was finalized two weeks prior to the raids at Entebbe.

Role Reversal: How Andreotti Pulled The Wool Over The White House

On July 28, West German television commented on the masterful Washington, D.C. performace of Italian Prime Minister Giulio Andreotti: he "showed what a politician, even with nothing in hand, can achieve...One only need read Machiavelli to find out how." Andreotti's visit to the U.S. was preceded by nervous twittering from think tankers who wondered how to evaluate the recently signed programmatic agreemennt between Andreotti's ruling Christian Democracy (DC) and the Italian Communist Party (PCI). On the U.S. Administration side, the line was out that the Administration would deal with the Italian in the same hard-line, no-nonsense manner typically reserved for heads of states from countries of discountable economic and diplomatic weight.

SPECIAL REPORT

Andreotti certainly had little to recommend him to Washington, and less that might have indicated successful negotiations. He was, after all, the man who had reinstated the PCI into the antechamber of government. He came as the head of a country with a gross foreign and internal deficit problem, with a nearly bankrupt industry, and needing a loan in order to finance the construction of nuclear plants. He was meeting with a White House which opposes Communist government participation and emphatically opposes the development of nuclear energy as the leading alternate energy source.

Yet, Andreotti left Washington with "precise assurances" for U.S. supplies to Italy of both natural and enriched uranium to feed Italy's nuclear energy needs, and Administration support for the successful negotiation of a sizeable loan from the Export-Import Bank to finance the construction of two nuclear plants. He also left with commitments from various American industries to increase their investments in the Mezzogiorno, Italy's underdeveloped south.

More remarkably, Andreotti was given the biggest welcome of any national leader visiting Washington since Carter's entry into the White House. During the course of their meetings, Carter went so far as to characterize the Italian as "my great friend," the "most accomplished and clever politician in the world," and similar statements clearly extending well beyond the demands of polite diplomatic protocol. The nervous think tankers, following meetings with Andreotti, were left twittering still — only now they spoke of the man's "enormous charm," his success in "clearing up every issue" and the like.

Andreotti had succeeded in pulling the wool over the eyes of all Washington, with "nothing in hand," as German television noted. He had taken advantage of two factors: first, the notorious political stupidity of Carter. Secondly — Carter's personal deficiencies aside — Andreotti took full advantage of the fact that the Administration was facing a wave of defections from such European allies as West Germany and France. The Italian's trip was preceded by that of West German Chancellor Schmidt who maintained a polite facade of consensus with Carter, while underneath a raging confrontation was taking place during his U.S. visit. Similarly, France's Giscard d'Estaing had just given a much-publicized interview to *Newsweek* attacking Carter for his human rights policy, which he accused of endangering detente.

Andreotti prepared his visit by announcing from Paris during a stopover trip that he did not share Giscard's position on Carter's human rights policy, magnanimously referring to Carter as a befuddled politician who must be given time to learn. This assured that Washington would be prepared to give him concessions in exchange for this political support coming at a sorely needed juncture. Andreotti's statement, repeated later in an interview to the daily *La Repubblica,* came as a particular surprise from the head of a government which had consistently opposed any form of Western confrontation with the USSR and stood in the forefront of East-West trade negotiations.

During his stay in Washington, Andreotti also skillfully satisfied the politicians that his agreement with the PCI did not mean he had handed over the government to the Communists, in spite of the fact that everyone knows no political or economic decision can be taken in Italy without PCI support. The Italian Prime Minister also performed such services for Carter as subtly intervening into the U.S. President's "structural" statements during their conversations in order to "give them a political dimension" — a gesture which made the pathetic Carter "very grateful," according to knowledgeable sources.

Andreotti's performance, which amounted to a thorough role reversal in Italo-U.S. relations, both lulled the Carter White House at the moment when Europe had begun a definitive if hesitant break with the dollar (see coverage this issue), simultaneously leaving the Prime Minister with useful political currency to help squash the mounting opposition he is facing at home.

Andreotti's agreement with the PCI has generated frightened opposition from Atlanticist layers within his own party typified by DC faction head Amintore Fanfani, who is now campaigning to disrupt an agreement concluded between the DC and the PCI to postpone elections in the fall. Fall elections would inevitably collapse the government and focus Italian politics on Byzantine internal maneuverings that would make it impossible for Italy to participate in the current active international negotiations for the creation of a new monetary system to replace the dollar. The support of the leading U.S. Atlanticist circles which Andreotti's clever deception bought for him will tend to rapidly neutralize a substantial portion of that internal opposition, simultaneously gaining for Italy desperately needed financial credits for the implementation of the government's economic and energy programs.

British Break With Dollar Averts Near-Term Union Conflict

British Premier James Callaghan has succeeded in working out a political holding action to keep the Labour Party in power by announcing simultaneously the decoupling of the pound from the dollar and a new "social contract" with the trade unions. However, any lack of aggressiveness on the government's part in implementing the general European shift to a new pro-Soviet, pro-gold monetary system (see article this issue), could immediately jeopardize these initial steps and open the way for a full-fledged confrontation with the unions.

BRITAIN

The *London Times* of July 28 hailed the British decision to abandon the dollar as a victory for "those who put stability first." The *Times* continues, "This broad stance would seem to be in line with what the TUC (Trade Union Congress) has been asking the government to do on the exchange rate and is also in line with City (of London financier —ed.) opinion..." At the same time, Callaghan and the TUC general secretary Len Murray announced the agreement on a new social contract which, while completely sidestepping the contentious question of pay increases, reiterates the need for increased exports, reduction of imports, and an immediate increase in investment funds for industry. On the basis of the agreement with the trade unions, Callaghan forecast that "the country looks forward to the time when the IMF loan arrangements will no longer be necessary."

However, barely submerged under the government's efforts at cooperation and compromise with the unions is a hard-line stance against any attempt by individual unions to demand "inflationary" wage increases. Support for such a strong government stand, exemplified by Chancellor of the Exchequer Denis Healey's economic package announced July 15, is emerging from the government's Liberal Party coalition partners and others. There are now rumors of a "grand coalition" around this issue — which, if implemented, could force major splits between the Labor Party and its trade union base.

Monetarist Subversion

During the July 20 vote of confidence called on the Healey economic program debate, Liberal leader David Steel warned the government that further Liberal support was completely dependent on the government's ability to keep the unions in line. Steel told Callaghan that if he was "soft" and allowed wage demands to push inflation rates to 25-30 percent a year, "we should decide that it would be in the national interest for the Government to go, and quickly."

The strategy outlined by Healey calls for strict government spending limits in the public sector and sanctions against private-sector industry which gives in to wage demands over the government's recommended ten percent increase over the next year.

Since most public and private sector unions have told the government they will be backing member demands for pay increases equal with current inflation rates (approximately 20 percent), the stage has been set for all-out confrontation between the unions and government. If the unions refuse to be persuaded to make a more moderate stand, Healey warned during the parliamentary debate, then "confrontation may become inevitable."

While there is no prospect of a collapse of the Callaghan government during the next several weeks, acceptance of the Healey policy will mean the ruin of the Callaghan government's industrial strategy for economic growth based on a working consensus between the government, the unions and industry. In place of the Callaghan strategy, political maneuvers are underway to form a broad coalition of self-described monetarist factions from all parties to impose the level of austerity which the Callaghan government is unable to implement because of its political dependence on the unions.

The right wing of the Labour Party, arrayed around Healey (now dubbed "number two" behind Callaghan), Carter-collaborator Foreign Secretary David Owen and others, is organizing a right-wing coup in the party. Key cabinet ministers, including Owen, are planning "grass roots" campaigns to bust up the trade union-left alliance in the local parties. Top right-wing Labour Party parliamentarian John Mackintosh laid out their strategy for a realignment of the Labour Party base in his call in the July 22 *Times* of London for the creation of a "realigned left-of-centre party...which would be tied neither to Marxist dogma nor to the trade unions."

Potentially key in the formation of an all-party coalition is the reemergence of former Conservative Prime Minister Ted Heath into the ranks of Tory leadership. Heath, who during his 1970-74 administration attempted to build Britain's links to the Arabs, to Prime Minister Andreotti of Italy and to French President Pompidou, announced this week that he will be giving the key "ideological" speech before the Conservative Political Centre at this year's Tory conference.

Heath also this week came out in strong support of French President Giscard's attack on Carter's human rights policy for destroying detente with the Soviet Union.

The anti-union, anti-communist shrieks of Tory leader Margaret Thatcher have forced even the staunchest Tory supporters to reject this Kissinger protégé as a credible British Prime Minister. But Heath, with his support for detente and minimal government ownership into industry could provide a more palatable "soft option." Negotiations have been on-going over the last few months between the right wing of the Labour Party and Heath's people in the left-conservative Tory Reform Group to provide an alternative ruling base once the Labour Party has junked the trade unions.

French Gov't Bans 'Eco-Freak' Demonstration Against Fast Breeder Reactor

The prefect of the south-eastern department of Isère — who represents the French Interior Minister in the region — pronounced on July 27 the official ban on the demonstrations against the Creys-Malville Super-Phenix (fast breeder) reactor scheduled by various "radical" environmentalist groups to begin July 30. The government will allow a demonstration of sorts to take place, but not within three miles of the nuclear site itself, thus incapacitating the ecologists's stated plan to confront government authorities and the police with violence and terrorism. We will not allow "a new Reichstag fire," said the prefect to motivate his decision.

FRANCE

The government's announcement follows by a few days the various French left parties' and trade-unions' refusal to participate in the environmentalists' demonstration on the grounds that it might lead to unacceptable violence and repression. Both the French Communist Party (PCF) and its trade-union ally, the CGT, flatly declined to attend, in addition to denouncing the proto-fascist and terrorist leadership of the ecological groups. The Socialist Party and Social-Democratic CFDT union have announced their intention to hold a separate demonstration a few miles away for fear of provocations, while reaffirming their agreement with the environmentalists' attack against the "excessive" and "premature" nuclear energy development program of the government and its state-controlled utility, Electricité de France. The CGT, on the other hand, is known to approve of the program's principle, despite disaagreements on matters of detail.

These programmatic differences between the PCF and the CGT on the one hand, the SP and the CFDT on the other, at a time when the agent leaderships of both sides are desperately trying to come to terms in other areas of divergence such as defense, have been quickly seized upon by French President Giscard d'Estaing as a means to finish off what is left of the Socialist-Communist electoral coalition. Industry Minister Monory praised the PCF and the CGT for their stand in support of nuclear energy July 27, while SP leader François Mitterand's public refusal to either endorse or denounce the very idea of a civilian and military development program (for fear of splitting his own party), has been branded as "irresponsible" by government spokesmen and the press. *Le Figaro* openly professed contempt for "non-leader" Mitterand July 26, one day after he proposed to "let the French population decide by referendum."

In view of the SP's blatant equivocation and of CFDT leader Michel Rolant's inflammatory statement July 27 that "this weekend's demonstrations will be the Dien-Bien-Phu of Electricité de France," the Isère prefect's decision to keep the ecologists "at bay" seems motivated by the "Machiavellian" desire to see the environmentalist crazies and the SP "merge" their operations without danger to the Creys-Malville site itself. On the other hand, should violence arise, such a development would go a long way towards totally discrediting the Socialists.

Middle East, North Africa Nuclear 'Balkans'

The unstable and deceptive truce that prevailed at press time on the Libya-Egypt border, following four days of heavy clashes between the two Arab countries, hides a growing regional crisis pushed by the Carter Administration to inflame the entire Middle East region. The goal of the Rockefeller forces is the immediate breakup of the Organization of Petroleum Exporting Countries (OPEC) and the subsequent destruction of the economy of Western Europe in a new oil crisis.

Rockefeller's strategic target is the oil-producing states of the Persian Gulf and North Africa, who are increasingly aligned with Western Europe in seeking the basis for a new world monetary system to replace the bankrupt dollar empire.

The attack on Libya, which was set into motion by Sen. Jacob Javits during a visit to Cairo last week, has seriously destabilized the entire region from Morocco to the Persian Gulf and the Horn of Africa. The unholy alliance between Egypt and Sudan, which cooperated in the war against Libya, is now threatening to explode the volatile Horn of Africa, where Sudan is supporting separatist Eritrean guerrillas in a conflict that could throw out of control the simmering conflict between Ethiopia and Somalia. Also on the agenda is a conflict between Algeria and Morocco, the former allied to Libya and the latter to Egypt. And looming in the background is the danger of a new Arab-Israeli war touched off by the crisis in southern Lebanon.

An elaborate smokescreen of disinformation puffed-up by the National Security Council has so far blinded key circles in the U.S. intelligence and political community to the scope of the Rockefeller move against OPEC. According to the version of Brzezinski et al., the war between Egypt and Libya was a controlled U.S.-Soviet proxy conflict that, from the beginning, was limited to a short test of strength between "pro-Soviet" Libya and "pro-Western" Egypt.

In fact, the scope of the operation — still ongoing — extends far beyond the Middle East and is by no means under the NSC's control — whatever Brzezinski may think. The deception operation by the NSC did not succeed in fooling the West Europeans — who responded to the Rockefeller threat to their flank in the Arab world by pushing ahead with a break with the dollar — and also elicited strong warnings from the USSR and its allies.

In Moscow on July 26, Soviet President Brezhnev and Janos Kadar of Hungary stated that the fighting in Africa represented a "danger to world peace." The statement from Brezhnev, broadcast over *Radio Moscow*, followed an article in *Red Star*, the Soviet military daily, which charged the West with encouraging "sporadic wars" in Africa in order to crush liberation movements and establish effective NATO control.

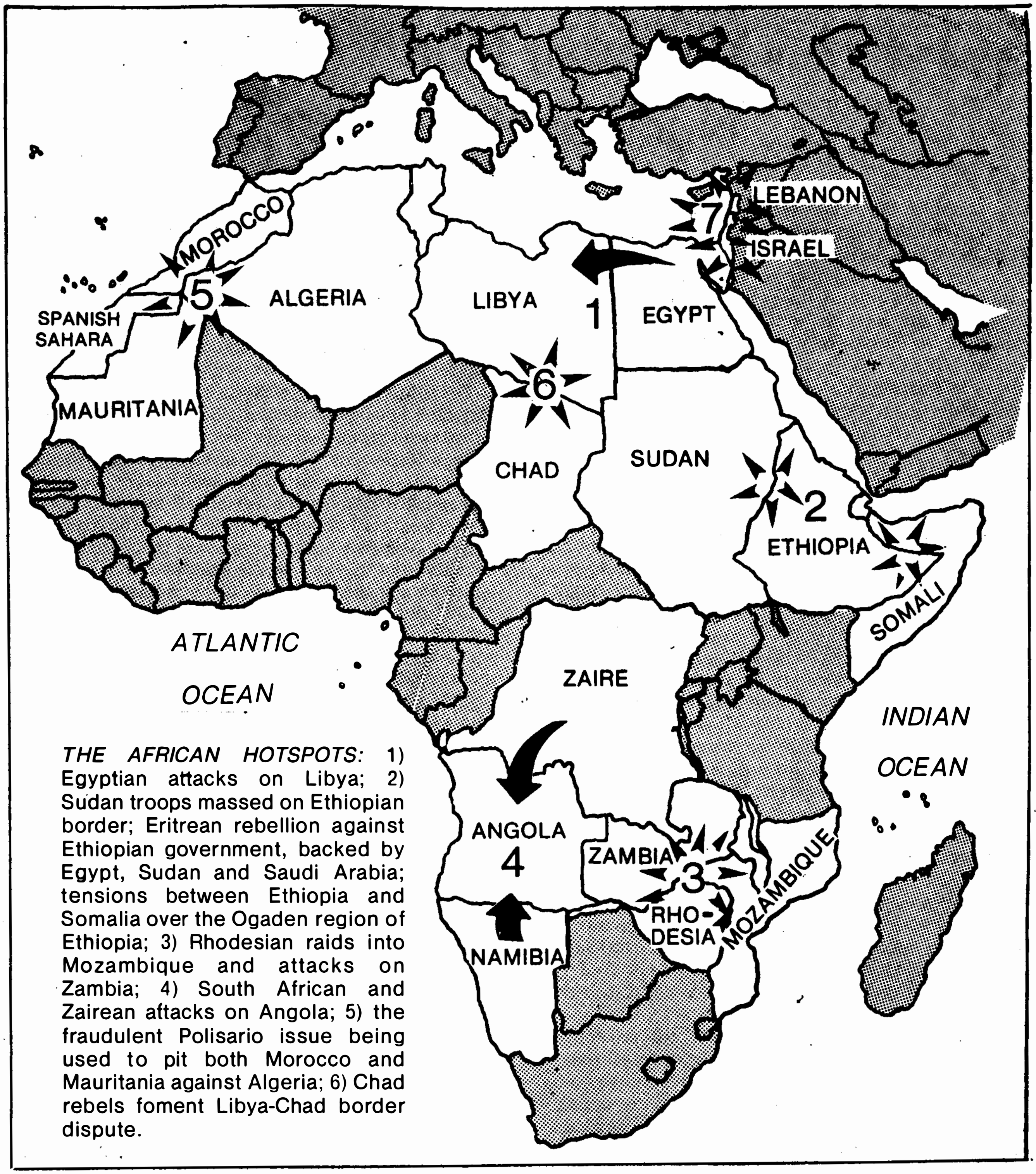
According to TASS, the Soviet news agency, the government of Cuba also communicated its "anxiety" to the Egyptians, and added that Havana "hopes that Egypt, realizing the seriousness of the consequences of its aggression," will accept the Arab mediation by Algerian President Houari Boumediene, PLO Chairman Yasser Arafat, and various Arab foreign ministers.

The specific danger in the situation arises not from the reported links between the USSR and Libya (although Libya does maintain close ties with Moscow), since the Libyan leadership — which is violently anti-communist — is primarily oriented toward France and Western Europe. The danger of a Soviet military response to the crisis, whether in Libya or elsewhere in the region, arises instead from the Soviet awareness that an uncontrolled escalation of tensions in the area can only result in the shattering of the delicate political balance on which the USSR and Western Europe are attempting to build a détente. Libya, and other Arab countries, have so far served as diplomatic "bridges" between the Comecon and the EEC.

In fact, the Soviet press demonstrated quite clearly this week that the USSR is committed to defense of the OPEC sector. Two articles in *Pravda* underlined this determination, the first praising the Shah of Iran for steering his country away from single-track links to the U.S. and for building up Iran's industrial base, and the second urging OPEC to establish independent oil tanker facilities to free itself from dependence on the multinationals. An important Soviet-Saudi trade agreement was also announced by the Soviet firm Machinoexport.

For this reason, the Soviets hesitated somewhat in their public response to the Libya-Egypt crisis — where a Soviet show of force remains a definite possibility — and instead relied on behind-the-scenes diplomacy to contain the Sadat menace for fear of splitting Europe and the Middle East along traditional Cold War "left-right" lines.

But a provocative new arms export policy announced by the Carter regime this week does not leave the USSR any room for maneuver, and can only be taken by Moscow as a signal that the U.S. is bent on escalating the tension in the area to the breaking point. Under these circumstances, the possibility of a Soviet show of armed force becomes more likely. In Washington, the State Department said that Egypt, Sudan, Somalia, and Chad will become eligible for receiving U.S. arms shipments, following on the heels of U.S. commitments to ship weaponry to traditional U.S. clients Israel, Saudi Arabia and Iran.



THE AFRICAN HOTSPOTS: 1) Egyptian attacks on Libya; 2) Sudan troops massed on Ethiopian border; Eritrean rebellion against Ethiopian government, backed by Egypt, Sudan and Saudi Arabia; tensions between Ethiopia and Somalia over the Ogaden region of Ethiopia; 3) Rhodesian raids into Mozambique and attacks on Zambia; 4) South African and Zairean attacks on Angola; 5) the fraudulent Polisario issue being used to pit both Morocco and Mauritania against Algeria; 6) Chad rebels foment Libya-Chad border dispute.

Egypt-Libya Truce Precarious

The July 21 attack by Egypt into Libyan territory was preceded by months of steady troop build-ups by the Egyptians along Libya's border. In May, according to the London *Economist*, the Egyptians were ready to move, but were impeded by Soviet diplomatic intervention and by short-lived Soviet-Egyptian talks on the restoration of positive bilateral relations. By at least as early as mid-June, the July 24 *Jerusalem Post* reported, U.S. Ambassador to Egypt Hermann Eilts was fully aware of Egyptian invasion plans.

When Egyptian President Sadat gave the orders for the invasion, New York's Senator Jacob Javits was hardly surprised. Javits had been in Cairo the previous weekend and had informed Sadat that Wall Street was declaring "open season" on OPEC, the Organization of Petroleum Exporting Countries. So once a small-scale border incident gave Sadat the pretext, he ordered the attack.

Other calculations have entered into the malleable Egyptian President's mind. According to a knowledgeable Chase Manhattan Mideast expert, Sadat "wanted to keep the Begin-Carter talks, which were disastrous from his point of view, off the front pages of the Cairo papers, and he has succeeded in doing this." Sadat is reeling internally in Egypt from periodic public outbreaks of unrest during this year, from an economic collapse that is being stage-managed by the International Monetary Fund, and from the thorough discrediting of his persistent "rely-on-the-Rockefellers" foreign policy.

Were Sadat simply intent on "giving (Libyan leader) Qaddafi a lesson," as his July 22 nationwide speech repeatedly emphasized, the fighting need never have reached the proportion of full-scale warfare. After an initial skirmish near the Libyan town of Mossaid in which several Libyan tanks and jets were knocked out, the vastly superior Egyptian forces extended the fight towards the southeastern Libyan town of Kufra, near oil installations, and along the Libyan Mediterranean coast. Heavy enough damage was inflicted to create a steady flow of refugees westward toward the city of Benghazi, according to the London *Financial Times*.

After unleashing heavy fighting, Sadat later in the week demanded a veritable surrender from the Libyans in return for Egyptian acceptance of a ceasefire mediated by the Algerians and the Palestine Liberation Organization. Sadat insisted that Libya dismantle its Soviet-manned radar base near the Egyptian border and that Qaddafi discontinue all political campaigning against Sadat's pro-U.S. policies. According to the July 27 *Al Safir* newspaper, these conditions have been thoroughly rejected by Libya, which has instead called for vigilance and mobilization of its population to combat the continued threat from Egypt. According to one veteran Mideast observer, "Qaddafi could never accept those terms, so the chance of renewed fighting is very great."

Aside from rejecting Sadat's demands for Libyan capitulation, Libyan government emissaries have accused Egypt of working intimately with the United States and Israel to destroy Arab national interests and of preparing the way for the extermination of the Palestine Liberation Organization. Libya's Ambassador to France, for example, charged this week that Egypt had "gotten the green light from the U.S. and Israel" to carry out its invasion of Libya.

Mediation Efforts, Soviet Response

While there is still a strong possibility of a renewed outbreak of heavy fighting, intense mediation efforts continue. By July 28, PLO leader Arafat was able to declare in a Damascus press conference that a ceasefire had been arranged on the basis of a Kuwaiti-Algerian leader Houari Boumedienne had shuttled between Tripoli and Cairo, in the latter capital warning the Egyptians that he was prepared to intervene on the side of Libya if the Egyptian attacks continued.

The Foreign Ministers of Iraq and Syria have also engaged in mediation efforts during the week. According to the July 24 *Jerusalem Post*, the Saudis have sent concerned messages to Egypt warning that further fighting risked provoking a military intervention by the Soviet Union on the side of Libya.

Publicly, the Soviets have played the situation relatively low-key, which has misled many observers in the U.S. into believing a contrived U.S. National Security Council fantasy that the Egypt-Libya conflict was itself pre-arranged by the superpowers "to let off some steam." In reality, the Soviets are watching the situation extremely closely, fully aware of the Carter Administration's intentions to expand the crisis throughout Africa and into a general crusade against OPEC.

Otherwise, the Soviets and their Warsaw Pact allies have made it clear where they stand on this regional "limited" war. An official solidarity committee in East Germany and the Moscow-based Afro-Asian Peoples' Solidarity Committee have expressed support for the Libyans. The Cuban ambassador in Cairo has expressed his government's alarm at the repercussions of the Egyptian attacks on Libyan security and development.

Expansion of the Conflict

An imminent expansion of the crisis into the volatile Horn of Africa region and across North Africa is highly likely. The Horn of Africa area is being lit ablaze by a wildly provocative U.S. government arms sales policy. As for North Africa, informed European military officials report that the U.S.-controlled Moroccan government is planning to open a "second front" against Algeria in the next days. The London *Financial Times* reported July 27 that Egypt and Morocco have recently inked a mutual defense pact which virtually certifies a Maghreb-wide expansion of the confrontation.

—Mark Burdman

Libya Central To European-Arab-Comecon Trade Arrangements

Reports recently appearing in most U.S. major press describing Libya as an outpost of Soviet designs in Africa and the Middle East are a fraud. Such reports are part of an intentional disinformation campaign to distort the real strategic implications of the current Egypt-Libya crisis.

In reality, Libya is perceived as a vital oil-producing country primarily by *Western European* interests who have developed growing industrial and financial ties with Libya. Because of Libya's simultaneous close political and economic ties with Eastern European countries, it is now strategically central to the creation of a gold-Arab dinar-transfer ruble-based world monetary order.

This potentiality surfaced most clearly with the 1976 purchase by Libyan interests of a percentage of Italy's Fiat auto concern, a purchase that was negotiated in part in Moscow.

Libya has been one of the Arab oil-producing countries most mentioned as a third partner in developing Italian-Soviet bilateral transferable ruble trade deals.

Libya's vital world-economic role has frequently been defined by Libyan government and semi-official banking representatives. The Libyan Arab Foreign Bank, which negotiated the Libyan end of the Fiat deal, has recently formed a joint venture bank with Kuwaiti and private Saudi interests to help fund economic development in Latin America, with a specific orientation to hard commodity and long-term investment. Over the past year, the head of the bank, Abdullah Saudi, has expressed his wish to expand in a major way into Third World development and into high-technology investments into the U.S. and Western Europe.

According to the July 15 *Events* magazine, "the main strand of Libyan foreign policy is centered on securing a place for itself in a Mediterranean Common Market of the future." *Events* notes that Libya is intent on maintaining good relations with its Mediterranean neighbors, with the "wider industrial world," and with developing countries, particularly in Africa, in order to carry out an "industrial revolution."

Events cites two examples of Libya's foreign policy strategy: an attempt to obtain "American capital and knowhow...to make a success of ambitious industrial projects, particularly in the petrochemical field"; and the establishment of "joint trading companies" with several West African countries to "market Libyan goods once the Libyan industrial revolution gets going."

The *Christian Science Monitor* July 27 portrayed Libya as in the midst of a giant internal industrial development program, a program that has been so far left unhindered by the conflict with Egypt.

The *Monitor* provided a detailed accounting of progressing trade deals, including the involvement of unnamed foreign contractors in the expansion of the key eastern port of Benghazi; the contracting of Japanese aluminum companies and Yugoslav firms to build and

Libyan Arab Foreign Bank: For Development Of The Third World

The July 15 *Middle East Economic Digest*, in a feature on the Libyan Arab Foreign Bank (LAFB), portrays it as at the center of new funding institutions for Third World development.

According to *Middle East Economic Digest*, the LAFB, set up almost five years ago by the Central Bank of Libya, "has been one of the most active Arab financial institutions outside the (Persian) Gulf." One of its most significant actions has been the establishment of the first Arab-Latin American Bank, Arlabank, scheduled to begin operations later this year. In this bank, LAFB will have 40 percent of the capital jointly with the Kuwait Foreign Trading, Contracting, and Investment Company; several Arab-European banks will hold 20 percent and 14 Latin American banks will hold the rest.

Middle East Economic Digest comments that "Libya's involvement as a major participant in setting up Arlabank comes as no surprise. The LAFB has considerably expanded its activities in the international money market and has set up several joint banks particularly in the Third World. It is also a shareholder in most major banks set up in the last four years by Arab, European, Japanese and African banking and financial institutions to channel Arab surpluses into developing projects in the Mideast and elsewhere."

Middle East Economic Digest quotes LAFB head Abdullah Saudi: "The LAFB is not in business merely to take dividends. In many cases its investment policies have been motivated by Libya's long-term domestic economic interest." With its $25 billion five-year plan, Saudi continues, Libya "requires the services of foreigners....Third World countries may not be able to provide the advanced technology Libya hopes to obtain, but they supply much of its manpower and raw material requirements. It is here that LAFB has been most active."

Middle East Economic Digest concludes that LAFB's Third World investment policy has remained "remarkably independent" despite governmental control. "The largest part of LAFB's capital," Saudi stresses, "has gone to Egypt, with which the Libyan government's relations have been strained for years.

provide technical expertise for a giant new aluminum smelter complex; the building of a 120,000 barrels a day oil refinery at Tobruk with the assistance of Italian technology; the building by Soviet experts of a 180-mile new natural gas pipeline between Libya's Sarir oil fields and of an oil and natural gas port at Brega; and an expansion of Libyan trade and investment deals throughout the Mediterranean, most notably a deal with Greece for the exchange of more than a million tons of crude oil a year in return for construction projects by Greek contractors in Libya.

The diversity of Libya's economic policy ties is further indicated by the pattern of exports of Libyan oil. In 1975, 51 percent of exports went to the United States, West Germany, and Italy, with West Germany in the lead. In 1976, the percentage went up to 60 percent, with the United States alone taking over 25 percent. Such figures make the image of Libya created by the American press a transparent fraud.

European Press On Egyptian-Libyan Conflict

Following are summaries and excerpts from other West European press commentary on the fighting between Egypt and Libya.

Financial Times, *July 23: "Pan-Arab Unity the Biggest Casualty," by Anthony McDermott:*

The ramifications are... serious. The first is that such inter-Arab fighting constitutes a diversion away from the American efforts to negotiate a peace between the Arabs and Israel. Secondly, it is a source of profound worry to Syria that Egypt, its closest ally in any serious diplomatic negotiations or military conflict with Israel, should be politically and militarily weak. Thirdly, the Arab countries as a whole are concerned that the fighting on the Libyan border reflects the weakness of and vulnerability of Egypt's government. Fourthly, this in turn they fear, could be used by Israel as an excuse not to come to positive agreements with the Arabs, because the Arab governments with which they would have to agree could be replaced... Of the two rulers, it is President Sadat whose need to protect his prestige in his own country is greatest — and unfortunately it is the Egyptian President who is the one who is crucial to the prospects of a Middle East Settlement.

L'Aurore, *July 25: "Africa is in Flames!":*

The time is now ripe to "beat the Soviets out of the Mediterranean." The Soviets will nevertheless try to regain their influence "by using and instigating instability, a war, or a crisis...

Die Welt, *July 25:*

Sadat is a moderate, but he is also an enemy of the Soviets in Africa and the Middle East. This battle is therefore a decisive one, since the fall of either Qaddafi or Sadat will have unpredictable consequence for world politics. The battle will also bring about a "partial decision" on the NATO-Soviet conflict in the southern flank area. The Soviets will not drop Qaddafi, and might even support him with Cuban troops. Sadat himself is weak, his only firm base is in the military, and his domestic situation highly unstable. But no mediation efforts will be able to cover up the real conflict, even though it might be cooled off for a while... Sadat cannot give in because his own fate depends on the struggle.

Frankfurter Allgemeine Zeitung, *July 25: "World Peace in Danger":*

The Saudis want to keep their Egyptian neighbors calm, because internal tensions there could easily blow up into a revolution. This is why they have supported Sadat up to now — but that was a Sadat who promised to keep Egypt calm, while now it is a question of whether the Saudis will continue to support him. On the other hand, the battles between Egypt and Libya are easing the Israeli situation," and Begin is bargaining for time to get the world accustomed to Israel's position on the West Bank. "Moscow... must also have its hopes awakened that it might again be able to get a foothold on the southern flank of the Mediterranean." Therefore, this is no mere local conflict.

Frankfurter Allgemeine Zeitung, *July 26:*

Sadat seems to be testing how far he can go to consolidate his domestic and foreign political positions... But the public mood will not tolerate a war between Arab brothers, unless Qaddafi tries to bomb Cairo for revenge... Qaddafi does not stand isolated — he has many enemies, but also many friends, for tactical and strategic reasons. This has been shown by Boumediene's quick decision to mediate. Also, the Soviet Union will not be provoked into intervening directly...

Les Echos, *July 26:* "France doesn't intend to propose its mediation, which has not been demanded, in an affair followed with particular attention by the Elysée, because the conflict pits against each other two nations with whom our relations are good."

Le Monde, *July 27, Editorial, "Libya and France":*

Two traditional principles guide France in this matter: neutrality in any inter-Arab dispute and the desire to favor entente between 'brother' countries at a moment when their cohesion is indispensable in the pursuit of a settlement in their conflict with Israel, so crucial for the international community.

Corriere della Sera, *July 26:*

The initial coverage of *Corriere*, the newspaper of record in Italy, was contradictory. In its lead article, *Corriere* reports that relations between Italy and Libya are quite cordial. In fact, the paper says, Libyan Prime Minister Jalloud is "very close to Roman circles, and feels welcome to drop in at Rome for a sojourn whenever necessary."

This article is however, accompanied by a Renato Ferraro-authored article datelined Cairo which states in part: "Yesterday a ray of hope shone on the situation when Sadat ordered an immediate ceasefire... The original fighting was an attempt by Libya to obstruct Egypt's initiatives to successfully convene the Geneva conference... (Qaddafi acted) in a hope of favoring a Nasserite putsch inside the Egyptian military. Qaddafi counts on the internal troubles in the Egyptian situation... Observers say in fact that Qaddafi funds the extremist Muslim Brotherhood."

Corriere della Sera, *July 27:*
Sadat's victory... a blow against Soviet influence in the Mideast and Africa. Sadat will not be long in demanding his reward from Washington — his reward being that the United States put pressure on Israel to accept the Palestinians at the Geneva negotiations. Algerian President Boumediene's "neutrality" during the whole affair in spite of his known "preference for Libya" is also portrayed as a victory for Sadat.

Il Popolo, ***the official daily of the ruling Christian Democratic Party (DC), July 26:***
Attacks the Soviet Union as being the most responsible for the outbursts of conflicts between Libya and Egypt, as well as for the hot situation in Somalia, the Soviets are accused of being "imperialist and colonialist."

Italian Diplomacy In Mideast

Corriere della Sera reported July 26 on Italian Minister Forlani's offer to act as mediator in the Egyptian-Libyan conflict. Journalist Dino Frescobaldi reports that Forlani communicated to the secretary general of the Arab League, Muhammed Riad, through the Italian ambassador to Cairo that he was fully willing to mediate. Forlani further ordered the Italian ambassadors in Cairo and Tripoli to keep in constant contact with Rome.

Corriere also reports Forlani sent solidarity messages to Algeria, Saudi Arabia, and Kuwait for their part in diplomatic moves to ensure the re-assertion of peace. Rome, *Corriere* correspondent Frescobaldi states, wants to keep the peace negotiations within the realm of inter-Arab circles. Italy, the Forlani message says, "wishes to express the concern of all Mediterranean countries interested in maintaining good relations among all countries in the area."

Corriere reprints in part the points of Forlani's communique to Arab League secretary general Riad:

"1. Italy maintains that a new break in the Arab world (Egypt-Libya war) is most dangerous because it threatens the destabilization of other governments in the region which could turn into a confrontation between the Soviet Union and the United States.

"2. There exists an indirect link between the uprising of the Egypt-Libya conflict and the lack of prospects for a short-term solution to the Israeli-Arab conflicts.

"3. It is necessary to go to the root of the tension, that is, to solve the Arab-Israeli conflict, if one wishes to avoid the dangers of destabilization of the area."...

Corriere della Sera July 27 reports that Italian Communist Party Central Committee member Giancarlo Pajetta is heading up a PCI delegation to Libya. Accompanying Pajetta are Giovanni Berlinguer (brother of the secretary general of the PCI), who is the PCI's Central Committee member in charge of culture and Antonio Rubbi, the PCI Central Committee's vice-sector head for foreign affairs.

Horn Of Africa Heats Up

Egyptian President Anwar Sadat's U.S.-ordered attack against Libya is already threatening to spill over into the Red Sea littoral, with potential danger spots currently centering on a U.S.-Sudanese sponsored onslaught against Ethiopia. The Egyptian government-controlled newspaper *Al Ahram* claimed July 27 that Libyan and Ethiopian envoys met before the "Libyan attacks" on Egypt for unspecified "coordination." Among his attacks against Libyan leader Qaddafi, Sadat issued a warning against Libyan "subversion" of the regime of Sadat's junior partner, Sudanese President Jaafer al-Numeiry.

Both Sadat and Numeiry are doing their best to further inflame the backward nationalist tensions in the region by pushing for the creation of an Arab zone of influence, or an "Arab Lake" on the Red Sea — a proposal designed to further isolate Christian Ethiopia and to draw pro-Socialist Somalia into Sadat's Arab nationalist anti-communist alliance.

At the same time, the U.S. State Department has launched direct provocation against the Soviet Union, with announcements this week that they are prepared to sell arms to Soviet ally Somalia, to the Sudan, whose army is presently poised to strike on the Ethiopian border, and to Egypt.

The socialist bloc's response to the increased Carter Administration provocations came in a Radio Prague broadcast July 28 charging the U.S. with "stepping up their efforts against Ethiopia and drawing her neighbors into a dangerous game. This is especially the case with Sudan, acting on the orders of Saudi Arabia. ...Ethiopia is now under pressure, and the imperialists are giving full support to movements like the Ethiopian Democratic Union and the separatists in Eritrea and Ogaden. And the imperialists are inciting hate against Ethiopia among her neighbors. ...The progressive forces of Africa support Ethiopia in its struggle and the socialists countries stand on the side of Ethiopia in her fight to defend her revolution."

In addition, the Defense and Prime Ministers of the People's Democratic Republic of Yemen, across the Red Sea from Ethiopia, have made an unscheduled visit to Moscow, where they are meeting with Soviet Defense Minister Ustinov and the Chief of the Soviet Naval Staff Admiral Gorshkov.

The Ethiopian government has also officially acknowledged the presence of Cuban and Soviet advisors in their country, helping to rearm and reorganize the Ethiopian army to defeat the numerous foreign-sponsored secessionist groupings threatening to dismember the country. This latter move is a clear signal to the Carter Administration that the Soviets have made a commitment to Ethiopia which they are not going to abandon.

Ethiopian head of state Mengistu is also making peace overtures to various of the secessionists. Speaking to the Lebanese newspaper *Al Horriya*, July 24, Mengistu reiterated his willingness to negotiate regional autonomy with the pro-socialist faction in the secessionist movement in the coastal province of Eritrea. He also offered regional autonomy to Ethiopia's various ethnic groups, within a federal Ethiopia. Mengistu expects the Soviet-aided reorganization of his army to restore his government to a position of strength vis-à-vis the guerrillas in Eritrea, who have now taken most of the province.

In southern Ethiopia, guerrillas of the Western Somali Liberation Front have made numerous attacks on Ethiopian positions in the last week, and both Ethiopia and Somalia have charged the other with border violations with regular troops. The Somali government has also, however, disclaimed responsibility for the actions of the Liberation Front, leaving the door open for a rapprochement.

Far from backing Carter's reckless challenge to the Soviets on the Red Sea, European leaders are backing off in horror from the coming blowup. In response to reports that the British government was joining the rush to try and pull Somalia away from their close Soviet relations with arms deals, London's conservative *Daily Telegraph* today cautioned "Ethiopia will remain the largest community on the Horn of Africa. Whatever happens, it will continue to be of great importance, and it would be foolish to alienate them for a temporary advantage."

French President Giscard, whose foreign policy has been moving further and further from Carter's took pains today to soothe Ethiopia and the Soviets by emphasizing that the visit to France later this year by Somali President Mohammed Siad Barre was a "working visit," and not an official courting of Siad by Giscard. The West German Social Democratic newspaper *Vorwärts* today praised Giscard's Africa policy as "following in the footsteps of De Gaulle," whose Africa policy was noted for its independence from the U.S.

—Peter Buck

Soviets Back OPEC To Expedite Break With Dollar

The Soviet Union has offered the Organization of Petroleum Exporting Countries (OPEC) closer cooperation on the economic and oil fronts as an alternative to going down with the bankrupt dollar system. A number of trade deals and articles in the Soviet press on Soviet-OPEC cooperation confirm that Moscow is proceeding with its efforts to win OPEC trade through new monetary arrangements — a perspective first enunciated through Kuwaiti and French press sources earlier this year.

The Soviet party paper, *Pravda*, in unusual statements published twice in the last two weeks, has praised the Shah of Iran for his independent course toward industrialization and for increasing the role the Soviets are playing in Iranian development. *Pravda* also urged OPEC this week to hasten its creation of an independent oil tanker fleet, a critical precondition to breaking with the multinational oil companies. Noteworthy in this pattern of closening OPEC-Soviet relations is a deal recently signed between Saudi Arabia and Moscow which will supply the officially anti-Communist Saudis with water drilling facilities.

The Soviets are urging the oil-rich nations to use their immense wealth in triangular deals with Europe and Japan for non-speculative investment in industrial and agricultural development of the Mideast. This throws powerful weight behind the anti-dollar factions in OPEC centered around Kuwait and Iraq, both of which have been working overtime to pry the Saudis away from further investment in the inflationary Eurodollar market and U.S. treasury paper. With an estimated $17 billion of Saudi surplus invested in the U.S, most of which is in the Treasury or Wall Street banks, the Saudi Arabians face the immediate decision of going down with the threadbare dollar system or pulling out while there is still time.

The Saudi Arabian royal family has for months been divided over this very issue, with the most viable alternative being to back the Kuwaiti proposed regional currency, the gold-backed dinar. According to a source closely associated with the Saudi Arabian Monetary Agency (SAMA, the Saudi Central Bank), the royal family is showing signs of reaching a consensus in favor of the Kuwaiti proposal. The gold-backed dinar is strongly supported by both the European Economic Community and the Soviets and would directly interface with a European "golden snake" and the Soviet transfer ruble. The second part of a new currency system for the Arab world would be the enlargement of the just founded Arab Monetary Fund to serve as a vehicle for extending loans to both the developing Arab sector and the Third World. The stormy shift now occurring in Riyadh was fueled by the collapse of the dollar as well as by Israeli Prime Minister Menachem Begin's official approval of three Israeli settlements on the West Bank, a move the Saudis associate with Washington.

Rush For The OPEC Billions

Under the pressure of the dollar crisis, the Rockefeller family has engaged in a drive to capture the billions of surplus petro-dollars by attempting to break up the OPEC cartel, through the good services of Senator Jacob Javits and Senator Frank Church. The Saudi Arabians have been the major target of such efforts. On Aug. 6, the International Monetary Fund will convene a meeting of contributors to the so-called Witteveen Fund which includes the wealthiest OECD countries plus the Saudis. Despite months of strongarming, in some cases by David and Nelson Rockefeller personally, the Saudis have not been forthcoming in making their multi-billion dollar contribution to the fund — Rockefeller's "bailout" account for the New York banks. Preceding the meeting, Secretary of State Vance will arrive in the Mideast where he is expected to up the pressure on Riyadh to come across.

Whether the IMF and the dollar survive the next two weeks, however, will be determined in Vienna on Aug. 4, when the OPEC finance ministers hold an extraordinary parley to discuss alternatives to the dollar. A gold option was known to have been the major subject of closed-door talks during the OPEC oil ministers meeting in Stockholm earlier this month. This option is known to be favored by French-centered European financial circles.

Tug of War in Riyadh

According to the West German *Frankfurter Rundschau*, the faction fight between Saudi Crown Prince Fahd, a close associate of the Rockefellers, and a grouping around the second Crown Prince Abdullah who supports the Kuwaiti dinar perspective, has been so intense recently that all government decision-making in the country has come to a standstill. While the power struggle in Riyadh is reported to center around the shape of a new government following the abdication of the ailing King Khalid, in fact it reflects long standing division within the ruling elite over the issue of Saudi Arabia's traditional close allegiance to the U.S. Since the early 1960s, Nasserist linked members of the Saudi elite have opposed Saudi Arabia's one-sided foreign policy. This time, with an historic international shift impending on the monetary front, the divisions in the desert kingdom have reached a head.

A meeting of the country's most powerful princes is to convene in mid-August, at the behest of King Khalid, to iron out the differences and determine the line of succession. Although Fahd is virtually assured of being named king, the real issue is whether or not Abdullah will retain control over the powerful National Guard and receive the first Crown Prince position. Khalid's willingness to abdicate probably depends on his close ally Abdullah securing these two positions, thus preventing the distrusted Fahd from gaining total control over the complex Saudi decision-making process. The current dollar crisis and the recent behavior of Carter and Begin have strengthened Abdullah's hand.

Recent shakeups in the Saudi government hierarchy are being attributed to Fahd's jockeying for support in anticipation of the August meeting. Last month Desalination Minister Mohamed ben Faisal, known to back Abdullah, suddenly and unexpectedly resigned. Shortly thereafter two of Fahd's close relatives were appointed to high cabinet positions. The Cuban wire service *Prensa Latina*, however, pointed out last week that a number of influential princes are increasingly suspicious of Fahd's audacious power play and for that reason could even withdraw their support for his succeeding Khalid.

Pressure for a change in the medieval social structure of the kingdom is being felt within the military. According to a Chase Manhattan source, both the National Guard and the Saudi military are more than ever under the sway of external progressive Arab influences which favor an independent monetary course, including both Egyptian Nasserist networks and the Iraqis. The most recent issue of the *International Currency Review* (ICR) reports that the current regime was nearly overthrown last month by leftists backed by Libya with inside support from a "powerful faction within the royal entourage" that wants "to loosen Saudi Arabia's ties with the U.S." While the coup was unsuccessful, two Saudi pilots defected in fighter jets to Iraq, thus causing a major security clamp down in the kingdom. *International Currency Review* reported that in anticipation of a successful coup, an oil rich country dumped a large amount of dollars — a reference most likely to Kuwait.

Aramco Nationalization Pending

In the first interview given by Saudi Oil Minister Sheikh Ahmed Zaki Yamani since the OPEC meeting earlier this month, he stated that the long overdue Saudi takeover of the oil giant Arabian American Oil Company (ARAMCO) is due in a "few weeks." Yamani's reference certainly alludes to the outcome of the mid-August meeting. It is widely known that Fahd, with a close allegiance to Exxon, has repeatedly blocked the previous efforts to complete the nationalization. *Petroleum Intelligence Weekly* reports that already the Saudis are selling crude to the four partners of ARAMCO, Socal, Exxon, Texaco, and Mobil, as if the terms of the takeover were finalized. The nationalization of this Rockefeller-controlled oil enterprise is a pressing element in the successful establishment of a new monetary system. In recent months, Iraq has taken new initiatives in building regional pressure with Kuwait to force the Saudis to finally sign the nationalization contract.

In a rare reprint of an article from Iraq's *Baghdad Observer* in the most recent issue of the weekly *OPEC Bulletin*, the Iraqi government lashes out at the Rockefeller-founded International Energy Agency (IEA), and its drive for building strategic stockpiles such as the Carter Administration is now implementing. Fahd during his recent visit to the U.S agreed to supply the U.S. with its first shipments of crude for the Louisiana salt storage domes. The *Observer* warned that the IEA was committed to destroying OPEC by taking over worldwide distribution of oil, a warning similar to that which came from Yamani in late 1976.

Soviets on the Move in the Gulf

The Soviets, meanwhile, continue to firm up far-reaching deals with the Persian gulf states, Kuwait, Iran and Iraq. At the same time, these three powerful OPEC countries have begun an unprecedented effort to strengthen diplomatic and trade ties.

Both Iran and Kuwait are presently bartering oil to Eastern Europe as part of an agreement with Moscow to break Comecon dependence on Soviet produced crude oil and thereby allowing the Soviets to market oil to Western Europe. Longstanding regional disputes between these three Persian Gulf countries are rapidly being settled preparatory to expanding economic relations. The Iran-Kuwait-Iraq axis is increasingly a powerful influence on Saudi Arabia within OPEC.

New Bombardment Of Lebanon Shatters Fragile Truce

The three-day old truce signed by Tripartite Committee members Syria, Lebanon and the Palestinian Liberation Organization (PLO) collapsed July 28 under joint Israeli-Lebanese fascist bombardments against the villages of Nabatieh, Tibnit and Saida in southern Lebanon. According to WAFA, the Palestinian news agency, three have died from this latest round of Israeli-backed attacks against the Palestinians.

LEBANON

According to the terms of the fragile truce signed in Chautra, Lebanon on July 25, all PLO and fascist armed forces will be withdrawn from southern Lebanon. The PLO has also agreed to partially disarm the Palestinian camps in the region and to officially support the government of Lebanon's President Elias Sarkis. Any attempt to torpedo this accord is designed to maintain the Lebanese powderkeg on a short fuse and thus set the stage for a massive Israeli-Christian mop-up against the Palestinian resistance movement.

Tripartite Diplomacy

The decision to consolidate a peace-keeping force in southern Lebanon was preceded by extremely heavy fighting between two warring factions of Palestinians, the pro-Syrian Saiqa and Iraqi-backed Popular Front for the Liberation of Palestine (PFLP) which resulted in twelve deaths. After an emergency 10-hour meeting called by PLO leader Yasser Arafat in which Saiqa was held fully responsible for the bloodshed, Abou Iyad, number two man of the PLO was immediately dispatched to Damascus for top-level discussions with Saiqa's controller, Syrian President Hafez Assad. Iyad's trip coincided with a not-so-subtle statement issued by Iraqi President Al-Bakr attacking "submissive Arab regimes." Under this joint PLO-Iraqi pressure, jittery Assad agreed to put a moratorium on all Saiqa-provoked in-fighting in the Palestinian movement. Immediately following this Syrian-PLO rapprochement, Syrian Foreign Minister Khaddam was sent to Lebanon to meet with his counterpart Butros with the intention of integrating Lebanon into this newly-formed axis.

According to a July 10 article in London's *Sunday Observer*, internal pressures and the growing isolation of the Syrian regime in the moderate Arab world has forced Assad to turn eastward to Iraq and the Soviet Union for support. It is also rumored that Assad is vehemently opposed to Egyptian President Sadat's role as spokesman for a Carter-Begin Pax Americana. This about-face in Syrian policy is supported by Abed Robbo, information minister of the PLO, who reported that a process of encirclement was taking place: "Under the pressure of Saudi Arabia, King Hussein is letting go his long-time ally, Syria, in order to get closer to Egypt. The contradictions between the two parties, born of the Lebanese war, have cooled down. The Syrians have realized that since the accession of Israeli Prime Minister Begin to power, the Palestinians are not the only impediment to peace."

A Strong Lebanon

A complete turnabout has taken place in Palestinian policy toward Lebanon. The PLO has agreed that only a strong Lebanon and a strong Lebanese army can assure peace in this troubled spot and thus extricate the Palestinian resistance from this potential grave. According to the French daily *Le Monde*, all Palestinian factions, including the hardline Rejection Front agree with Arafat on this point. The prevailing policy in the country is that the recently formed Tripartite Committee will give the shaky Lebanese government of President Elias Sarkis the "required backup" to consolidate a unified Parliament and reconstitute a functioning Lebanese army. Rightist Christian leader Pierre Gemayel, head of the Lebanese Front may soon join the government, thus isolating the Lebanese Christian faction of Israeli agent Camille Chamoun. A strong Lebanese army could then clean up the Chamounist bandit networks in southern Lebanon under the Tripartite sanction against all armed activity in the area, thus relieving Syria from the pressure of having to cross the "red line," an area which the Israelis have designated as off limits to any Syrian troops. The crossing of this so-called red line would trigger a massive Israeli retaliation against the Syrian state.

A recent article in the *Christian Science Monitor* reports the reconstitution of the Lebanese army is looked forward to, especially by those forces who fought on the leftist side in the civil war and who are currently fighting alongside Palestinians in south Lebanon. Captain Amin Qassem, who commands a 1,000-man unit in the south, said that his men are anxious to rejoin the official army under Brigadier General Khoury, but warned that Lebanon cannot form an army without his units. "Without us," he said, "it would be just a Christian army." The Captain said that the new army must disarm all the private militias — right and left — but must leave the Palestinians free to operate in southern Lebanon. It will also mean the end of Israeli-Chamounist butchery of the Palestinian resistance in the area.

Carter, Vance 'Split' On Israel's West Bank Settlements

On his return to Israel after meeting with President Carter in Washington, Israeli Prime Minister Menachem Begin formally authorized a government decision to legalize three Jewish settlements in the Israeli-occupied West Bank. Early reports from Washington claimed that the authorization had been based on a covert arrangement agreed to by Carter and Begin; a report from the *Daily Telegraph* of London leaked that the two leaders had arranged a "secret deal" over the West Bank.

In his July 28 Washington press conference, Carter virtually endorsed the provocative Begin move, claiming that "this was a major political issue in Israel" and that Begin, "like myself, has run on campaign commitments and I think he is trying to accomodate the interest of peace as best he can."

Preceding Carter's mouthings, the State Department July 26 condemned Begin's moves as a "violation of international law." Secretary of State Cyrus Vance moaned that he was "deeply disappointed" in the legalization of the settlements.

The seeming contradiction in these postures can be readily explained by the Carter Administration's simultaneous intent to buffer up an Israeli military threat against the neighboring Arab states while nurturing an illusion of "U.S.-Israeli confrontation" in order to provide Vance with some desperately needed bargaining chips with the Arabs when he arrives in the Middle East August 1 for a renewed round of shuttle diplomacy moves. These "pressure Israel" bargaining chips are fundamental to the Administration's strategy of blackmailing Arab leaders into abandoning the Palestine Liberation Organization in the context of U.S.-mediated Arab-Israeli negotiations.

The detailing of the Carter Administration's strategy was laid out succinctly by *Washington Post* editorialist Stephen S. Rosenfeld July 29. Rosenfeld insisted that the PLO is "being eased out of the picture by Arab states intent on reaching a settlement" and on accepting the "geographically, politically and militarily constricted 'homeland' that is on Jimmy Carter's drafting board." Claiming that the Arab states are agreeing to "reduce" the PLO — for example, "it is no surprise to see (Jordan's King) Hussein kissing off the PLO" — Rosenfeld lied that "Moscow is going along."

The crimp in the strategy, however, is Israel's West Bank policy. Noting that for the Arabs, the PLO's "departure... will be an ordeal," Rosenfeld worries that "the danger of Begin's religious obsession is precisely that it keeps Israelis from looking objectively" at the option of destroying the PLO.

The majority view of veteran Mideast observers is that the whole "grand design" of having the Arabs "sell out" the PLO is doomed to failure since, in the words of one former Mideast diplomat, "Vance doesn't know a damned thing about the Mideast and would be better off staying home."

Similarly, a top RAND Corporation Mideast hand assessed that "I can't see the Arabs agreeing to abandon the PLO. Sadat (of Egypt) may want to, but he has emerged too weakened from this Libyan adventure to do it. And Assad (of Syria) has no intention of doing that, he needs the PLO for his own Mideast plans."

A Deal With Begin?

Begin, who prior to his Washington trip had shown signs of adopting a foreign policy independent of Washington, has recently shown signs that he is playing along with the "Destroy the PLO" brinksmanship strategy. In a New York speech July 22, Begin yelped that the PLO was Israel's most "implacable enemy since the Nazis." The PLO's aim, he insisted, was to restore the Nazi concentration camps, "Auschwitz, Buchenwald... They will never succeed in doing so."

Begin is also the first Israeli premier to loudly proclaim his government's support for Lebanon's fascist militias in southern Lebanon, under the mantle of "defending the Christian community." Ultra-nationalist Begin likened "the Christians" to "the Jews when we were in Europe — isolated and persecuted."

Such proclamations may presage the Israeli move in force into southern Lebanon — the overt blackmail side of Vance's attempts to armtwist the Arabs into deserting the PLO.

China At The Crossroads

Teng Hsiao-ping, China's symbol of pragmatism and realism after a quarter century of Maoism, has at last become the de facto head of state and leader of the Communist Party of the People's Republic of China. Few observers doubt that Teng, not party chairman and interim prime minister Hua Kuo-feng, is the real power in China, after his reappointment to his former posts of deputy prime minister, party vice-chairman, and army chief of staff, and his elevation to the number three spot in the Peking hierarchy after Hua and aging Defense Minister Yeh Chien-ying. Teng's return — on his own terms — after he helped engineer the downfall of the "gang of four" top Maoist acolytes in October and maneuvered to ensure the repeal of most Maoist domestic policies and the purge of thousands of Maoist cadres — signifies the victory of the faction he heads and the policies he has stood for since his first rehabilitation by Chou En-lai in 1973.

CHINA

Teng's policies are discipline in the factories, emphasis on economic productivity, reintroduction of learning to the school system, fostering of science, and the importation of foreign technology. Broadly, they represent the bare minimum needed to pull China back from the brink of the economic collapse and political disintegration to which Maoist misrule had brought the country since 1958. The common-sense sanity of the Tengist approach — which bears for the Chinese an uncomfortable similarity to the Soviet model they so rudely abandoned after 1957 — is completely contrary to the atavistic emperor-rule of the late Mao Tse-tung, who calmly contemplated the destruction of the country's science, education, and economy to fulfill his mystical dreams and destroy his factional opponents. In the nine months since the October arrests of Mao's widow Chiang Ching and her three Politburo colleagues, most of the program first put forth by Teng in summer 1975 has been progressively carried out.

The Chinese population's response to Teng's return shows the degree to which the putative mass support for the Maoist line masked a yearning for relief from the barrenness, hypocrisy, and insanity of life under Mao. Despite the lengths to which the press has gone since October to portray the forced march away from Maoism as in fact what Mao *really* meant, every aware Chinese knows that the post-October regime has repudiated everything but Mao's name. The public return of Teng reassured the population that nothing can now interfere with the implementation of his program. The July 22 announcement by radio and loudspeaker of the Central Committee decision restoring Teng was hardly completed before masses surged into the streets, fireworks went off, and police cordons were overwhelmed by festive crowds.

China, U.S. and Europe

Despite Teng's domestic policies, China's foreign policy has changed little since Mao's death last September and remains a significant factor for world war. The psychotic rage against the Soviet Union displayed by Mao has shown no signs of abating, while China continues to play dangerous games in several African hotspots and courts U.S. warmongers like Elmo Zumwalt and James Schlesinger. China shows no outward signs of any serious perception of the world strategic situation, and appears to be operating on an updated version of the ancient "manipulate the foreign barbarians" maxim.

European political circles greeted Teng's return with unconcealed pleasure. The most explicit welcome was given by the right-wing London *Daily Telegraph*, whose military correspondent, Clare Hollingworth, the paper's former Peking correspondent, is rumored to have had direct links to the Teng faction. Two warm editorials were accompanied by several Hollingworth articles claiming that European NATO circles were overjoyed by Teng's return because it meant a continuation of China's anti-Sovietism and close economic ties with the West. Hollingworth speculated that Teng would normalize diplomatic relations with the U.S. later this year and warned British businessmen they had better conclude trade deals to provide China arms and factories soon or risk losing the business to the U.S. The universal expectation in Europe is that Teng will import vast quantities of technology and capital, and large numbers of military aircraft and other weapons, even if it means abandoning China's longstanding policy of taking on little credit.

From the U.S. side, the response has been extremely cautious. Teng is known as a hard bargainer and a testy individual. He gave Cyrus Vance, scheduled to visit Peking in August, a rough time when Vance made a private visit to China in 1975. It is not known whether Vance is prepared to accede to the three Chinese conditions for establishing full relations: end of U.S. recognition of the Taiwan regime, end of U.S. military presence there, and abrogation of the U.S.-Republic of China defense treaty. It is more likely that Vance hopes instead for some Chinese concession, such as a statement to the effect that China will not use force to conquer Taiwan. In that case, Teng's return insures the abortion of Vance's mission.

A subtle change in Chinese foreign policy, however, seems to have occurred in recent months. If confirmed, the change would constitute a "second world-third world" strategy of allying with Europe, Japan, and the Third World against the "first world" in the Chinese lexicon, the two "superpowers," the U.S. and the Soviet Union. While in no way altering China's vituperative anti-Sovietism, the shift would doom the scenario pushed by Rockefeller circles, notably Zbigniew Brzezinski and

James Schlesinger within the Carter Administration, to conclude a military alliance with Peking against the Soviet Union.

One hint of the policy shift comes in China's coverage of the strongly pro-Soviet liberation movement in Rhodesia which China had almost ignored until recently. Chinese de facto support for South Africa against pro-Soviet Angola has been dropped and a major effort to court the liberation movement has emerged. In coverage of the arms race and the Belgrade CSCE meeting, the Soviets are treated comparably to the U.S. in the Peking press. A third hint is the sudden breaking of a long silence on Korea and the strong denunciation of the South Korean regime and of U.S. policy there. China's strong support for North Korea and rejection of any scheme to recognize both Koreas makes difficult the Carter Administration's attempt to bring China in on a deal to close the Soviet Union out of the North Pacific.

The first outlines of Peking's "second world" approach became manifest under Teng's previous tenure as de facto head of state in 1975, when a host of conservative European leaders visited China, and Teng visited France — and it disappeared with his fall in early 1976. Teng probably now advocates an "equi-distant hostility" toward both the U.S. and the Soviets. After a trip to Peking, Japanese Socialist Party leader Narasaki reported that China views the Carter Administration as no different than the Ford Administration, which it cordially disliked.

Europe has an excellent opportunity to consolidate its trade ties and exert diplomatic pressure on Peking to support Europe against the U.S. — putting the Chinese rhetoric about the importance of a strong and united Europe to the test.

The Long Road Back

At home, the Teng regime faces a monumental mess. In education, all schools in China were closed for four to five years after 1966 and the colleges and universities for longer. When the colleges reopened, academic ability or achievement was not an entrance requirement, and all high school graduates had to serve three years on a farm before becoming eligible for college. Scientists were constantly badgered and attacked, forced to do stints in the countryside and terrorized out of doing any basic or theoretical research. The combined result has been a hideous collapse of both educational standards and scientific competence. Equally disastrous, standards of efficiency and productivity in Chinese industry fell to abysmal levels as "political" meetings wasted huge chunks of each working day, factional brawls closed factories for weeks or months at a time, and workers who hadn't seen a pay raise in 10-15 years found no incentive to work except at leisurely paces.

Since October, the regime has tried to rectify these problems. Recently articles in the press are stressing the importance of intellectuals and their role in science. A typical article in the July 8 edition of *Peking Review* entitled "Intellectuals Are An Important Force in Socialist Revolution" quoted judiciously from Mao's pre-1958 writings — before Mao's 18-year rampage against the intellectuals — to extol intellectuals' role in the economy and to excoriate the gang of four's anti-intellectual campaign. A *Kwangming Daily* article in early July said that "every achievement of (our) socialist revolution and construction has embodied the joint efforts of mental work and the sweat of the workers, peasants and intellectuals," and praised the intellectuals for having "made important contributions in developing China's science and technology, culture and education and training new forces."

A June 30 article in the *People's Daily* shows how far the regime is prepared to go in repudiating Mao. The article scathingly attacked one of Mao's pet campaigns — albeit while exonerating Mao himself — to force scientists to "learn from the peasants" in "open door research." "Some of the projects scientific personnel are engaging in are needed by the masses today and some tomorrow; on some, the scientists should work with the masses and some need study by scientists first. We must make a concrete analysis of a concrete situation. That is why the report (by Teng) advised against speaking of 'open-door scientific research' in general terms."

Frequent features have elaborated the intimidation of scientists, and the abandonment of theoretical research under Maoist rule.

Other articles have admitted that China has turned out a generation of maleducated ignoramuses, and have called for a return to examinations, study, and graduation and college admission on the basis of talent, not slogan-spouting. Quietly, the policy of sending high school graduates to farms for three years has begun to be abandoned for the brightest students, and those who are sent away now generally go to a suburb of their home city, not frontier areas, as in the past.

In the economy, the regime has tried to raise productivity, eliminate meetings on company time, tighten discipline, and give managers the decisive say in how the factories are to be run. Numerous articles have also appeared extolling the importance of foreign technology. However, China has yet to make any major purchases of western plants or technology since Mao's death.

Here lies a critical problem for which there is no easy answer. China needs tens of bilions of dollars in foreign plants to get its industrial program moving. The burden would be easier if China were to accept large-scale credits. But China must also raise the wages of its workers substantially if it is to get higher productivity, which means it must also produce equivalent additional consumer goods to avoid inflation, a task it can ill afford right now. A wage-raise now could be disastrous economically, but is essential politically.

A second problem is the credibility gap between government, party, and press statements and reality. The Chinese population is deeply infected with cynicism and mistrust toward the government and party, while most people live from day to day trying to take as little initiative and responsibility for anything as possible. The most demoralized is the "lost generation" of students in their twenties — tens of millions of them — who are poorly educated and also deeply affected by the insanities, hypocrisy and betrayal of the Cultural Revolution period from 1966-68.

— *Peter Rush*

Mexicans Challenge Europe To Create New World Economic Order

MEXICO

The Mexican delegation at the Third European-Latin American Interparliamentary Conference, held July 25-27 in Mexico City, presented a set of economic and political proposals which challenged the European governments to break with the U.S. Atlantic Alliance and join the struggle for the new world economic order as the only way to prevent world holocaust. The Mexican Congressmen turned the yearly meeting into a forum for debate on debt moratorium and the creation of a "European-Latin American Bank" for multilateral development projects and trade.

Their proposal closely parallels key features of the private International Development Bank recently proposed by Lyndon H. LaRouche, Jr., chairman of the U.S. Labor Party. This bank, together with former Mexican President Luis Echeverria's Charter of Economic Rights and Duties of States, were approved as concrete instruments for the creation of a new world economic order in a final document issued by the Economic Commission of the Interparliamentary meeting.

The Mexican delegation included many members of the "economist group" within the Mexican Congress. This group, strongly influenced by renowned nationalist economist Horacio Flores de la Pena, is closely associated with former President Echeverria.

Mexican Deputy:

New Order Or War

The following are excerpts from the keynote address of Augusto Gomez Villanueva, leader of Mexico's House of Deputies and president of the Latin American delegations to the Third European-Latin American Interparliamentary meeting, July 25, 1977.

The peripheral regions are now face to face with the world center of economic power in their fight for independence within interdependence. The pillars of economic power want to reconcile a technocratic model founded on multinational economic expansion with a model based on restricting the public investment sectors of the developing countries. They seek to determine all internal financial policies, and that means abrogating the rights reserved solely for the sovereignty of each country.

When the centers of international capital force the poor countries to reduce inflation, public spending, and their population growth, they are indirectly forcing them to reduce their development, that is to say, to opt for the stagnation of education, of food and fuel production; or rather, to follow the road of the profitableness of capital, sacrificing the objectives of social justice. Our countries do not accept the imposition of prefabricated schemes by the principal centers of power, because they would turn us into showcases of fictitious development and backrooms of misery....

Debt Moratorium or War

As long as the abyss between debtor and creditor nations continues to grow, the world will live on the edge of catastrophe and food shortages will be able to turn into starvation and violence. The current deficit in the balance of payments of the oppressed countries...represents a ten-fold increase in less than ten years. These figures demonstrate to us that the present system of marketing, of money and credit only favor the banking centers and the huge multinational companies. If these powers insist on maintaining this relation of concentrated wealth versus the collapse of two thirds of the world, it would mean institutionalizing injustice and unleashing war. We must recognize, in addition, that the foreign debt of the Third World is already $300 billion dollars, while the war-making powers spend $350 billion in the absurd arms race....

The money of many dependent countries floats and devalues to the degree that the money of the industrialized countries revalues under major fluctuations decided at the top. The disruption of monetary patterns unleashes an exaggerated inflation in the market economy, which in turn dramatically damages the underdeveloped regions. It forces us to double our payments for imports of machinery and imposes on us incalculable financial burdens. To this, we must add the food deficit which reaches as much as 20 million tons of grain a year in Asia, Africa and Latin America.

Those who believe these figures are conjunctural are mistaken. We are dealing with a structure erected on irrationality; it must disappear to make room for the creation of a new international economic order, the only way to shut out global violence...

To isolate the phenomena of our world would be a myopic distortion with fatal consequences. To separate economic relations from human rights, inflation from urban violence or foreign debt from food shortages would be to propagate a fallacy which, when intentional, is identifiable as a colonial attitude. If we do not face up to the causes and their effects in their totality, we will forfeit the political responsibility that we hold as legislators, and history will condemn us. If on the contrary, the voices of those who are elected by their people express the necessity of transforming the present state of inequality into a new international statute of economic and social justice, we will be asuming ethics as a rule and reason as the instrument which will open the future to a society without oppressors or oppressed...

A New World Order

The juridical instrument for realizing this ideal already exists, and was adopted by 120 votes in the United Nations on December 12, 1974 (the Charter of Economic Rights and Duties of States). The long and difficult process that this new international economic law had to go through reflects the resistance which still opposes peaceful change of unjust structures.

The international community made up of 138 nations manifested the will of 3.2 billion inhabitants on five continents in favor of the new economic order to which this instrument of equity — recognized by humanity as its bill of rights — aspires....It is foreseeable that the six countries which voted against it and the ten which abstained, now recognize the historic vision that the Charter entails, its justice, its equilibrium and its humanist philosophy of the development of peace, liberty and democracy...

The shared interests that connect us are only a reference point which does not go beyond the level of abstraction as long as the norms of economic rights established by the Charter are not implemented; those norms are the sovereign rights of each nation to determine the free use of its natural resources; the respect for the right of each people to adopt the economic structure that suits them and to give to private property the forms that public interest dictates; the subordination of foreign capital to the laws of the country where it operates; the absolute prohibition of multinational corporations intervening in the internal affairs of the nations; the abolition of those commercial practices which discriminate against the exports of the nonindustrialized countries; agreements that guarantee stability and a just price for basic products; a broad and adequate transfer of technology and science, at less cost and with more promptness, in favor of the backward nations, and greater long-term financing for development, at low interest rates and without strings attached...

'Atlanticism Is Obsolete'

The following are excerpts of the joint presentation made to the economic affairs committee of the Interparliamentary meeting July 24 by Mexican economists and Congressmen Jesús Puente Leyva and Armando Labra.

Although the developing countries, especially those of Latin America, are fighting to get Europe to play a role more commensurate with her political weight, this fight is seriously limited by the restrictions imposed by Atlantic solidarity. To date Europe — the European Economic Community — has maintained an international policy which has not dared express, to its ultimate consequences, an open rapprochment with the countries of the Third World, including Latin America.

It is indispensable for all the industrialized countries — not only the EEC — to abandon the obsolete conception of the so-called hegemonic spheres of influence, inspired by a conception of geopolitical inertia which is inconsistent with the dynamics and growing interdependence of today's world economy....

From this perspective the underdeveloped countries fear that the North American notion of the new order means, above all, a reactivation of the Atlantic Alliance.

Call For A European-Latin Bank

The following are excerpts from the proposal made by Mexican economist and Congresswoman Ifigenia Navarrete for the creation of a European-Latin American Bank, during the opening session of the Interparliamentary meeting. Mrs. Navarrete's statements are reprinted from the Mexico City daily El Nacional *of July 25:*

One of the objectives of this institution would be to channel European investments into Latin American multinational (development) projects, and to finance trade between Latin American countries and the European Community. It would also include regularized investment in enterprises involved in the classification, preparation and packaging of agricultural products for export, including the cash requirements of exporters and of the exporting itself, to be understood as the financing of one or all of the necessary operations involved in the export of goods and services....The bank can issue loans to national institutions of exporting countries, purchase credit notes issued by the national institutions and rediscount the importer's letters of credit guaranteed by national institutions. By means of the rediscounting procedure, the national institutions would transfer directly to the bank the unconditionally-guaranteed credit notes issued by the importing country, after which the bank would place them in the capital markets....Additionally, the bank could preside over a pool of commercial banks to control the discounting of any commercial paper, such as letters of credit, promissory notes, etc. With regard to export financing, a specialized fund could be set up for financing reinvestment on the basis of studies of internal markets and the feasibility of development projects...

Brazilian Economy: Milked, But No Sugar

"The expansion of internal markets would simply bring Brazil to international insolvency.

"The balance of payments must be balanced by hook or by crook, and an adjustment through insolvency (default — ed.) would lead Brazil into a catastrophic crisis, not only of national credibility, but also of production and employment as a result of the inevitable rationing of essential imports."

— Mario Simonsen, Brazilian Finance Minister to the Superior War College, July 9, 1977.

The Finance and Planning Ministers of Brazil felt themselves obliged to parade before the country's Superior War College three times during July to warn the Brazilian military against ideas of expanding the internal economy and of defaulting on Brazil's $30 billion foreign debt. Their unusual deployment bespeaks an angry armed forces reaction to a package of severe restrictions on internal and external credit announced at the end of June and to increasing bankruptcies of local businesses.

On June 23, monetarist Finance Minister Mario Simonsen rammed a package of credit cuts against industry and agriculture through the National Monetary Council. Simonsen did this by using the mandate for a "crusade against inflation" given him by President Ernesto Geisel. Inflation has increased by 46 percent during the past year, despite efforts to stop it by increased wage-cutting, cutbacks in the government capital budget, and restraining private-sector credit. But these monetarist remedies have only made inflation worse by pushing up the price of scarce credit and encouraging speculative use of capital while lowering productivity by forcing many sectors of the economy to operate far below capacity. Desperate anti-inflation gimmicks may be able to drive down inflation statistics for a few months, but at the cost of finishing off Brazil's fragile real economy and amplifiying the ensuing bust.

Behind the picture Brazilian officials and most foreign "experts" are painting a robust Brazilian economy based on the best export performance on record and the first balance of trade surplus since the 1973 oil price hike, the nation's real economy is rotten.

The record exports of $6.2 billion in the first six months of 1977 were a one-shot achievement. Aside from the freak high prices of coffee and soybeans during this period, all other Brazilian export sectors were flat; traditional exports such as shoes, textiles and iron ore showed substantial declines from the same period last year. Barring some unforeseen series of disasters in other producing areas, the prices of coffee and soy will

Chart I
Brazilian Trade
(millions of U.S. Dollars)

	Jan. - June 1976	Jan. - June 1977	% Change Value	Year 77 Brazilian Estimate	Year 77 EIR Estimate
Total Exports	4.409	6.204	+ 41	11.500 - 12.500	10,000 - 11,000
coffee	825	2.149	+ 160	4.200	3,000 - 3,300
soybeans	745	892	+ 20	1,900	1,300 - 1,500
iron ore	491	397	- 19	950	700
sugar	124	200	+ 62		
transport material	176	187	+ 6	800	400
shoes (Jan-Apr)	72	50	- 29		
Total Imports	5.763	5.961	+ 3	12.000 - 12,600	12,000 - 12,600
petroleum	1.853	1.850	0	3,560	
wheat	303	230	- 24		
non-ferrous metals	156	181	+ 16	430	
Trade Balance	-1,354	243		-500 to + 200	-1,500 to -2,000

Sources: First half figures from *Cacex*. Brazilian estimates for 77 from many official and unofficial sources as of July.

probably stay at or below current levels, which are just slightly over half their March peaks and insufficient to permit growers to recapitalize after a series of crop problems. And barring a sharp turnaround in current world tendencies towards domestic austerity and protectionism, Brazil's other mineral and industrial products exports will face even tougher market problems than they have until now. (See Appendix on Exports and Chart 1).

Monthly export levels will begin to fall in July, from the $1.2 billion achieved in May and June on the strength of pre-sold coffee shipments. A government committed to maintain a positive balance of trade has no choice but to slash imports — at whatever price. Finance Minister Simonsen explained to the military July 8 that the only method which can fight inflation while cutting imports is to "cool off demand."

What Simonsen and his mentors at New York's Chase Manhattan — which plays a substantial behind-the-scenes role in Brazilian economic planning — intend is a radical reduction in domestic consumption and capital investment in order to trim $2 billion or so off of Brazil's annual import bill. Until now the policy of "slowing down the rate of growth" has been implemented by using indexing to enforce 5 percent per annum reductions in real wages, by slashing consumer credit to force a 13.4 percent decline in middle class retail purchases, and by cutting government investment budgets by 20 percent per annum. If the forces captained by Simonsen have their way, these measures will be replaced by much more drastic depressionary policies.

Credit Policy: Tighter Money And Rescheduling of Foreign Debt

Simonsen intends to use continued reductions in real money supply as his major weapon for shrinking the domestic economy and thus cutting imports. Simonsen has a target of a 25 percent increase in the nominal money supply for the year. He is rigidly sticking to this target, despite the fact that inflation for the past year was almost double that rate. During the first six months of this year, the money supply exceeded Simonsen's 10.1 percent growth target by only 0.5 percent which means that real means of payment in the economy were cut by 12 percent.

At a bankers' conclave in Manaus on July 26, Simonsen told an audience including Robert McNamara and Johannes Witteveen that his constrictive policy was responsible for pushing June and July inflation levels down to 2 percent per month. At the same time, however, he announced that Brazil would "detour" from Keynesian theory in order to continue making credit scarcer still, despite the danger of causing a depression.

Simonsen launched his credit-cutting crusade on June 14 by ordering the Banco do Brasil to end loans through promissory notes and curtail the discounting of bills of exchange. Severe cuts of up to $1 billion in agricultural credits were announced, including the elimination of entire promotion plans.

Hard on the heels of this stifling of domestic credit, the government quietly implemented new regulations requiring a grace period of at least 30 months on the amortization of all new foreign loans, instead of the normal six months. The Brazilian press, including the semi-official *O Globo*, reported that the net effect of this measure would be to exclude medium-sized Brazilian borrowers from the international capital markets, while raising interest on large private and state sector companies.

The government lengthened the grace periods primarily in order to "improve Brazil's debt profile" by effectively postponing until 1980 payment of $3 billion in debts otherwise payable in 1978-79. Planning Minister Reis Velloso assured *Jornal do Brasil* that "there will not be an excessive accumulation in 1980. We are not placing any time bomb there. On the contrary,...those which should be due in 1980 will be put off until 81-82." (See chart number 2 for a projection of debt service requirements with and without the measure).

The "time bomb" may be much closer than 1980. A short-fall of perhaps $2 billion from expected export income, combined with this year's debt service of about $6.6 billion and more than another billion deficit on other service accounts would require a capital inflow of well over $9 billion in order to achieve a balanced balance of payments. During the first half of the year, however, Brazil pulled in only $2 billion in foreign loans and a negligible amount of net direct foreign investment. The Brazilian monetarists say they will seek another $4 or $5 billion in loans in the second half, which — if obtained — would still leave a shortfall of $2-3 billion. This could only be covered by running down reserves. A rapid drawdown of Brazil's foreign reserves, now somewhere between $5 and $6 billion, could, however, provoke a panic during the latter part of this year, with resulting flight of several billion dollars more of hot money and investments and the simultaneous closing of loan windows. That would put Wall Street's largest creditor into default. The confidence game is moving into end game, forcing the monetarists into last ditch gambles.

"Shock" Effects Are Felt

The late June credit cuts, especially those affecting agriculture, brought an immediate round of protests from farmers and predictions that the result would be a marked decline in 1978 production. Agriculture Minister Paulinelli, who *Veja* magazine reported had fought tooth and nail against even sharper cuts, toured the country trying to defeat what he labeled "the mood of pessimism" in agriculture. The protests and somber predictions increased after Simonsen's price setters increased the price support levels for various crops by 23.5 percent, only half of the inflation rate. There can be no doubt that the resulting reduction in agricultural credit and increase in farmer risk will lead to a marked decline in 1978 production, leading to inflationary shortages and the need to either increase food imports or starve the population.

Agriculture, once Brazil's pampered export sector, is already smarting under previous monetarist measures ending fertilizer and tractor subsidies, and putting them out of the reach of farmers. Farm costs have also been upped by increases of up to 1500 percent in the price of farmland caused by an orgy of middle class speculation.

Industry presents an extremely uneven picture. (See chart 3). While high priority import substitution industries such as steel, petrochemicals, cement, and capital goods have increased production through bringing new plants into production, traditional consumer production

Chart 2
Brazilian Debt Profile

(billions of U.S. dollars)

	1975	1976	1977	1978	1979	1980
Foreign Debt (Dec 31)	21.1	28.5	32.0	36.0	40.0	44.0
Interest Due	1.8	2.1	2.8	3.3	3.8	4.5
Principal Due						
(before)*	2.1	2.9	3.8	5.5	6.8	7.7
(after)**			3.8	4.6	5.0	10.6
Total Debt Service						
(before)*	3.9	5.0	6.6	8.8	10.6	12.2
(after)**			6.6	7.9	8.8	15.2

* before grace period change

** after grace period change

Note: 1975 and 76 are official figures; other years are EIR projections based on existing amortization schedule and a continued strong inflow of new loans.

Observe 1980 debt service "time bomb" which would occur if 30-month grace period requirement is not perpetuated.

Chart 3
Brazilian Internal Economy

PRODUCTION GROWTH **	JAN - MAR	JAN-JUNE
Motor vehicles	- 2.7	- 7.0
Passenger cars	- 12.7	- 7.5
Tractors	- 28.5	- 20.0
Steel ingots	+ 32.5	+ 23.6
Cement	+ 8.2	+ 9.0
Machines and Tools (Jan-Apr)	+ 1.9	n.a.
Manufacturing in general *	+ 7.0	+ 3.0

INDUSTRIAL EMPLOYMENT Sao Paulo job offers (S.P. Eco. Secretariat)	JAN - APR	
general	-21.4	n.a.
production workers	-18.4	n.a.

CONSUMER SALES	JAN - MAY	JUNE
Rio retail index	-8.0	-13.4
Sao Paulo retail index	-4.0	-12.0
Passenger cars	-8.0	- 8.0

* approximate

* * % over same period of 1976

industries have suffered production cutback and bankruptcies.

Sao Paulo recorded a record number of bankruptcies in April and the real value of defaults during the first five months was running 50-80 percent over last year's levels. Even President Geisel and some bankers admit that high interest rates, averaging about 60 percent on business loans, were a major cause of the bankruptcies. The Getulio Vargas Foundation reports that debt-equity ratios are still increasing, which makes companies vulnerable to the reduction in production levels sought and achieved by the monetarists.

Consumer spending in Rio and Sao Paulo stores edged progressively downward during the first half, to 13.4 percent below last year's level in June. And merchants see no relief in sight. Government spending on development projects, as reported in previous issues of EIR, has been sharply cut again this year, and more cuts are on their way. The steel program is being funded at 26 percent below its scheduled requirements, leaving Siderbras directors to debate whether to slow down all expansion or triage some projects. Industry Minister Calmon de Sá reported that in 1980 Brazil would have only 14 million of the 22.3 million tons of steel capacity programmed in the Second National Development Plan, which will leave the nation as a major steel importer. The triaging of highly reproductive investments, even in priority areas such as steel and chemicals, shows the utter desperation of monetarist managers who are seeking savings now at the expense of gravely aggravated future accounts deficits.

With government budget cuts slowing down or eliminating major projects and industrial expansion reaching an end, the construction industry is undergoing demolition. Its problem is compounded by delays of up to a year in obtaining payments for work done for the government, a problem which brought protests from even James Hammond of the Council of the Americas.

Under the pressure of tremendous resistance from producers and their friends in the military, the monetarists backtracked slightly on their June 23 program. They opened a few loopholes to soften the "shock" effect of their measures, and the entire cabinet was paraded around the country to offer reassurance. But then at the end of July, they renewed the offensive by slashing farm price support and government project levels. As the economic difficulties of Brazil continue to mount, all pretenses of tact and moderation will tend to vanish.

Persuading The Military

The fact that all currently strong factions of the Brazilian military are obsessed with "state security" and accept the brutal social and political implications of that doctrine need not be cause for complacency by Brazil's creditors. In the face of today's prospects of austerity undermining the economic machine which makes Brazil the leading economic and military power on the South American continent, even the most obtuse and apolitical military could well regard the debt problem as a threat to "national security."

Velloso and Simonsen made pilgrimages to the Superior War College on July 8 and 9 to try to ram some monetarist economic "theory" into military brains. Velloso responded to probable military demands that Brazil's past rapid economic growth be continued,by warning that classical import-substituting "desarrollismo" requires "the proletarianization of society" and "state ownership" of everything. Simonsen picked up from there by decrying calls for "the strengthening of the internal market" as "one of the many exotic theories which governments are obliged to refute in moments of crisis... The expansion of internal markets would simply bring Brazil to international insolvency (default-ed.)."

"The balance of payments must be balanced by hook or by crook, and an adjustment through insolvency would lead Brazil into a catastrophic crisis, not only of national credibility, but also of production and employment as a result of the inevitable rationing of essential imports," claimed Simonsen.

OPEC Connection A Way Out?

In his speech Simonsen went on to blame the OPEC countries for Brazil's balance of payments and debt problems. But it is precisely the OPEC countries which could provide a bridge between Brazil and a New World Economic Order.

The admonitions of Simonsen and Velloso against economic expansion and default show that some officers are seeking ways of halting economic triage and the debt which requires it, while guaranteeing non-Rockefeller sources of petroleum and other essential imports in order to avoid the retaliatory blockading of imports threatened by the banks and their local agents. Economic complementation deals such as the proto-barter accord signed with Iran June 21 could provide such an option to Brazilian nationalists.

The Brazil-Iran agreement provides for Brazil to purchase from Iran $1 billion worth of oil or 25 percent of Brazil's oil imports whichever is less in each of the next five years. Iran, in return, will purchase goods and services from Brazil or make investments in Brazil equal to at least 30 percent of each year's oil purchases. It is expected that Iran will purchase technology and manufactured foods in addition to large quantitites of soy, iron ore, and other raw materials.

Petroleum Intelligence Weekly (PIW) reports that Brazil is now negotiating similar proto-barter deals with other oil exporters, including the Soviet Union, Mexico, and Indonesia. In these cases the Brazilian exports could come from problem sectors of the economy such as shoes, iron ore, and machinery. The Mexican state oil company (Pemex) has just opened an office in Brazil to facilitate its relations with its Brazilian counterpart, Petrobras. PIW informs that the Soviets are also anxious to increase trade with Brazil.

Top Arab Development Fund and Saudi financial officials recently toured Brazil to study possible participation in a dozen major development projects, according to *Washington Forum Newsletter*, a Rothschild-linked operation. The same source says that the Saudis have already agreed to put $50 million into Brazil's state electricity company and that "this is only the beginning."

Rothschild interests are openly pleased by the prospects of large volumes of Arab money flowing into Brazil. These bankers *claim* they are the brains behind the Arab money and that they can use it to pay Brazil's debts and save the Eurodollar market, while buying out control of Brazil from Rockefeller's New York banks. They fear the potential of Arab independence. From a position of financial control, they would try to prevent Brazil from using complementation deals as back-up for dumping its debt.

The head of the N. M. Rothschild clan, Leopold, paid a long visit to Brazil recently and has just opened a bank there. Leopold reminded the press that his family has been financing Brazil since its independence in 1822 and that they are now lead bank on over $1 billion in Brazilian debt.

The new bank is an operation worthy of the Rothschild rag merchant tradition. Interconsult is a low-overhead job with a capital of only $7 million in joint venture with the Banco do Comercio e Industria de Sao Paulo, a local Rothschild agent. Its ostensible reason for being is to help foreign manufacturers get "Made in Brazil" labels for their sales to Brazilian markets, so as to meet import substitution regulations. But its real function will be to arrange "marriages of convenience" between local firms made desperate for liquidity by the credit crunch and international scavengers with some ready cash. This business could give the Rothschild group the inside track on taking over Brazilian industry at bargain prices and on influencing government policies, as well as making no-risk profits.

U.S. multinationals have recently made heavy investments in Brazil and are bracing themselves to weather the economic collapse. While tractor producers can be heard muttering about pulling out, other industrial combines are banking on being able to monopolize shrinking markets by driving their local competition out of business. The Planning Manager of an American multi with textile operations in Brazil told EIR: "Some of those weak companies will have to sell out or just fold. But it's good for those that remain."

Will the Brazilian military swallow this?

APPENDIX:

Brazilian Export Situation

COFFEE: During the first six months of 1977, Brazil exported 8.5 million sacks of coffee. Coffee earnings of $2.149 billion were 160 percent more than those of the same period last year. This record windfall was responsible for over 70 percent of the nation's overall export improvement between the two periods.

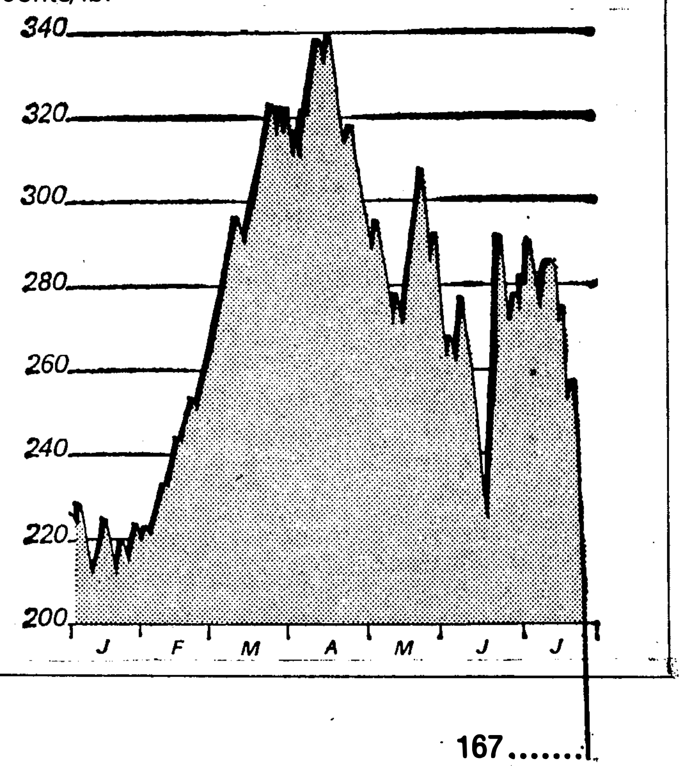
Brazil has not sold a single bean since April when the world market price dropped far below the minimum price at which exports are permitted by the government. The July contract closed at $1.67 per pound, well under half of its price in March.

There are doubts whether Brazil even has enough coffee for internal consumption until the new harvest comes in in September. Even then, *Money Manager* estimates that Brazil will only have about 3.8 million bags available for export during the remainder of the year. This would bring in at most $800 million, which would leave Brazil's coffee exports for the year about $1.2 billion short of the $4.2 billion target still projected by Simonsen.

Graph I

COFFEE PRICES DROP

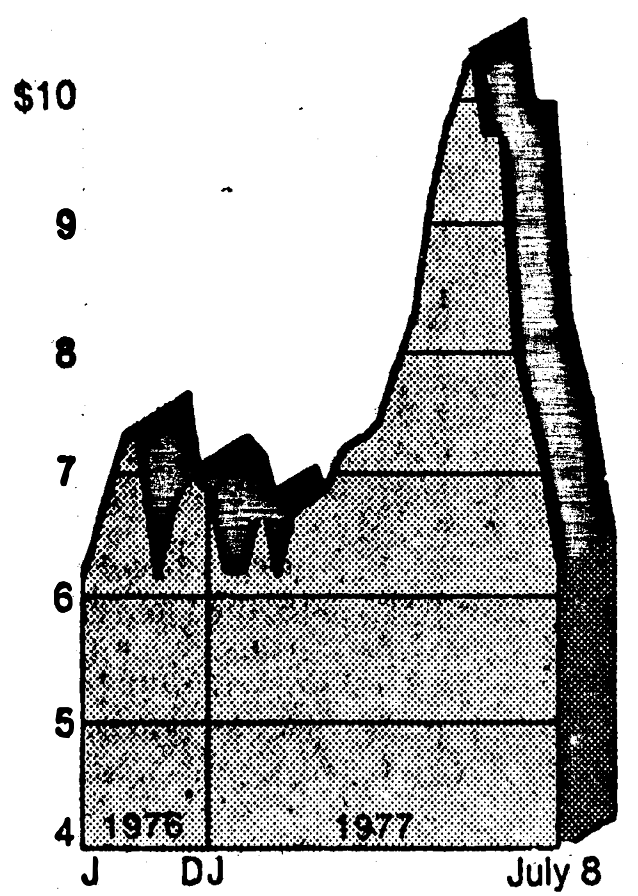
July. 1977 coffee futures contract in New York cents/lb.



Graph 2

SOYBEAN PRICES DROP

July 1977 Soybean futures contract in Chicago, dollars per bushel



SOYBEANS: In contrast to the empty coffee warehouses there is plenty of soy piled up on the farms, but only a third of the crop was sold before the bottom dropped out of the market in April. The story of how Brazil lost out on the end of the soy boom is a classic. When the prices began dropping close to the $300 per ton level in late April, Brazilian farmers stopped selling, since they had been promised that the 12 percent export tax would be reduced when the price fell below that level. The tax was finally reduced to 7 percent and then 4 percent in July, but by then Rio Grande do Sul farmers alone had lost $250 million in export value. The U.S. harvest is coming in September and each shower in the Midwest knocks a few dollars off the present $230 per ton price. Things look bleak on this front.

ORANGE JUICE AND CACAU: Brazil always seems to come up with a new miracle export whenever its previous boom collapses, but neither of these two will pay the debt. Despite the Florida frost, orange juice brought in only $36 million in the first five months of 1977. Cacau prices are now skyrocketing, but a big part of the reason is that 25 percent of Brazil's crop has been destroyed by pod rot, says *Financial Times.* Brazil has been equalling last year's export value on half the volume.

IRON ORE: Brazilian exports are far under last year's in value and even more in volume. Continued cutbacks in Japanese and Italian steel production will push Brazilian ore exports down still further. The huge Carajas project, which would double Brazil's ore export capacity, has now been abandoned. The only bright spot are the proto-barter deals involving iron ore for oil, one signed with Iran and another being negotiated with Mexico.

MANUFACTURED GOODS: The official statements that exports of industrialized products are running 20 percent above last year's value sounds very nice — until one finds that the entire increase is attributable to higher prices for instant coffee and soy meal. There are important increases of 43 and 21 percent in some machinery categories, but transport equipment is stagnant, and light manufactures are being badly hit by worldwide real wages cuts and protectionism. The shoe industry suffered a drop of 40 percent in export volume and 30 percent in income during the first five months, and most textile categories were down 13-39 percent. The semi-official daily *O Globo* shares our pessimism about future prospects.

When you put this picture together, it is hard to see how exports could provide the $12-$12.5 billion needed to equal the government's projected import level. On the contrary, exports will probably fall in the $10-11 billion range, barring unforseen developments.

—Mark Sonnenblick