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# EXECUTIVE INTELLIGENCE REVIEW

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# EXECUTIVE INTELLIGENCE REVIEW

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# *IN THIS WEEK'S ISSUE —*

Open warfare on the currency markets . . . and the British are **drawing blood** — the dollar is plunging to record lows as we go to press . . . In **INTERNATIONAL** this week, the latest on how Treasury Secretary Blumenthal and Energy Secretary Schlesinger played out the British gameplan to **provoke the dollar collapse** . . . While Blumenthal tried to **maneuver Europe** into the U.S. currency drop . . . Schlesinger's **manipulation of the coal strike** threatens to kayo the very basis of the U.S. economy . . . Included: the **exclusive** story of the semi-secret **Japanese-European coalition** that has formed against the London-directed currency chaos...

* * *

The **alternative** to dollar defeat at the hands of the pound sterling? . . . **"Promptly Bankrupt the British"** is the proposal from U.S. Labor Party chairman **Lyndon H. LaRouche**...In a **SPECIAL REPORT** this issue, LaRouche tells **how it can be done**...a short-term tactic of creating a **"bull market"** defense of the dollar and the world economy against the British **"bear raid"**...backed up by the crucial long-term strategy that alone can seal London's defeat...What about the dangers to the commercial banks? What about Third World debt defaults?...**LaRouche gives the answers**, in terms of the **economic fundamentals** that lie behind London's policies and what must replace them...

The other side of the currency battle is the **foreign policy fight** . . . the story that leads this week's **U.S. REPORT** . . . defining the **split in the U.S. Administration** over peace and detente . . . or confrontation leading **straight to thermonuclear war** . . . showing how the **Administration Tories** and their allies in the press are toeing London's line...and including excerpts from the **Soviet Union's charges** of attempted sabotage of the SALT talks process . . .

* * *

A **positive U.S. policy for SALT** is the subject of an **Executive Intelligence Review SPECIAL SUPPLEMENT** included with this issue . . . a policy proposal that contrasts the gambits of the **SALT saboteurs** to an **"atoms for peace"** strategy that can lead the U.S. and the Soviets **"from detente to entente"** . . . Crucial: cooperation on the development of **the whole range of nuclear technologies,** particularly fusion . . . Included in the **SUPPLEMENT:** a status report on **fusion research** . . . the Carter Administration's efforts to impose a ban on nuclear technology in space . . . the facts on the **little-known agreement** that gives Great Britain **veto powers** over America's nuclear research . . . Featured: an **Open Letter** to Defense Secretary Harold Brown from **the USLP's LaRouche** on the military aspect, framed around the dangers of the **"flight** forward syndrome" and the real determinants of **"The Fitness to Command"** . . . all in this **SPECIAL SUPPLEMENT** . . .

* * *

**ECONOMICS** this week fills out the currency picture . . . in its **Foreign Exchange** and **Banking** stories . . . that show how London's war is shaping up . . . and coverage of **New York City,** whose bankruptcy is **one of London's aims** . . . Also, the background story on the **Luxembourg alternative to London** that European financiers, politicians, and business leaders are trying to bring into being . . . and Britain's open declaration that it is out to wreck the European Economic Community . . . bluntly described as **a continuation of World War II** against Germany and France! . . .

* * *

And in **U.S. REPORT,** the unfolding of Schlesinger's plans to let the economy **"freeze in the dark"** . . . The potential disaster that could be unleashed using the coal strike as its vehicle . . . and the **chances for a solution** to the strike and the problems it has created . . . Plus an **in-depth analysis** of the Nuclear Nonproliferation Act, just passed in the Senate . . . that tells why the Act, if signed into law, will devastate the U.S. nuclear industry and **cost the nation billions in jobs and exports** . . . and why the bill's opponents failed to mobilize to stop it . . .

Meanwhile, the environmentalist-terrorist shocktroops who are deployed as the streetfighters for Schlesinger's program of sabotage are **being successfully protected from the law** . . . by the **same networks** of intelligence agents, Wall Street lawyers, and foundations that sponsor these antitechnology goons ...**COUNTERINTELLIGENCE** presents report on the **"Campaign Against U.S. Law Enforcement"** that describes how **"civil liberties" fronts** are being used to smear, dismember, and reorganize U.S. police and intelligence institutions...with the **Kissinger connections,** the foundation funding, and the terrorist links that trace the operation right **back to its British-allied monetarist creators** . . .

* * *

Other **highlights** of this issue: . . . In **MILITARY STRATEGY,** an analysis of the world pattern of **"border conflicts"** that uses the statements of the top policy-making body, the **Trilateral Commission,** to show the genocidal policy basis for these rigged confrontations . . . In **MIDEAST,** how the rash of border wars in Northern Africa is precisely aimed at **Euro-Arab-Soviet cooperation** for economic, and particularly nuclear, development . . . In **LATIN AMERICA,** a review of the **Council on Foreign Relations'** plans to force Venezuela to drop its foreign policy for a **new world economic order** through internal disruption and battles with its neighbors . . . and in **ASIA,** an analysis of what's at stake in the **chaos of Indian politics** . . .

# Dollar Fight For Control Of The White House

The City of London launched a "bear raid" against the United States dollar and the currencies of the U.S.'s allies in continental Europe this week, and the U.S. currency plummeted to new lows in turbulent dealing. London's express purpose, European sources say, is to force a political coup in the White House de facto or de jure which would either force President Carter out or force his capitulation to Treasury Secretary W. Michael Blumenthal's destruction of the credit of the United States.

Blumenthal's plan, acted out with a vengeance at this week's "Big Five" European economic summit, is to so pressure West Germany and Japan to reflate—print money—until their economies and currencies are in as much trouble as to rupture U.S.-German and U.S.-Japanese relations, cause a run on the dollar and other currencies, and blame it all on President Carter. Already, according to one highly placed West German banking source *(see page 2)*, West German Chancellor Helmut Schmidt said to Blumenthal: "If you want to let the dollar go, let it go!...We are not going to play kitty games with you anymore....Carter...won't hold out for long" in that situation.

Feeding this bear market scare are the latest real figures on U.S. industrial and retail sales, which in January fell 0.7 percent and 3.1 percent in the sharpest slide since 1964. These figures are in part due to the heavy snows but more importantly reflect the decline of the U.S. economy under Blumenthal's attacks on the dollar, which hit U.S. trade and business confidence right where it hurt. The financial world knows well that the continuing disastrous U.S. coal strike, manipulated by British cohort James Schlesinger to force through his energy austerity programs, will make the January figures look good when compared with February's.

The details of the British bear market scenario are contained in the accompanying proposal by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., "How to Promptly Bankrupt the British." They include London plans for an outright financial attack on the dollar—in which British banks have already taken over $6 billion in short positions, according to European sources—plus runs on the French, Belgian, Dutch, and Scandinavian currencies (see *Foreign Exchange*). More ominous, the British are grabbing for the entire world lending market by competing to pull U.S. banks' depositors and investors away to London, forcing the U.S. banks to deal in London and risk capital controls and British outright expropriation.

*The U.S. Labor Party is calling upon corporations, bankers, security brokers, and political leaders to counter by building a bull market in America.*

However, the fight is still on in Europe as to whether Blumenthal's intended provocation to what the same West German banker called "trade war" will succeed. At this writing, the Agence France Presse confirmed in New York their wire report—blacked out thus far by British and British-influenced U.S. wire services—that the West German central bank had "announced support for the U.S. dollar at the 2.05 deutschemark per dollar level," and, along with the Japanese and Swiss authorities, "conducted massive dollar support" today. This, along with demands from around the United States (including the Federal Reserve and State Department) that Blumenthal explain himself, was prompted in part by mass circulation in advance notices of the British plans by the U.S. Labor Party and its cothinker organization, the European Labor Party.

The price of gold soared this week to a three-year high of $180 per ounce, an indication that European-Japanese coordination on re-introducing gold into the monetary system may be continuing behind the scenes.

### *Blumenthal Bears Watching*

This week's worldwide activities by the ostensible U.S. Treasury Secretary were enough to flabbergast all but the most knowledgeable (British) world financial experts. Flying to Paris over the weekend of February 11-12 for a secret, emergency meeting of the finance ministers of the Big Five (U.S., Germany, France, Japan, and Britain) at Versailles, Blumenthal first leaked word of the diplomatically confidential meeting to the press. He then announced he was energetically renewing expanded demands upon Germany and Japan to slash their industrial exports and instead print money to pay for make-work government leaf-raking jobs at home, so that their own currencies would depreciate in line with the dollar. For this purpose he waved to reporters the latest world economic forecast by British economists at NATO's thinktank, the Organization for Economic Cooperation and Development (OECD), published just in time for the Versailles meeting, which warned ominously that if the West Germans and Japanese did not reflate, in force and immediately, the dollar would be headed for "major declines."

Blumenthal was renewing pressure personally on Helmut Schmidt, the West German and other press pointed out incredulously, only days after West German Economics Minister Otto Lambsdorff told Blumenthal in Washington that reflation is a dead letter.

Following Blumenthal's activities by one day, Johannes Witteveen, outgoing Managing Director of the International Monetary Fund and a well-known Anglo-Dutch econometrist, announced to the New York Conference Board, a pro-British business group, that reflation for West Germany and Japan is "more urgent" than ever. Witteveen also urged upon the U.S. the issuance of "Roosa Bonds," or foreign currency U.S. debt to raise marks and yen in order to intervene to support the dollar, thus forcing Germany and Japan to accept more worthless U.S. IOUs—named for Robert Roosa of Brown Brothers Harriman, one of the foremost architects of the reflation program.

The response on the world currency markets was rapid and direct. Promptly on Monday morning, as if to fulfill the OECD promise, the dollar plummeted from 2.12 to 2.08 marks and from 1.97 to 1.93 Swiss francs.

The provocations continued even so; on Feb. 16, Blumenthal's Undersecretary, Anthony Solomon, in an unprecedented leak of normally well-guarded U.S. Federal Reserve policy, told reporters in Paris for no apparent reason that the Fed had "not intervened to support the dollar for three weeks." Market reaction was swift—"Confusion Reigns as Traders Sell Dollars in Reaction to Remarks by Treasury Aide," led the financial headlines as, the *Wall Street Jounral* reported, "Mr. Solomon sent the dollar reeling." By the end of the week, the U.S. currency hit another record of 2.05 marks, 1.88 Swiss francs, and fell against other currencies as well. Solomon's weak retraction later in the day only served to heighten the markets' sense of chaos.

### *Europe in Turmoil*

The Western Europeans and Japanese were thrown into turmoil by the
are still unclear. A chronology of the week's European statements gives the battle atmosphere:

*On Feb. European commentators were reporting that Blumenthal had been totally rebuffed; he had "come in like a bear and gone out like a pussycat," as one West German source told the Dow Jones. High-level European and Japanese banking sources report that the Versailles meetings turned into a "square off," as Germany's *Die Welt* put it, between Blumenthal and Britain's Chancellor of the Exchequer Dennis Healey on one side, and the West Germans, French, and Japanese on the other.

*Leaving the Versailles meeting, Japan's finance minister
sisted, Japan would have no choice but to form a public bloc with the West Germans—something which they and Germany have been negotiating for weeks in any case, Japanese officials told *EIR*.

*By Feb. 15, however, the Solomon destabilization of the markets seemed to have brought Blumenthal's mission to success: the European press and financial community was furious enough to begin open talk about letting the dollar collapse *(see page 3).* More dangerous, according to these same sources and the European press, was European willingness to blame it all on President Carter—which is precisely what Blumenthal wants. Such mislocated international outrage could force Carter out and London's own Fritz Mondale in, or at least force Carter to fearfully move quicker toward the energy-slashing and trade protectionism policies which he and Congress have resisted thus far. Alain Vernay, writing in *Le Figaro* Feb. 14, termed Blumenthal's renewed offensive a "coup de theatre" which could easily be used to turn the entire American population against its European allies, blaming Europe and Japan for the slide of the dollar, and igniting an ugly popular mood for trade war and isolationism in this country. Vernay, quoting "British sources," noted that Blumenthal may have actually "provoked a postponement under these conditions of the Western economic summit scheduled for July in Bonn," which if true would be a serious deterioration of U.S.-German relations.

*By Feb. 17, several signs appeared that the West Germans may not have been totally taken in by the Blumenthal provocation. The AFP report on West German central bank intervention to support the dollar, if true, is a major political statement by Germany that she will support her American ally inspite of her rotten economic leadership.

Through Feb. 17, reports also came in from Paris that the Germans are strongly supporting the French franc, despite a major run on the franc last week. Significantly, the Saudi Arabians are reported to have put their money *into* France with renewed confidence recently, indicating knowledge of intended European political solidarity to halt the British scenario. And the Saudi Finance Minister reportedly told Blumenthal himself in Paris this week that the Saudis will not abandon the dollar.

Perhaps most significiant is the potential for an anti-Blumenthal and increasing anti-British backlash in the U.S. itself. Furious career officers at the State Department, Treasury, and Federal Reserve forced Blumenthal to call an emergency meeting to explain the dollar collapse and take countermeasures, according to Washington sources. U.S. industrialists and bankers reached by the Labor Party mobilization had responses in many cases typified by that of a mid-West oil company executive: "So it really was the British who had Jürgen Ponto (the prodevelopment president of Dresdner Bank, murdered by terrorists last year—ed.) killed? They're crazy if they think we'll let them get away with this....But then, it doesn't look as if Carter knows how to handle the thing and we can't count on Blumenthal at all, can we?....But wouldn't you agree that that they can really get burned in this if we move with all the other countries you mentioned?"

—*K. Brown*

## 'We Can't Support the Dollar Anymore'

***An official of the West German banking community explained why his country could no longer defend the beleaguered dollar:***

The Bundesbank is not doing anything to support the dollar. We are sitting down for a real clash—for trade war. We are not going to play kitty games with Blumenthal any more. Last year the Bundesbank had to write off 7.3 BNDM because of dollar depreciation, which were funds that could have been invested in the economy.

Schmidt said to Blumenthal: We reject any of your demands. If you want to let the dollar go, let it go. The Organization of Petroleum Exporting Countries will switch out of the dollar. That will raise oil prices, and do things to your economy and to our economy. But we are more able to withstand it.

The Bundesbank is exhausted. I know there are American patriots, but what are they doing at the moment? We're set for an escalation. We are looking for a different kind of presidency in the United States. Our people over there say that Carter is directly attacking the oil and the auto lobby too much, and that he won't hold out for long. Yeah, we know that Mondale is just as bad. We don't like what we see over there. We want to change the fiscal and economic policy of the United States, and so do the people in Japan.

## Witteveen Tells West Germany, Japan: Reflate

New York Times, *"Witteveen Presses Germany and Japan to Spur Economies," Feb. 16.*

The managing director of the International Monetary Fund, H. Johannes Witteveen, yesterday issued a strong appeal that West Germany and Japan further stimulate their domestic economies.

Mr.Witteveen's remarks followed by a day the return to the United States of Treasury Secretary W. Michael Blumenthal amid reports that he had tried, and failed, to persuade West Germany to take more stimulative action.

Although Mr. Blumenthal denied the reports, the United States has been urging West Germany and Japan to take steps to reduce their big balance-of-trade surpluses deficit and relieve pressure on the dollar....

Mr. Witteveen, speaking before a meeting in New York of the Conference Board, a business research group, said:

"The expansionary impetus provided by oil-importing countries in relatively strong (trade) positions has been quite disappointing. Contrary to expectations, it has not been sufficient to ensure achievement of a satisfactory rate growth in world trade—one that would support and facilitate adjustment efforts by deficit countries."

Mr. Witteveen, in his previous major speech last September, had called for similar economy-boosting actions by the two nations, although their policies were characterized then as insufficient rather than as "quite disappointing." The situation has worsened since then, he said yesterday.

"For surplus countries, notably Germany and Japan, stronger expansion of domestic demand has been rendered even more urgent because of the substantial appreciations in the external value of their currencies over the past half year or so," Mr. Witteveen said....

Mr. Witteveen also raised the question of whether the United States would sell securities denominated in foreign currencies, which would be used to pay for the trade deficit.

"Without such financing, the extent of any depreciation of the dollar would be determined mainly by the intervention policies of surplus countries—which are often limited by undesired internal monetary effects—and by the expectations of those responsbile for private capital movements," he said.

## Solomon Sparks Dollar Dumping

The Wall Street Journal, *"Confusion Reigns as Traders Sell Dollars In Reaction to Remarks by Treasury Aide," Feb. 17:*

Confusion reigned on international currency markets as traders sold off U.S. dollars in reaction to a series of remarks by Treasury Under Secretary Anthony Solomon.

Mr. Solomon sent the dollar reeling when he told reporters in Paris that the Federal Reserve hadn't intervened on foreign-exchange markets to support the dollar during the past three weeks. Some dealers interpreted this to mean that the U.S. was resuming its policy of "benign neglect" toward the dollar, and they started selling hectically.

Later in the European day, Mr. Solomon issued a statement asserting his earlier words had been misinterpreted. He said that because of quiet conditions on money marts over the past three weeks there wasn't a need for the U.S. to support the dollar. "However," he added, "in the last two or three days, the market has been disorderly and we have intervened. There has been no change in our policy whereby we will intervene vigorously to counteract disorderly markets."

The explanatory statement, along with some European central bank support, helped the dollar recover a bit from its overseas intraday lows, but later in New York, it resumed its slide.

# Japan And West Germany Coordinate Financial Strategy

According to high-level Japanese banking sources in Europe, Japan and West Germany have reached "a secret accord on joint coordination of monetary policy" both to counter Britain's push for protectionism against Japan in the European Economics Community and to force the United States to adopt a strong dollar policy.

The emerging Japan-West Germany "axis" was apparent in the Fukuda government's decision to appoint one of Japan's top Foreign Ministry officials to become Tokyo's ambassador to Bonn. The new ambassador Yoshino clarified Japan's support of the Schmidt government in a recent speech, where he praised the Schmidt government's economic policies and stressed that Germany should play a worldwide economic role.

### *The Japanese View*

A well informed Japanese source in the United States has detailed to this news service how Japan has proceeded with its policy ofaligning with Germany. The key point of the "axis" is, in the Japanese view, to use Japan and West Germany's overriding concern with a stable dollar as the basis for closer cooperation. According to the source, the Japanese government in the beginning of January decided to use the ongoing trade negotiations with U.S. Special Trade Representative Robert Strauss as a forum for demanding a U.S. commitment to a stable dollar as a "quid pro quo" for any Japanese agreement to trade and tariff concessions.

Initially, some groups in Tokyo balked at this policy, fearing that it would only anger the Americans further, until they understood that both West Germany and Saudi Arabia, as well as France, already had made such demands.

The next step was from Tokyo to Bonn. Japan's Vice-Minister of Finance Matsukawa visited Bonn several weeks after the Japanese-U.S. talks, and succeeded in establishing tighter coordination with Bonn on currency and trade matters. Underlying these agreements was an understanding by both countries that Great Britain was the major obstacle to any viable world economy. The British had already shown their hatred of Japan in a series of meetings between Japan's External Economic Affairs Minister Ushiba and British Foreign Secretary Owen and British finance minister Denis Healey in late January.

At that time, Ushiba was informed that London believed "Japan's surplus is today jeopardizing the world's open trade system." The Japanese were also shocked by the British failure to even listen to the vice-minister of Japan's powerful Ministry of International Trade and Industry, Masuda, who also went to Britain to explain Japan's economic policies.

As a result of Matsukawa's meetings in Europe, the Germans are now leading the moves in the EEC to block British protectionist ploys against Japan. Knowing this, Tokyo is now taking a very firm line against any EEC protectionist threats.

### *The Business Side*

In tandem with Japan and Germany's diplomatic overtures, private Japanese-German business cooperation has also dramatically escalated. The major go-betweens have been the Swiss, especially Swiss National Bank head Leutwiller who recently visited Tokyo. This news service has learned that, in conversations between Leutwiller and former Bank of Japan head Sasaki in Tokyo, the Swiss banker told Japan that "there is enthusiasm in Europe for a move of the foreign exchange market (Asia dollar market) from Singapore to Tokyo," and then outlined European thinking on creating a rival market to London's Eurodollar center. Japanese business circles were very favorably impressed by Leutwiller especially since at the time Masud was being told to drop dead by London.

### *Fukuda to Bonn*

The Japanese have now made it known that when Japan's prime minister Fukuda goes to Bonn for the scheduled July meeting of the heads of state he intends to hold a private meeting with West German Chancellor Schmidt. Schmidt personally very much admires the Japanese and, when he was finance minister, Schmidt made overtures to Japan's Ministry of Finance to have it train West German finance ministry officials! Fukuda also personally backs the Japan-West German axis. Both Fukuda and new ambassador Yoshino have some knowledge of Germany since both were government officials in Berlin in the late 1930s and early 1940s.

*—K. Coogan*

# Schmidt Stance Against Blumenthal Gets Wide Backing...For Better Or Worse

While West German Chancellor Helmut Schmidt was meeting with U.S. Treasury Secretary W. Michael Blumenthal, the Chancellor was receiving unanimous support from virtually every leading domestic institution in his rejection of Blumenthal's demands to reflate the West German and Japanese economies. However, as the quotes below indicate, most of Schmidt's supporters are still laboring under the mistaken idea that the only alternative to reflation is Blumenthal's other plan for collapsing the U.S. dollar and strict "fiscal conservatism." The implications of the growing demand on the part of Schmidt's trade union base for a concerted push on nuclear development should be considered.

*Frankfurter Allgemeine Zeitung*, editorial, "Bonn must resist", Feb. 13:

...Blumenthal's visit to Bonn must be a welcome opportunity for Chancellor Schmidt to clear up the idea that President Carter and his advisors have that some more pace-making services for the Italian and French economies can stop Eurocommunism in Germany's partners. Whether both countries become communist or not will be decided by domestic politics. It would be nonsensical to make German foreign economic policy coresponsible.

The federal government must obviously continue to apply the brakes to this flood of American brainstorms, which is continuing to devise new demands on German economic policy that are not realistic....What is to be remembered above all is that the world conjuncture cannot simply be "made" by state stimulation. People cannot allow inflation to be incited. Domestic and international growth must be based on stability. Inflationary experiments around growth will only bring the world economy to new lows. The countries that are threatened by Eurocommunism suffer enough from it. Schmidt must remain steady and hard.

*Statement by Armin Grunewald, press spokesman for Chancellor Schmidt, on Blumenthal's visit:*

...There was general agreement on overall policy but differences on GATT, protectionism, and energy conservation. These issues were discussed between friends, not enemies....

*Dr. Karl-Heinz Narjes*, chairman of the West German Parliamentary Economic Committee, and a member of the opposition Christian Democratic Party, Feb. 13:

The Bonn opposition wants to state that we are fully behind Schmidt. The government is supported in its fight against the demands for inflation coming from inside and outside the country."

*Otto Wolff von Amerongen, Chairman of the German Chamber of Commerce and Industry, (DIHT) in the Feb. 14 financial daily* Handelsblatt:

Schmidt has the full support of industry in his fight over various demands for inflation.

Frankfurter Allgemeine Zeitung, *Dr. Hans Roeper, chief economics correspondent, editorial, Feb. 14:*

"....It is hard to understand just what Blumenthal wants, because West Germany and Japan are export-oriented economies, as opposed to the internally oriented U.S. economy....Blumenthal should consider that not only the BRD government, but the opposition, industry, and trade unions are against his policies.

*Münchner Merkur (Munich), Feb. 14:*

Eugen Loderer, chairman of the Metal Workers Union (IGM) is under pressure....by thousands of letters from workers demanding a campaign around energy."

# How Promptly To Bankrupt The British

*The following analysis was issued on February 12, 1978 by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.*

Developments over this past week show that the British monarchy is activating its last monetary option: triggering an immediate world monetary collapse, causing a world depression. Most recently, this is what London did over the 1928-31 period, in organizing the 1929 U.S. stock market collapse from London, and the subsequent 1931 floating of the pound sterling.

Since almost no leading politicians and very few leading bankers in the USA or continental Western Europe understand adequately the ABCs of this kind of problem, it is urgent that I summarize the knowledge of myself and of my specialist collaborators in the form most useful to those responsible political, banking, industrial, and trade union officials. Against this background of information, I develop the two-fold counteroffensive approach to bankrupting the City of London's merchant banking and Crown agent forces.

In form, the following remarks are written as a national intelligence strategic estimate to the highest levels of the Carter Administration and to key commercial banking circles in Manhattan, Detroit, Chicago, Atlanta, Texas, Oklahoma, Denver, and the U.S. West Coast centers.

It is intended, however, that key political and financial circles known to me in France, Italy, Belgium, the Federal Republic of Germany, and Japan should, in a matter of speaking, look over the shoulders of the American readers to whom this special intelligence report is addressed most directly. It is necessary that American and allied forces mount an effective international conspiracy to do immediately what should have been done during the last quarter of the 18th century — bankrupt the City of London merchant banks and Crown agents for once and forever.

I present the basic facts in the following order. First, I summarize the technique being used — once again— by the City of London: selling the world short, with the intent to control international credit. Next, I shall turn to discuss the problems presented from the standpoint of American vital economic and monetary interests. In this connection, I state the point to be made from the standpoint of economic fundamentals without yet considering, at that point, the problem of saving the relevant commercial financial institutions. Under the same general heading, I take up next the policy for saving the infrastructure of essential financial institutions. Finally, I outline the two-fold approach we must adopt. The first short-term option we must follow is that of creating a bull market speculative defense of the U.S. dollar, a basic tactic for bankrupting the British bears. At the same time, we must maintain what seems to be the opposite option, of selling the London interests short — to outdo the British in what they propose to do to us.

Although the two latter options might seem to be directly opposite, and mutually exclusive, I shall show that they can be pursued in a way which is coherent and mutually compatible.

## An Old British Tactic

The origins of the tactic being used by London are traced most significantly to the 1783-1818 period. During this period, an economically and financially bankrupt City of London hoodwinked and swindled the entire continent of Europe,
chiefly by sheer bluff and fraud.

With the complicity of traitors centered in the Manhattan banking interests, under Martin Van Buren and his puppet President Andrew Jackson, London destroyed the credit and economic power of the United States during the 1829-37 period, culminating in the London-directed panic of 1837. Skipping over some earlier and intervening cases, the British repeated this operation against the United States in 1873, 1877, the 1890's, against the world during the 1904-07 period, and during the 1926-31 period.

The technique is elementary. Selling the world short does cause a collapse in total nominal valuation of outstanding aggregate of instruments, including instruments held by London itself. However, the force which runs the successful bear market, although collapsing inclusively the nominal aggregate valuations of its own holdings, gains two decisive monetary benefits. First, it comes out of the bear market with an increased percentile of the total surviving value of aggregate. Second, if it manages the affair properly, it emerges with crucial control of the available disposable liquidity.

In short, it gains increased control of the world financial markets, and is able later to run up the nominal value of aggregate, recovering perhaps more than it has lost — at the expense of those on the losing end of the bear market swindle.

The British way of thinking is exemplified perversely by the current, tottering condition of the British economy. The current valuation of the pound sterling is utterly fraudulent. The value of the pound for international trade purchases from England is grossly exaggerated with respect to the hard-commodity trading value of the dollar, French franc, deutschemark, yen, and so forth.

In terms of investments in the British internal economy, the value of the pound is converging on a value less than zero — except for "asset-stripping" forms of investment. The current nominal value of the pound is maintained principally by short-term speculative leverages of the London market, aggravated by a fraudulent overvaluation of North Sea petroleum prospects and, also, by short-term asset-stripping activities against the British economy itself. The nominal value of the pound sterling is nothing but a hoax, a pure speculative bubble, and a bluff.

The problem from the standpoint of the London merchant bankers and royal Crown agents, is how to use such an inherently worthless currency, the pound sterling, to take control of the world economy and international credit.

The bluff depends chiefly upon playing the dominant circles of the United States and continental Western Europe for credulous donkeys.

The essence of the method employed is British empiricism, British pragmatism. The British induce the credulous fools — governments, commercial banking interests, industrialists, trade unions leaders, and so forth — to limit their practical actions to a selection of short-term "choices" as defined by the British and British agents-of-influence in the relevant

Control of the major press — such as the *Washington Post*, the *New York Times*, NBC, CBS, Reuters, UPI, etc., in the U.S., *Le Monde* in France, and the liberal Hamburg and other press, plus other media in West Germany — is crucial to this manipulation of the credulous. This press control is supplemented by those various think tanks and policy associations of various nations which are entirely or predominantly controlled variously by British agents or agents-of-influence. The U.S. Council on Foreign Relations, the Trilateral Commission, Rand Corporation, the Georgetown University CSIS, the Brookings Institution, the networks of the Institute for Policy Studies are prominent, excellent examples of British policy and intelligence agencies' interests in the USA, just as most members of the London International Institute for Strategic Studies (IISS) are wittingly or unwittingly British agents or agents-of-influence in their respective nations.

British-influenced corrupt attorneys in the U.S. law profession are integral to this operation as subsections of those same British-oriented networks of attorneys are key in deploying international terrorists. The special importance of British-influenced members of the legal profession is the corruption of law into conformity with the various subversiv doctrines of law associated with Justice Holmes, Thurman Arnold, Joseph Rauh, the subversive British philosophical outlook of Karl Popper, Max Weber, and the legal philosophy of the prize philosopher of law, Carl Schmitt.

Through such channels, including corrupt but influential elements of the law profession, the victim nations are conditioned into a "Maginot line policy" respecting short-term defense of nominal valuations of instruments and contracts. This sets up the victim nations for easy subversion and defeat by British bear market operations. In other words, the effort of nations to defend the nominal valuations of speculatively inflated real estate or other financial markets by short-term monetary means, diverts liquidity away from capital formation into inflationary spirals, setting those nations up for a British bear market, bubble-pricking operation.

One of the most important associated political weapons of British intelligence is the "environmentalist movement" and that movement's international terrorist complement. Since all economic development centers currently around nuclear energy development, the British are able to destroy the economic value of the currencies of victim nations through the activities of the British intelligence-created "environmentalists" and terrorist movements pressing the attacks against nuclear-centered, job-creating capital formation, and weakening those economies with the slave-labor ("labor-intensive") methods associated with the proposed Humphrey-Hawkins bill in the United States.

## Defense Against London

In general, a fixation upon short-term defense of the nominal values of, for example, dollar-denominated debt, has the same effect as a nut in a Malayan monkey trap has on the monkey. The effort to grip firmly the nominal valuations of all outstanding, inflated debt valuations secures the paw of the credulous monkey within the British monkey trap constructed to trap the monkeys of U.S. commercial banking interests. If one lets go of this bait and approaches the task of obtaining the nut by smashing the trap first, both the nut and freedom can be secured.

The additional, vital, conceptual point to be cleared away in connection with the present British option is the following. The fact that the British engineered most of the depression crises of the 19th and 20th centuries must not be understood as indicating that no lawful economic monetary processes underlie the development of the preconditions for such depressions. It is merely indispensable to get rid of the notion that depressions can be predicted in point of time from a purely economic or purely monetary standpoint of mathematical analysis.

In the first public circulation of my own economic strategic, conjunctural thesis in the spring of 1957, I stated the following. That, as of that point, February-March 1957, a major recession was in progress. (Official agencies did not concede the fact of the recession but argued to the contrary, until autumn 1957.) I emphasized, however, that this 1957 recession would not lead directly to a general depression. I emphasized that capital formation in Western Europe and Japan would continue general prosperity, under conditions of industrial stagnation and capital formation in the U.S., until following 1965, at which point a series of monetary crises would inevitably erupt, leading *toward* a world depression.

This general monetary crisis erupted as I had predicted, during 1966-67, leading to the devaluation of the pound sterling in November 1967, and the crisis of the dollar during February-March 1968. In effect, the Bretton Woods monetary system collapsed at the two crisis meetings — in Switzerland and Washington — of that 1968 crisis. This crisis of 1967-68 represented, objectively, from a monetary economic standpoint, the preconditions for a general depression. However, monetary or economic processes do not exist independently. What exists is *political economy*. Through political means, including use of the credit resources of nation-states, the 1967-68 crisis was rolled over and, in a generally similar political way, each succeeding imminent depression collapse was rolled over to this present moment.

The objective point of collapse-ripeness of the Bretton Woods monetary system occurred first during the November-March period of 1967-68. This then-worsening crisis of the collapsing old monetary system had been successfully postponed, notably during the autumn of 1971, through the aftermath of the 1973 petrodollar crisis, in the wake of the Rambouillet 1975 and the subsequent Jamaica agreement, always *by political means*. The credit of nations has been corrupted to the purpose of feeding a pyramid of inflationary bailout, a bailout of a growing mass of debt which must have been wiped out through bankruptcy without such looting of the credit of national governments.

On the basis of these successive bailouts of the bankrupt monetary system, some euphorically deluded politicians and economists have advanced the doctrine of the indefinitely postponable crisis. "We can continue resorting to these methods indefinitely," such foolish people assure themselves and their credulous admirers.

That view is utter nonsense. "See," the wise fools insist, "there was really no crisis. We successfully prevented the crisis." Their argument is nonsensical. They did postpone the *reckoning of* the crisis — in one sense. They evaded Third World debt moratoria, both by rollover schemes and, more importantly, by various successes in blackmailing and corrupting Third World governments. (On the latter point, I can name names, supply dates, and detail the operations — that is not, however, necessary here.) However, did they actually solve the crisis, or trade off today's threatened monetary collapse for a more disastrous threat of monetary collapse at the next round?

The 1971 crisis was worse than the 1967-68 crisis; the 1973-74 crisis worse than the 1971 crisis; the imminent collapse of 1975 worse than the threats of 1973-74; the threatened collapse of September-October 1976 worse than the autumn of 1975 crisis; the 1977 crisis worse than the 1976 crisis; and the 1978 crisis monstrously worse than the 1977 crisis. The crisis must either be resolved by resolving the fundamentals of the matter, or, rollover simply means exchanging a collapse today at the price of a much worse threat of collapse tomorrow.

In general, the 1964-68 turning point in postwar OECD economies represented a shift away from productive capital formation *toward* pure monetary speculation. The attempted rollovers of 1968, 1971, 1974, 1975, and so forth have each worsened that trend by qualitative leaps. The diversion of credit from long-term capital formation investments into the Eurodollar real estate and other speculative orgies, was an inflationary trend. This was an accelerating inflationary trend, which lawfully drove up interest rates, shortened the average maturities of outstanding indebtedness, and drained the capital funds of industrial and agricultural production, including maintenance of materials and circulating capital. All of this was for the purpose of leveraging on hyperinflationary pyramids of intrinsically nonperforming debt.

The correlative of this process was therefore a contraction in productive investment in industry and agriculture, associated with a contraction in employment, real purchasing power of populations, and of capital formation. This led, especially after 1973, into an accelerating contraction in world trade, and an accompanying shrinking of the real tax base of those national economies whose credit was fueling the supply of liquidity diverted in to a bailout of the pyramiding mass of nonperforming debt. In effect, the mass of the current debt service burden is expanding at an accelerating rate while the productive base of the world economy is contracting. Consequently, we have an exponential growth in the ratio of debt service to industrial and agricultural production at a point — now — that the average level of world trade and production is essentially below the breakeven point.

In short, the method of bailout employed since the 1964-68 turning point has led to a circumstance in which the net profit of combined production in the capitalist sector is now below the breakeven point — the point at which existing plants, farms, and labor forces are barely maintained in preexisting quantities and quality overall. This means that the capitalist system as a whole is operating below the zero-level of profit from real productive output. Yet, debt service, which must be paid out of profitable margins of real social revenues in a healthy economy, is exponentially increasing the taxation on profits, at a time when the real profit of the capitalist sector is below zero!

At this point, the bailouters have two basic choices. First, they may elect to go into a new rollover effort, an effort proposed, for example, to the Bank for International Settlements during 1977. This would mean a hyperinflationary growth of useless and dangerously excessive liquidity, combined with fascist (Schachtian) austerity on a nearly global scale. That is the McNamara approach. This means adopting an explosive situation, in which the slightest disturbance to the flow of payments can trigger a chain-reaction form of monetary collapse. Or, the second choice, one powerful faction within the collection can decide to prick the bubble. The most successful bears in a bubble-pricking operation wipe out and take over their competitors, under that approach to a Schachtian world order.

That is the British method. The British promote financial pyramids among those "areas" they have marked out for looting. At the crucial point of their choice, the British then prick the bubble they have fostered and usually clean up in the bear market washout.

Thus, the underlying determinant of a monetary collapse and general depression is "objectively" ascertainable, even with respect to the timing of crisis points. However, which of the crisis points is accompanied by a rollover postponement of the crisis, or a bear market bubble-pricking is predominantly a matter of political subjective choices.

I and my associates have attempted over the years to get through the skulls of obstinate politicians, bankers, and so forth, just that point. What can be predicted, first of all, is the tempo and principal features of a new crisis. What can also be predicted is the range of policy choices available to various forces and collections in that crisis.

In general, these choices are (a) create a bear market against the credulous victims; (b) attempt a possible new form of rollover swindle to postpone the reckoning another round; (c) undertake a fundamental solution to the causal problems governing the crisis process.

Economics and politics are not domains suitable to computer analysis or other foolish sorts of crystal-ball gazing. Economics and politics are domains in which science determines what choices confront us at what points, and what the consequences of the alternative choices will be. The present crisis is always the lawful consequence of previous choices; that is its first "objective" aspect. Economics is then a matter of defining the new policy choices; that is its "subjective" side. Economics is then a matter of showing that the lawful consequences of a policy choice must be; that is its second "objective" aspect.

If the United States and other nations stick to the British rules of the game at this point, London will win.

However, if the United States and other nations resort to economic fundamentals of the sort I identify, those economic fundamentals afford the powerful U.S. and allied OECD economies with two general options for bankrupting the London merchant banks and the British Crown agents, either by a bull market monetary effort or by, in effect, selling Eurodollar paper against the rising real value of the U.S. dollar.

The former monetary approach uses the strengthened position of the dollar to bankrupt the bear market speculators, to catch them with their short positions hanging out. The latter option produces a selective collapse of the debt pyramid.

The basic approach to either option is identical. One properly deploys to the purpose of being in an advantageous position to apply either/or a combination of both as circumstances recommend such a course to be most advantageous.

There is nothing the British can do effectively against the method we propose. At least, on condition that the United States and its allies follow through in the proper way.

The British have threatened to sequester assets of Arabs (for example) in case of a run-out from the London market. What a pathetic bluff! Should they resort to such tricks, we would simply appropriate equivalent values from British assets within our reach. British petroleum assets, for example, can be seized in a number of nations in the Middle East and elsewhere — all in an excellently legal fashion, and on short notice, wherever governments are disposed to foster speedy justice in such matters.

Should the British peddle North Sea petroleum or other exports, they can be paid with drafts on sequestered assets in their possession. There is a large list of options appropriate to various combinations. If the United States acts to support politically and militarily those of its allies put into that course of action, there is nothing the British could do — except capitulate to U.S. terms. In determined action, London could be brought to its knees, begging for terms, within a week or so.

So let us do that.

It will not injure the ordinary people of Britain. Indeed, I most strongly recommend that we term the action "Operation Cromwell" — since the Dudleys are less popularly known. Some forms of oppression must be cut off at the top. As in all well-designed wars, the proposed economic warfare against the royal Crown agents and their appendages will be the greatest imaginable boon to the industries, agriculture, and ordinary people of the United Kingdom.

## Economic Fundamentals

The value of a major currency, such as the U.S. dollar, is in first approximation of a two-fold character. This two-foldness is then properly understood to represent subordinate aspects of a higher determination of value, in which the doubleness of immediate valuation is coherently resolved into a single conception of valuation.

The ordinary value of a principal nation's currency is approximately its competitive value in terms of what it will buy domestically and for purposes of international trade. In general, no currency which is backed by a payments balance on its hard-commodity export account is to be valued below the amount indicated by the pricing of its exports. In particular, there is no objective reason that U.S. hard-commodity exports could not be increased by $30-$50 billion annually or at this rate to an increment of $100-200 billion annually in the inside period, 1978-1980.

The investment value of a nation's currency is not the competitive prime interest rate in the money markets. That prime interest rate may or may not happen to correspond to the profitability of international capital investment. If not, the short-term fluctuation in currency valuation associated with shifts in competitive interest rates is merely a short-term deception.

The most immediate determinant of relative levels of profitability of investment, in the short term, is the relationship of current production levels in industry and agriculture to breakeven levels of output.

Thus, activation of the U. S. Eximbank to foster increases in exports in the order of $30-$50 billion annually has the following threefold effect. First, the hundreds of billions of overseas dollar valuations outstanding, especially the liquid portion of these overseas holdings, become convertible rapidly into discountable hard-commodity paper in U.S. and other exports. Second, it puts the trading position of the U.S. dollar into approximate balance or better. Third, it brings export sections of industry and agricultural production up above the breakeven point into profitable production and has a "chain-reaction," regenerating effect on industry supplying the firms and farms producing for export. This enhances the profitability of capital formation and maintenance of industry and agriculture, solves the first big margin of the unemployment problem, and expands the tax base of government.

The mere commitment of the U.S. government to such policies, with emphasis on cooperation with other industrialized nations to develop nuclear energy production-centered "nuplexes" (urban-agricultural development projects built around new sources of essential energy production), would in itself make possible conversion of large amounts of overseas dollar balances into long-term debt in U.S. or financial institutions. Such a firm policy commitment by the U.S. government would itself send the value of the dollar up toward the 2.5 deutschemark (DM) range in the short term and toward DM3.0

over the intermediate term.

If we put aside, for a moment, the existing financial debt of developing nations, sufficient rival high-technology transfer projects exist for immediate action in that sector to absorb levels of investment in the order of $200 billion annually from industrialized nations. As such investments begin to take root, they increase the purchasing power of developing sector economies, and thus provide the basis for a secular expansion of the annual levels of ability to absorb sound investments. That is, the new debt created on account of these investments will be imminently sound as a whole.

Two fairly widespread illusions exist in this connection. First, some misguided people think that the United States is intrinsically in competition with France, Japan, West Germany, and so forth, for such investments and markets. On the basis of individual firms and so forth, such healthy competition does and should exist. On the basis of national economies' gross volumes of high-technology exports, in general there is no such pie-dividing competition. In fact, the more each of these capital-exporting nations contributes to the whole, the better and larger the opportunities for total investment becomes. In other words, if France, West Germany, Japan, and so forth, are properly exporting at high levels to these importing nations, the total opportunity for U.S. exports to these nations is higher than if the United States held them as captive markets.

We shall return to develop this point further, but first, we shall summarize the second point.

Some trade union leaders, among others, agree that such an export policy would immediately increase U.S. employment. However, they wish to know whether or not the U.S. would be exporting jobs in the long run. If one means a reduction in the ratio of exports from some more backward branches of industry, the answer is "possibly so." If one means a net export of jobs as a whole, the answer is "absolutely not."

The point here is that if the U.S. stagnates technologically, deemphasizing skills, then cheaper foreign labor will indeed take away U.S. jobs under any circumstances. However, if the U.S. is constantly advancing technologically, then the effect of exporting high-technology capital is to shift the composition of the U.S. labor force away from lower skilled forms of employment toward higher ratios and amounts of employment of technicians and skilled workers. The future of U.S. labor's employment lies in shifting the pattern of U.S. production and employment to emphasize the U.S. role as a leading high-technology capital-goods producer for the world market. The worker who might lose a job in a textile mill secures an employment opportunity for himself — and for his son as well — in a higher skilled employment in a modern advanced industry.

The case of the footwear industry is exemplary.

The true problem of the American footwear industry is not foreign competition. I am fully informed of all the fallacious arguments of the footwear lobby, and know the industry intimately.

The problem of the American footwear industry, first of all, is that the manufacture of quality footwear — e.g., quality men's Goodyear welts — has collapsed, and that the industry has turned to emphasize the production of literal junk. By adjusting U.S. marketing of footwear to the sale of junk, the U.S. footwear industry invaded an area in which foreign junk producers could gobble up much of the kind of footwear market the American footwear marketing chains had defined.

Key is the effect that the inflationary devaluation of the real content of the average household income has caused the price of a good pair of leather shoes to run into the $100 vicinity.

At the turn of the present century, the skilled American shoemaker — leather cutters, lasting and making operators — were among the better paid categories of workers. Despite the incidental improvements in shoe manufacturing machinery and some new subsidiary processes and techniques, there has been no significant qualitative improvement in shoemaking techniques since the takeover of the Tom plant by the United Shoe Machinery Corporation, no significant advances since the 1920s.

It is notable on the same point that in continental Western Europe, quality off-the-shelf shoes do not exist. The range of sizes, widths, and combinations or variations which correlate with decent-fitting quality shoes do not exist in European mass footwear production. In the United States, the ordinary workingman used to be able to break in a new, quality pair of shoes. In Western Europe, the ordinary citizen does not break in the shoes, he breaks his feet. This difference essentially reflects the qualitatively lower levels of popular income. The economy has not developed the capability to provide the ordinary citizen with good shoes.

What has happened more recently is this. Those in the industry who have continued technological progress have cheapened the total cost of the product while improving the quality of products. Agriculture — big agriculture — is a crucial part of this technological progress. Through cheapening the social cost of production, some improvement in the standards of household consumption was made possible overall even though the operative wages complement of production has dropped substantially. In those industries that have stagnated technologically, there is no such compensating reduction in social costs and improvement in the quality of commodities produced. The shoe industry is an example.

So, as the social content of the total household wage decreases, the social content of the manufacture of a pair of shoes does not decrease in an approximately comparative fashion. Thus, as a portion of the wage, a pair of shoes one could have afforded in 1956 or 1960, one can no longer afford. One buys junk; foreign producers can make junk more cheaply than American producers.

However, add to this the fact that only American firms have proven themselves formerly able to mass produce quality men's and women's Goodyear welts and other quality footwear construction in the range of sizes (and style choices) which good quality footwear represents. If we were still producing such and other good footwear, no nation in the world could match the desirability of the American footwear product.

That case illustrates the general principle to be applied. It is the production of what is relatively junk and the continuation of obsolete methods of production which loses American jobs to foreign competition. With the best-educated labor force in the world, the highest standards of income, the highest level of technological potential of any labor force in the world, nothing can compete with American production if we stick to those principles, if we concentrate on using our advantages for broadly based technological progress in selecting what America produces for the world market.

This intersects the first point considered. By developing the developing nations, we increase the economic pie of those nations, including their buying power for imports, their rate of savings for capital investment — and we import more from them. The most essential feature of this process is the increase in social productivity effected through technological advances (capital-intensive technological advance) in the mode of industrial and agricultural production.

What is to be refuted in this connection is a combination of two fundamental, but popular, fallacies. The first of these two, interrelated fallacies is typified by the notion that the amount of natural and other wealth in the world is more or less a fixed and shrinking pie, such that anyone who consumes or sells is acting contrary to the interests of other consumers or sellers. The second is typified by the notion that cheaper labor is more profitable in the circumstance of competition than more costly labor. By attacking the second of these two nonsensical views, we get most efficiently to the answer to both.

In the economy as a whole, the real profit is the amount of produced product available for investment, after meeting the combined direct and indirect costs of government and of industrial and agricultural production. At first, and fleeting appearance, the margin of profit appears to be determined by the prevailing social costs of average direct and indirect labor.

Key is the fact that the cost of labor is properly determined to be the necessary social cost of maintaining households at the level of culture that modern technologies of production require. Also key is the fact that the marginal finiteness of man-altered primary resources, as defined by any given level of technology, must cause an erosion of profitability, unless technological progress constantly and adequately redefines the meaning of primary resources.

It is only technological progress which makes profit possible. Technological progress must increase the rate of profit in the total economy, while also absorbing increases in the necessary income. Rises in material, cultural levels are essential to the advancing cultural (technological) potential of the labor force. The correlative of this combined benefit of technological progress is a secularly exponential increase in the amount of useful energy consumed per capita in production and in households.

For purposes of contrast, if the policy of the Humphrey-Hawkins bill and environmentalists were introduced, the shift from capital-intensive to labor-intensive emphasis would necessarily produce economic genocide in the world population. Today, labor-intensive labor generally produces less than is required to maintain an average standard of living. The introduction of labor-intensive employment policies means not merely a one-time reduction, but a self-feeding downward spiral in world and national production output and consumption levels. Labor-intensive employment policies like Humphrey-Hawkins are nothing but wilful acts of economic mass murder.

Thus, Alexander Hamilton insisted correctly, with the concurrence of a majority of the Congress and the nation's founders, that the source of wealth lies in fostering technology to effect continuous advances in the productive powers of labor. In other words, the rate at which technological progress occurs determines the sustainable rate of profit from production, the cheapness of commodities, and the ability of borrowing nations to import and to pay debt. This was the policy by which a bankrupt young United States established its national credit, drastically lowered its interest rate, and beat the British in the first decades of its existence.

That is the economic policy of the American System. That is the policy by which the United States beat the British before. That is the only workable policy for beating our British monarchist enemies today. That is the only policy by which debt-ridden developing nations can escape from the economic genocidal mess London and Robert McNamara's World Bank seek to impose on them today. The policy of the United States must be insistent on the principles of the American System — also the Mexican System — for itself and its trading partners of the industrialized and developing nations. Once we adopt that policy, Britain is decidedly and permanently defeated, the dollar is safe, and the present world crisis is ended.

## The Crisis in Terms of Fundamentals

The City of London conspirators have signaled their commitment to the following acts of war against the United States of America:

Collapse the Eurodollar market, trigger collapse into bankruptcy of Felix Rohatyn's municipal financial monstrosity in New York City, bankrupt the Koch administration with the aid of dupe Koch, trigger a collapse of the U.S. internal real estate bubble, take over control of the commercial banks thrown into distress by such detonating of their financial overhead, take over U.S. industrial corporations for "asset-stripping" looting in favor of London bankers.

Were I President of the United States at this moment with support from a majority of the U.S. Congress, I would laugh at such British games. With control of the U.S. Federal Reserve system and means at the disposal of the government, the British might collapse New York City into bankruptcy, prick the U.S. internal real estate bubble, trigger a collapse of the Eurodollar market, and whatever else of this sort they might choose. I would laugh at them. With the economic potential of U.S. industry and agriculture, with the developing sector hungry for U.S. capital exports, and with the power of the state to wipe out or create paper values almost at will on the basis of the economy itself, the games of the Lazards, Barings, and the royal Crown agents would need only amuse us.

The key problem is that I am not President — otherwise we should turn our problems into the joy of solving them. The problem is of educating quickly sufficient sections of government and of forces able to determine governmental policy perceptions so that at least an approximation of what I could do will be done, sufficient approximations to get us through this crisis, and to give the electorate a safe span of time to reflect on its later choices for principal elective office.

The legislation I and my associates drafted for 1976, notably the Emergency Employment Act and matching legislation, represents adequate means for defending the commercial banks, and so forth under any extreme monetary crisis — provided national economic policy is on a sound footing.

What is paper, after all, but paper? Government and finance can create paper at will — and destroy paper at will. What is required is a monetary system — and banking system — which is in correspondence with both the real values of the economy and the requirements of investment and circulation of commodities. Were I President, I need but assemble the leadership of industry, trade unions, banking, and Congress, and with their aid ensure that national economic policy will be carried out on a sound basis. Then, the bankers and government can create the monetary processes we require almost at will.

If the U.S. economy is vigorously exporting, then industry and agriculture will be operating economically above breakeven, employment will be growing, profits will be growing and will be used for investment. No national economy in the world has comparable potential. With that economic muscle mobilized, as long as we assign reasonable valuations to real estate, to portfolios of commercial banks, and so forth, those values will hold — no matter what London attempts to contrary intent. It is merely necessary to mobilize the power and will of the state and the national banking system to enforce that assignment of values.

The power of government and banks is not an arbitrary power. Unless our assignment of values is backed up by economic performance in the short, intermediate, and long term, as variously appropriate, the assigment of value to paper is a mere caprice which will lead to our undoing. Yet, let's emphasize, the value of paper can be anything we choose it to be, within the range of valuations which the course of national economic progress will validate within the horizon period of relevance. Otherwise, paper is merely paper. It is production and trade that are fundamental, that are real.

## Crossing the British

Naturally, we will not permit a collapse of Third World debt to destroy essential commercial banks. We will not permit a bankruptcy of New York City to destroy New York City or the banking system. We will not permit a collapse of the real estate speculation bubble to drive us into a depression or to collapse essential banking institutions. It is important to list some exemplary measures that could be taken to cope with the problems a British bear market gambit might generate.

Suppose Third World debt collapsed, what do we do?

First, we act to establish debt moratoria for all outstanding debt to the International Monetary Fund and World Bank. This will hurt no one of any importance. The principal creditors of these institutions are governments, who can carry the balances comfortably and indefinitely — as long as those governments rest on economies coming out of the present world depression. The International Monetary Fund and World Bank cannot collapse — unless the United States chooses to collapse them. They will simply squat there — receiving nothing, paying nothing. We can return to clean up the bookkeeping mess at leisure, once general world prosperity has been reestablished.

Second, on condition that a defaulting nation establishes Hamiltonian national banking and proposes to resolve debt in the future in a Hamiltonian way, we will negotiate the terms of the non-IMF, non-World Bank debt in such terms that this debt does not get in the way of creating the new debt needed for purposes of economic development. If the British put this debt through bankruptcy, we might choose to buy up all suitably cheapened such debt with aid of special bonds — giving the British a bath to the extent possible — and use these bonds as the instrument to be taken over by the indebted nations.

Third, for every developing nation which is already creditworthy, or makes itself creditworthy by adopting Hamiltonian national banking approaches, we shall cooperate with other industrialized nations of the same persuasion, to extend these nations as much credit as is required for viable project requirements in terms of high-technology U.S. exports.

It is merely necessary that the executive and Congress pass the requisite emergency legislation to make this process feasible.

Suppose the commercial banks are placed in jeopardy, what do we do?

In the longer run, these banks need not be in trouble. Granted, they have a large overhang of vulnerable bad paper. What we shall do, over the period ahead, is to make these banks participating lenders in new credit issued for production and capital formation in industry and agriculture. In this way, they will be accumulating good paper. The effect will be that this accumulation of good paper improves their ratios of good to poor paper in the necessary way. So, on the basis of this policy and foreknowledge, we act together with the Federal Reserve to establish a special discount window for currently nonperforming, but ultimately salvageable paper, using this special window to the extent the proper performance of commercial banking functions require.

It must be borne in mind that the necessary overall credit policy objective must be to reduce the prime Federal Reserve interest rate to the 2-4 percent range, an objective which depends upon halting inflation, objective which in turn requires suitably increasing the ratio of industrial and agricultural output in the national economy, and also penalizing credit flows into speculative areas through tax and fiscal policies as well as credit policies. On the basis of such a credit policy, the government and banking system can put a large amoung of low-grade paper into cold storage at low prices, driving down all interest rates and purely financial yield accordingly, and channeling capital flows away from financial into equity holdings in respect of proportional emphasis.

We can manage the real estate market problem by measures governed by the same policies. Let the speculators take a bath, all the way down to the skin, if necessary. Defend the integrity of the banking system, productive industries, agriculture, and so forth. Allow as much hot air to vanish from paper values as can be managed without jeopardizing essential banking, industrial and agricultural institutions, and without triggering a loss of confidence in federal government debt and credit.

In general, we shall take every opportunity over the longer run to reduce the valuation of real estate to the replacement value of improvements in land. The general approach to this is as follows.

We must establish, in effect, a two-tiered credit and fiscal policy. In credit matters, we must have low interest for capital improvements to cities and towns for productive improvements in production circulating capital, for industry and agriculture, and for exports. We must have significantly higher floating interest rates for secondary speculative markets in real estate and so forth, including relatively punitive rates of reserve requirements for the nonproduction and nongovernment categories of lending activity. This must be met by accelerated depreciation credits for production activities, and compensating high rates of taxation for all income not secured from production.

This does not mean penalizing essential forms of consumer credit or proper, nonspeculative forms of real estate loans. It means a punitive policy toward speculation in ground-rent valuations of land, and monetary insanity in consumer credit bubbles.

However, the folly of the Ford Administration's real estate pump-priming projects, aggravating the HUD ghetto real estate hoax is exemplary of incompetent approaches to fostering construction activity. There is no sense providing people with new houses (or "renovated" shacks) at prices they cannot afford to sustain. The purchasing power for housing is ultimately a by-product of employment, and hence, of production in industry and agriculture. If production and productive employment are collapsing, the government-aided housing boom is only heading toward a foreclosure boom. So Ford's well-meaning folly has turned out to be.

We should have been building new plants, many new nuclear energy plants, new mass transit systems. Former President Ford should have been balancing the housing construction program to the increased household income being generated through the technologically vectored, capital-intensive expansion of industry, agriculture, and hard-commodity export production. Ford's misguided approach turned out to be a cosmetic gimmick, a cosmetic cover for his running away from the real issues of sustainable construction employment policy.

In taxation, this means a low rate of taxation on all reinvested profits which are plugged into useful production or research and development, with compensating high rates of taxation on profits which are not plugged into the production or new production equity created. We must preserve the present perception of ordinary profit income and capital gain. This makes the element of control in the national economy the merits of productive investment as judged by the lender whose funds are being leveled by the equities of the borrower.

With this sort of general approach, the value of the dollar can be established in the range of DM 3.0 (for purposes of current reference) and the line can be held in defending the commercial banking system.

This does not mean that the nominal value of everyone's paper is to be defended. Bad speculative investments should be permitted to perceive the painful fruits of their greedy imprudence, to the extend this does not impair the integrity of the central industries, farms, and the commercial banking system. The policy is not to defend, "Maginot Line-style," the values of contracts, but to ensure the integrity of our industries, our farms, our banking system, and the credit of the federal government, and to do this in such a way that any British bear market activities have the effect of clearing away some of the useless values tied up in the current monetary system. Our function is to defend the vital interests of the nation in such a way as to foster a global economic recovery based on nuclear energy-centered export and capital formation programs.

In summary, our proper policy is a hybrid bull-bear approach. We adopt economic policies and credit policies which convert existing international dollar liquidity into capital investment in authentic U.S. hard-commodities, high-technology exports. This itself should act toward bringing the dollar to a DM 3.0 level — and the pound toward a $1.00 level (for the short term). At the same time, we are selectively bearish toward all nominal values not supported by high-technology capital formation and trade activities. This hybrid policy affords sufficient flexibility to bring the City of London and royal Crown agents to their knees in short order.

If the British seek to devalue Third World debt, we act to freeze the debt of the market, undercutting the bottom price of the British on short-term accounts.

At the same time, we maximize the value of the dollar for international trade and investment, and create new international markets with allied industrialized nations away from London. These new markets establish a new world monetary system subsuming monetary reserve gold at world market prices in proportion to the cost of production of gold in the required reserve quantities (at between probably, no less $230-$250 to an ounce).

Meanwhile, we foster the sinking value of all paper which is tied to a British system-funded debt, rather than American-style productive equity evaluations.

By such measures, we shall finish the business our political forefathers and their French humanist allies began in 1776.

# British Battle For Control Of U.S. Foreign Policy

Within the coming week, it is entirely possible that the United States will cease to pursue an independent foreign policy in its own national interest. It is possible that the U.S. will accept the leadership of the British Foreign Office and pursue an open East versus West confrontation policy which would sharply increase the danger of general thermonuclear war. Conflict is now raging at the highest levels of the Carter Administration over policy on the Middle East, Africa, and the Strategic Arms Limitation Talks—all of which are areas in which the "British option" is extremely "live."

### *The Middle East*

In the wake of Egyptian President Anwar Sadat's visit to the U.S., Secretary of State Cyrus Vance did his best to maintain U.S. options for a regionwide peace settlement in the Middle East by reiterating Administration policy favoring a Palestinian homeland linked to Jordan and by making clear U.S. displeasure with Israel's provocative policy of occupying the disputed territory, stating the settlements were "contrary to international law and should not exist." This produced a barrage of abuse orchestrated by Israeli Foreign Minister Moshe Dayan, out to compel Egypt to sign a separate peace, who charged that Vance's statements represented only his "personal view" and that he was "taking sides" against Israel. The White House promptly backed Vance. Presidential press secretary Jody Powell asserted that Vance was speaking on behalf of the entire Carter Administration, and that the U.S. had maintained the position that the Sinai settlements contravened international law since the conclusion of the 1967 war.

Moreover, the Administration proceeded, despite an intense U.S. "Israel lobby" drive prior to Sadat's visit, to announce following his departure a package of arms sales highlighted by the sale of 60 F-15 fighters to Saudi Arabia, 15 F-15s and 75 F-16 fighter-bombers to Israel, and 50 of the far less sophisticated F-5E fighter aircraft to Egypt.

The decision to go through with the arms sales was read in some quarters as expressing the Administration's determination to stand up to the "Israel Lobby," which under the leadership of Senators Frank Church (D-Idaho) and Jacob Javits (R-N.Y.), its minions in Congress, had already served notice they would oppose the sales. The Administration also stood up to a direct assault on the Saudis by the same Church-Javits networks, aided by Secretary of Energy James Schlesinger, who has been putting out the line through Seymour Hersh of the *New York Times* that Saudi oil production was "unreliable." Church had begun a Senate "investigation" of ARAMCO production capability and had forced the CIA to lower its estimate of that capability by nearly 2 million barrels a day. Meanwhile, rumors circulated that the Saudis were again considering switching the valuation of Organization of Petroleum Exporting Countries (OPEC) funds from dollars to International Monetary Fund special drawing rights (SDRs). Early last week, however, the *Washington Post* reported that under heavy pressure from the State and Treasury departments and private oil company sources, the CIA estimate had been restored to its original level, and Treasury Secretary Blumenthal reported the Saudis were still committed to the dollar. Shortly thereafter, a barrage of articles emphasizing Saudi economic expansion and strategic importance to the U.S. began appearing in the press.

Whether this stand on behalf of the "moderate Arabs" will open the way to the resumption of meaningful peace negotiations, however, is still very much in question. The "Israel Lobby" is campaigning against the arms sales on the basis that they represent an "erosion of U.S. support" for Israel. The Soviets have already charged, through their news agency TASS, that the arms deals will be used to set up a series of Cold War crises in the region leading to Dayan's Egypt-Israeli 'separate peace," perhaps bringing in Jordan's King Hussein for cosmetic "pan-Arab" purposes.

This is certainly the preferred plan of the British, who are already headlining the failure of the Sadat initiative in their press. Hussein is currently in London.

Meanwhile, the renewed crisis in Lebanon, orchestrated by Dayan through his networks in the Christian camp, is being used to put pressure on Syria to dissolve the Palestine Liberation Organization, in line with U.S. National Security Advisor Zbigniew Brzezinski's "bye-bye PLO" scenario. Highly placed moderate Arab diplomatic sources are afraid this strategy will succeed in killing the Sadat initiative in the near term. The Carter Administration is already defending the arms sales as necessary to defend the Saudis and Egyptians against the "radical pro-Soviet" Iraq and South Yemen.

### *Horn of Africa*

Efforts by Vance to cool the British-manufactured crisis in the Horn of Africa, which were also notable this past week, are subject to the same British "judo" operation. Although Vance announced he had assurances from the Soviet Union that the Ethiopian counteroffensive in the Ogaden region would not spill over into an invasion of Somalia, the British immediately tried to reheat the situation with the line that "diplomatic sources in London" were predicting joint U.S.-British intervention on behalf of the Somalis if the border were crossed. The *Guardian* added a new twist, reporting the Carter Administration was viewing the Saudis and Egypt as "proxy arms suppliers to Somalia." Even a statement by State Department spokesman Kenneth Brown that the U.S. would not construe "hot pursuit" raids by Ethoipian forces in Solamian territory as a full-scale invasion failed to quell the crisis-mongering British press.

### *Arms Limitation*

A lengthy blast from the Soviet daily *Pravda* last weekend targeting U.S. congressional critics of SALT negotiations provided the occasion for further Cold War buildup. *New York Times* reporter Richard Burt, associated with the semi-official British think-tank the Institute of International Strategic Studies, immediately began circulating the story that the *Pravda* article meant a deferral of a SALT agreement beyond the November elections in the U.S., that Congress might "demand the right to approve any continuing extension of the 1972 SALT accord" still in effect. Syndicated columnists Rowland Evans and Robert Novak singled out U.S. SALT negotiator Paul Warnke as having incurred White House displeasure for a leak that his Arms Control and Disarmament Agency opposed the plane sales to Egypt and the Saudis. Columnist Victor Zorza portrayed Zbigniew Brzezinski as the chief "hidden adversary" feared by the Soviets on SALT and gloated "if Brzezinski is the hardliner the Russians take him to be, and if he has the influence on the President that they suspect he has, then the diplomatic and strategic game is being played for higher stakes than it otherwise would be. In a game for higher stakes, the United States, with greater resources behind it, is the more likely winner — so long as the game is kept to conventional stakes and stays away from nuclear ones."

It is widely believed in Washington that Brzezinski was responsible for the front-page stories in last week's press that the Soviets had increased the number of their pilots in Cuba in order to permit the Cubans to fly more missions in Ethiopia, which prompted loud editorial objections about "Soviet imperialism and Cuban tools" in the *New York Times.*

## Press Analyzes Arms Deal; Builds Cold War

New York Times, *editorial, "Planes for Peace?", by James Reston, Feb. 15:*

Those 200 planes President Carter promised on Valentine's Day to send to Israel, Egypt and Saudi Arabia were not intended as instruments of war but as instruments of peace. They were, in effect, political Valentines. That is the lace-embroidered message out of Washington....

In more direct terms, the President simply found himself in a box. He could have done nothing and risked the collapse of the talks or the threatened resignation of Mr. Sadat—which is taken seriously here—or given everybody the promise of planes in the future. It was a case of a beautiful theory (cutting arms shipments) being murdered by a gang of brutal facts. So Mr. Carter played for time.

New York Times, *editorial, "Soviets as Pilots, Cubans as Tools," Feb. 15:*

It is a neat, and cynical, division of labor: Cuban pilots flying air strikes against Somali forces in the disputed Ogaden region of Ethiopia while Soviet pilots take their place minding Cuba's air defenses. It is neat because all the aircraft involved are Soviet MIG's, unfamiliar to Moscow's new Ethiopian clients but well-known to Cubans and Russians. It is cynical because Moscow has evidently decided either that Ethiopia's cause in the Ogaden is not important enough to risk the lives of Soviet pilots, or that Cuban faces in combat look better to Africans than Russian faces. Why else send *two* contingents of pilots in opposite directions across the seas?

All their protestations notwithstanding, this news brands the Cubans as the tools of Soviet imperial purposes....To bleed away Cuban forces to the point where Russian pilots must be imported for routine domestic chores is to confess that Soviet foreign interests enjoy priority in Havana even over Cuban defenses. When weighed against Cuban dependence on Soviet economic as well as military help, it turns the Cubans into the world's foremost intercontinental force of mercenaries....

Washington Post, *"The Complaints About Warnke," syndicated column by Rowland Evans and Robert Novak, Feb. 15:*

Beyond the F-15 deal, the White House is not happy with Warnke as public advocate for the SALT II agreement he is negotiating with the Soviet Union. Less clearly, the dissatisfaction extends to Warnke's actual negotiating performance, including fears he may be making too many concessions. Most remarkable is the White House desire to reveal overall complaints about Warnke, an early Carter supporter and longtime stalwart in the arms-control community.

The dissatisfaction crystalized in the issue of planes to Saudi Arabia, because that question is perceived within the White House as a test case of whether the president can set his own Mideast policy without Israel's veto. The State Department, Pentagon and National Security Council join the president in supporting jets for the Saudis. Only Warnke's ACDA backs Israel's position....

Washington Post, *"Moscow's New SALT Worries," by columnist Victor Zorza, Feb. 15:*

The Kremlin has taken the unusual step of warning President Carter that, unless he curbs the hawks within his own administration, the arms-limitation talks could be wrecked, and that that "can have only one outcome: a sharp increase in the danger of a nuclear missile catastrophe."...

By showing Carter how concerned it is about Brzezinski's views, it may persuade the president that his national security adviser is a good man to have around for more reasons than all the obvious ones. If Brzezinski is the hard-liner that the Russians take him to be, and if he has the influence on the president that they suspect he has, then the diplomatic and strategic game is played for higher stakes than it otherwise would be. In a game for higher stakes the United States, with the greater resources behind it, is the more likely winner — so long as the game is kept to conventional stakes, and stays away from the nuclear ones.

Washington Post, *editorial, "The Aircraft Sales: Why Now?," Feb. 16:*

...President Carter was wise, in our view, to make it a package deal.

Whether he has struck precisely the right military balance, nobody can say with certainty. But our hunch is that the military effect of these transactions may be of less importance than their psychological and diplomatic effect. And this brings us to the question of whether the timing was right. The announcement of a wholly new sort of American arms sale to Egypt and Saudi Arabia, coupled with sales to Israel that were considerably below that country's requests, was bound to unhinge the Israelis at a particularly delicate moment. Israel and its supporters in this country had already sensed what seemed to them to be a sharp swing in American public opinion—and in the sentiment of American policymakers—in the general direction of President Sadat. For that reason it might have been more sensible to delay all three sales until there was more evidence that the negotiating process set in motion at Jerusalem had been gotten more firmly back on the track. Instead, the arms sales have given symbolic confirmation to Israel's worst fears....

* * *

## Pravda Cites Problems In Strategic Arms Limitation Talks

Pravda *on Feb. 11 carried a full-page statement on the status of the SALT negotiations between the U.S. and the USSR. In addition to its opening and concluding summary statements, the* Pravda *article commented in detail on most of the issues and weapons directly involved in the negotiations. The most important of these comments are included in the excerpted and condensed translation from the Foreign Broadcast Information Service which follows.*

It seemed that the go-ahead had been finally given for these great and important matters. However, as the facts show, this development of events is not to the liking of forces in the United States who are not pleased with the positive development of Soviet-American relations and are constantly trying to retard or even wreck altogether the accord on strategic arms limitation. They are stubbornly striving to make this question the subject of an acute domestic political struggle in the United States. The opponents of the agreement became particularly active when prospects for concluding it emerged.

These forces operate in various ways. Figures, particularly high-ranking retired military men, "specialist theorists" on strategic issues, bodies like the so-called "Committee on the Present Danger," and certain press organs playing the role of direct advocates for the Pentagon and the military-industrial complex, openly oppose any arms limitation agreements with the USSR and are urging the buildup of military efforts and the securing of military supremacy over the USSR. Manipulating the thesis of the defense of U.S. "national security interests," they are shamelessly concocting something like scenarios for waging nuclear war: waging, not preventing, war. They are calculating how many nuclear warheads and bombs would be needed for a strike against such-and-such a country. The people want peace and stable detente, but these men are pondering what else to invent to destroy people.

The opponents of detente in the United States have no interest in peace. Essentially they are also acting at variance with their own country's vital interests, no matter how much they might expatiate to the contrary....

In addition to the open opponents of an agreement on limiting strategic arms, there are also figures in the United States who do not appear to oppose an agreement directly but who in fact strive by every means to erect more and more obstacles to its conclusion. All this is done on the outwardly decent pretext of trying to "retouch" or "improve" the agreement. True, when the government fails, in their opinion, to heed their arguments sufficiently, these figures do cast aside their masks and start accusing it openly of being too "soft" and "compliant" toward the Soviet Union at the talks. Then even the outward difference between them and the open opponents of an agreement disappears.

They would like to "retouch" the agreement being worked out in such a way as to undermine the fundamental principle of equality and identical security for the sides and to obtain clear advantages for the United States to the detriment of the Soviet Union's security. Or, if that proves impossible, they at least want to further delay and complicate the reaching of an agreement.

The Soviet side has repeatedly stressed that there must be no illusions that the USSR will accept limitations which give one-sided advantages to the United States. Those American figures who try to instill in public opinion the idea that unacceptable agreement terms can be imposed on the Soviet Union are doing their people a real disservice....

It is necessary to lay particular stress on the dangerous nature of attempts to leave loopholes so that cruise missiles can be deployed on the territory of other countries — the United States' NATO allies first and foremost. This question is part of an overall problem of insuring that the agreement worked out completely excludes the possibility of strategic arms being handed over to third countries, or of the agreement's being circumvented through the agency of third countries. The sides must adopt unequivocal commitments on this score. If this does not happen, the viability of the agreement will likewise be reduced to nothing....

Another question constantly exaggerated by certain circles in the United States in connection with the new agreement is the question of monitoring its observance....

The present arguments about the supposed unreliability of monitoring are aimed at casting doubt on the system adopted by the sides for monitoring by means of each side's national technical facilities — a system which has reliably proved its worth. The implementation of existing accords in the strategic arms limitation sphere has proved conclusively that these monitoring facilities fully serve their purpose. This is entirely applicable to the new agreement as well....

Thus the fantasies about the "unreliability" of monitoring are designed for uninformed people and — and this is the main thing — are deliberately aimed at sowing doubts about the agreement as a whole.

It is necessary to dwell separately on the question of new types of strategic armaments and the modernization of existing systems. The opponents of an agreement have raised an outcry about these issues, attempting to make out that the American side is here putting forward far-reaching "radical" proposals while the Soviet Union is not prepared to make such a decision. There is just one aim — to distort and defame the Soviet position....

The U.S. position on the issue of modernizing existing strategic armaments is based on the same aims. Once again some people would like to "retouch" the previously agreed clauses of the treaty in such a way as to limit arbitrarily certain Soviet weapons systems while leaving the United States with complete freedom regarding a whole series of components of strategic forces. The adoption of these proposals would mean in practice that the agreements would not only fail to limit the qualitative race in strategic armaments but, on the contrary, would impart great new impetus to it....

Nor must it be forgotten that the United States is creating more and more means of mass destruction, including the neutron weapon. The Soviet Union has submitted proposals on the general prohibition of new types and systems of weapons of mass destruction and also on the mutual renunciation of the production of neutron weapons specifically. We will resolutely strive for the implementation of these proposals....

It is useful to mention all this again in connection with the situation which is taking shape in the United States at this time concerning the question of the conclusion of the new agreement. The American and world public must be clearly aware that those who are trying to wreck or delay the conclusion of the agreement are acting directly against the interests of strengthening peace and security and are setting the scene for a new spiral in the race for the most dangerous means of warfare which can only have one outcome — a sharp increase in the danger of a nuclear missile catastrophe.

# Carter Moves To Break Coal Strike Deadlock

President Carter moved this week to take charge of the chaotic coal strike negotiations before a deadlock caused major shutdowns of the U.S. industrial heartland.

Following the rejection last weekend of a tentative contract by the bargaining committee of the United Mineworkers union, the President ordered the coal operators and the UMW back to the bargaining table — in the White House and under the supervision of Labor Secretary Ray Marshall. Carter ,despite what one source described as "intense behind-the-scenes pressure" by Energy Secretary James Schlesinger to use his powers under the Taft-Hartley act to "end" the strike, has reaffirmed several times during the week his belief that the dispute must be settled by "free collective bargaining."

It is widely recognized that invoking the Taft-Hartley bill will in no way alleviate the coal shortages in the Midwest, and will likely lead only to more violence.

### *The Chance for Solution*

The President's action opens up the way for a quick settlement of the strike and offers a chance to return stability to the nation's coal fields — stability that was destroyed by a 15-year, British-inspired conspiracy that ran the once mighty UMW through a "left-wing union democracy" meatgrinder. (see *EIR* Vol IV, No. 52, Dec. 26, 1977).

Sources close to the White House report that the President's actions are being taken to avoid allowing the coal strike to destroy the U.S. economy; these sources indicate that Carter's circle of advisors is becoming increasingly aware that the prolonged coal strike is being used by anti-U.S., antidollar monetary interests to help trigger runs on the dollar on the international money markets. Any policy to restore strength to the dollar must include a quick ending of the coal strike.

The intervention, far from being the act of desperation that the East Coast press is portraying, has been calculated to achieve the maximum impact and have the maximum chance for success.

The President's action is part of a coordinated attack by industry-linked political forces, especially in the Midwest, against the efforts by Institute for Policy

Studies networks in and around the UMW to prolong the strike.

Ohio Governor James Rhodes, in a press conference blacked out by the East Coast press, called for the White House to mediate the dispute. Rhodes identified three factions in the UMW — a Miller leadership, a responsible opposition, and "anarchists." It was the anarchists, Rhodes stated, who were responsible for the violence in the coal fields. He urged public support for the efforts of Miller and responsible UMW leaders to reach a compromise settlement.

One day later, Indiana Republican Senator Richard Lugar similarly called for "White House intervention into the negotiations" and identified "anarchists" in the union as responsible for the violence.

For the most part, reports in the East Coast press about Rhodes and other Midwest governors calling for Carter to use Taft-Hartley are outright lies; if they are not lies, they are, in the words of one aide to a Midwest governor, "the result of leading questions...words put into people's mouths and then taken out of context."

The President's willingness to throw the office of the President behind reaching an equitable settlement is now the crucial force that could lead to a contract. This is indicated by reports from the United Mineworkers leaders that, contrary to press reports, they feel that the intervention of the President, his willingness to mobilize public sentiment, are their major bargaining chips in reaching a fair agreement.

Sources report that responsible leaders in the UMW, the BCOA, the White House and various state governors' offices now share the perception that these "anarchists" — actually the networks set up by the international terrorism controllers at the Washington, D.C.-based IPS — must be removed from the coal fields. If this is translated into an explicit commitment, it defines the basis for a viable contract settlement.

### *Walking Through a Minefield*

While the momentum now exists to clean up the mess in the UMW and the coal fields, Schlesinger and his allies

## What's At Stake?

Unless the vital political motion to end the strike is accompanied by a nationally coordinated effort to deal with electricity demands, very serious cutbacks will being early next week. Utilities in Indiana announced today that by Friday they will hit the 35-day supply level and on Monday will institute mandatory curtailments of 35 percent to industry, 15 percent to residential users, and 50 percent to commercial establishments, schools, and public buildings. Southern Ohio utilities, as well as Ohio Edison, will reach a similar situation in five to six days.

What has been successful so far in preventing large-scale cutbacks in power has been careful planning by utilities and the "wheeling" of power in to the eight-state ECAR (East Central Area Reliability Council) region from surrounding region grids. Power from New York and other New England plants that are oil-burning has been imported, in addition to input from Wisconsin and Minnesota.

Though almost 10 gigawatts of power has been imported at times to the ECAR grid in this manner, transmission capabilities and the absolute limit to the amount of surplus existing insurrounding grids has brought import capability up to almost 100 percent of potential. The only other possibility — of marginal but potentially important significance — is the movement of coal itself.

This would not "solve" the coal shortage problems, but could provide a critical margin of a few days before largescale cutbacks would have to go into effect. Local utilities could possibly postpone curtailments if they had the amount of coal already mined but sitting idle, if they were assured that both the UMW and BCOA were bargaining with the kind of good faith that could produce a contract settlement within a couple of weeks.

The most important policy to pursue at this critical time is to move the coal that is there and minimize the shutdowns of industry and prevent residential curtailments which directly affect the population's health and safety.

Rather than keeping a cool head and working within the already established and well-functioning ECAR and regional system, Michigan Governor Milliken's office informed the other members of the ECAR system that it will not wheel any more power into Ohio, but will save their coal reserves for themselves. The assumption being made here is that heavy layoffs in the auto industry in the state can be avoided if coal supplies are hoarded.

It is surely Schlesinger's hysteria-mongering which is pushing state officials into a "we-take-care-of-our-own-first" attitude. Anyone who falls for this is being led to slaughter: for instance, four days after Chrysler parts plants close in Ohio because they have no more coal, all of Chrysler's operations, 80 percent of which are in Michigan, will likewise shut down.

ECAR officials have also been notified by officials in the office of the governor of Wisconsin that they will not allocate power outside the state. Rumors are that West Virginia will do the same.

This "We'll be the last to go" perspective clearly makes *no* sense if one is trying to mitigate the overall effects of the strike, since no geographically defined state is economically independent. The only serious way to avoid unnecessarily widespread industrial shutdowns and other curtailments is to regionally and nationally cooperate for the sharing of existing unused coal supplies and put enough pressure on the UMW, BCOA, and federal authorities to clean out IPS and negotiate a fair contract settlement.

are throwing as many roadblocks as they can in the way of a settlement.

Firstly, the IPS networks at this moment remain in place with neither the union nor the government moving directly against them. Spokesmen for the IPS-directed Miners Right to Strike Committee have stated that they will block the adoption of any contract negotiated by UMW President Arnold Miller. They are presently organizing a "Recall Miller" movement, which responsible UMW leaders report would destroy the delicate negotiations in the White House. In addition, spinoff organizations of the MRTSC, such as the so-called National United Workers Organization, are openly calling for acts of terrorist violence to defend the strike from "a sellout to the bosses..."

*Saboteur: Schlesinger*

It is becoming a widely accepted fact among honest Midwest officials that James Schlesinger "and his DOE are a bunch of saboteurs," in the coal crisis.

Despite the fact that last week Schlesinger was ordered by President Carter to prepare a coal allocation plan to help ease the shortages, his DOE has still failed to do so. His excuses, such as the unavailability of boxcars, the lack of supplies, have been exposed by other officials as a pack of lies — in some cases contradicted by members of his own Department.

DOE officials had only last week said that the movement of coal supplies might mitigate the short-term effects of a strike and could be potentially significant in preventing major shutdowns in the context of a settlement within two to three weeks. Now these same officials, under orders from Schlesinger, report that they will only move coal across state lines after Taft-Hartley is invoked.

Such a policy, while trying to stampede nervous utilities and companies behind Taft-Hartley and thereby against the President's initiative, would also guarantee the reality of several Schlesinger public predictions this week to the effect that "major layoffs are now inevitable..."

Schlesinger's latest ploy, as revealed in Congressional testimony by DOE officials, is to lobby against the allocation of coal, allegedly because it will produce violence. Coal was moved this week in Indiana and no violence occurred. Sources close to the UMW have indicated that they have absolutely no desire to stop movement of such coal, as long as negotiations are taking place. It is only the IPS networks who will commit violence — and then, only if there is no effort made to deal with them.

While Carter has quite obviously attempted to limit the power of Schlesinger in the current crisis, he remains in office as Energy Secretary. If the strike can be prolonged into a national disaster, through his own efforts or the concomitant efforts of the IPS networks, Schlesinger would begin to wield more and more emergency "crisis management power." He therefore represents a second major threat to a settlement.

# No-Nuke Act a Blow To U.S., World Energy Development

Despite an intense last-minute effort on the part of a number of Senators, led by James McClure of Idaho, to weaken by amendment the most blatantly destructive sections of the Nuclear Nonproliferation Act of 1978, the bill, with minor technical amendments, passed the Senate last Tuesday by a margin of 88 to 3.

In the words of one opponent, the final version of the

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legislation (commonly referred to as the Percy-Glenn bill) does little more than leave a "slight crack in the door" whereby a President who is wholeheartedly committed to international development of nuclear energy technologies could possibly avert what will otherwise be certain major sabotage of United States nuclear export capability.

Properly understood, the Nuclear Nonproliferation Act of 1978 is a major act of economic warfare against the most advanced high-technology export sectors of the U.S. economy, passed by its own Congress against its own industrial economy.

*The Reliability Issue*

The fact that Congress has passed the bill, with the enthusiastic support of the President, is proof enough for foreign observers that they cannot rely on the monstrously complex and negative criteria set out in the Nuclear Nonproliferation Act to gamble the resources of their own national long-range nuclear energy development plans. The very existence of the bill is proof that indeed the U.S. will not be a "reliable supplier" of such nuclear technology.

The official line purveyed by the bill's sponsors is that the bill will actually increase reliability by setting forth explicit policy for nuclear technology transfers to other countries. But as Senator McClure told the Senate in November, "The procedures and criteria of the bill, at a minimum, would render the United States a wholly unreliable supplier of nuclear fuels and equipment, with resulting lack of predictibility driving potential trading partners to other supplier nations." Westinghouse and General Electric submitted testimony that underscored McClure's assessment, stating bluntly that passage of the essential portions of the bill will mean that the U.S. will fail to win a single new nuclear export contract except under extraordinary circumstances, meaning loss to high-skilled American workers of anywhere from hundreds of thousands to several million jobs in the next several years, billions of dollars in hard commodity export earnings, and substantial export orders of machine tools, steel, and other material for the export-starved U.S. industrial sector. (See *Executive Intelligence Review*, Vo. IV, No. 52, Dec. 26, 1977.)

### *How Did It Happen?*

A climate of congressional hysteria over "proliferation" has been consciously evoked by such organs as the *Washington Post* and the *New York Times*, who equate nuclear development with nuclear weapons. Unilateral disruption of a series of previous United States treaty agreements with Europe, Japan, India and other nuclear-importing nations by the Carter Administration, under the rubric of pressuring a halt to development of "dangerous" fast-breeder and nuclear reprocessing technologies, further softened the political climate in Congress.

The problem was further exacerbated by the astonishing fact that, aside from pro forma opposition, the U.S. nuclear industry and substantial sectors of the organized labor movement most affected by the loss of export earnings and jobs sat on their hands during crucial portions of the debate over the Percy-Glenn bill. One Senator revealed that when, in the closing days of debate, a number of legislators opposed to the Percy-Glenn legislation appealed to the nuclear industry for massive background documentation that could be introduced into full Senate floor debate before the crucial full vote of the Senate, the industry failed to provide anything like adequate factual ammunition for their allies. Senators were forced to scramble for their own statements or to obtain what they could from such sources as this news service to back up their opposition.

During debate on a number of the McClure amendments, which themselves were a woefully secondary stop-gap, many opponents of the Percy bill failed to even show for key votes. It is possible to make a philosophically consoling argument, as one opponent of the Percy bill did, that, had they only had more time, they could have swung the tide against the passage of such far-reaching legislation. The fact remains that 88 Senators voted for passage of the bill, and the bill will soon become law.

### *What the Bill Actually Does*

The provisions of the Nuclear Nonproliferation Act of 1978, highly complex and awesome to someone not familiar with issues of nuclear export policy, amount to legislative enactment by the U.S. Congress of the failed Baruch Plan of the 1940s for maintaining an international U.S. monopoly on nuclear technology and development, peaceful or military. Ironically, the prime victim this time is the United States itself, at a time when there is no longer any existing exclusivity on development of such technology and the U.S. is far already far behind many other nations in crucial nuclear technologies.

Once one accepts the legislative definitions contained in the bill, all else follows. These definitions were never adequately challenged by any Senate opposition, even though they are the most highly controversial portions of the bill. One Senator referred generally to the bill as an attempt at imposing "U.S. technological imperialism" on the rest of the world, but no amendments challenging this were entered.

Section 4 of the bill defines "sensitive nuclear technology" to mean "any information...which is not available to the public and which is important to the design, construction, fabrication, operation or maintenance of a uranium enrichment or nuclear fuel reprocessing facility or a facility for the production of heavy water..." Thus legislated U.S. policy is now to withhold export of technologies even in advance of the international review of such policies by the International Fuel Cycle Evaluation.

The provisions of the bill then go on to "prohibit the export of sensitive nuclear technology to non-nuclear weapon states by the United States...and to insure that other nations will refrain from transferring sensitive nuclear technology"; and in this context, it is now United States policy, explicit in the bill, to "aid foreign nations in identifying and adapting appropriate technologies for energy production, including solar and unconventional technologies, and, in particular, to *identify alternative options to nuclear power* in aiding such nations to meet their energy needs..." (emphasis added). The environmentalists have succeeded in legislating U.S. energy policy!

The core of the actual Act concerns definition of United States nuclear export criteria. It requires as a condition for U.S. export that the recipient nation submit to full-scope safeguards of the International Atomic Energy Agency under the Nuclear Nonproliferation Treaty (NPT) which a number of major nations, including Brazil, India, France, Israel, Spain, South Africa, Pakistan, and Turkey, have not yet signed. No U.S. technology can be exported to any country using it in development of even so-called "peaceful nuclear explosions," such as that detonated by India in 1974 as part of a major experiment for major earth irrigation development. This itself is in violation of the provisions of the NPT, which permit such peaceful explosions under appropriate safeguards. No retransfer of sensitive nuclear technologies and fuel can occur without prior U.S. approval, and no U.S. supplied nuclear material can be reprocessed without prior U.S. approval.

The bill establishes a major new morass of governmental procedures for export approval of any nuclear technology transfers and sensitive nuclear technology. A recipient nation is subject to possible override of the Nuclear Regulatory Commission by the President, who can in turn be overriden by the vote of one house of Congress—each step with highly complex and ambiguous criteria and time-consuming congressional review criteria. There is no requirement for timely and expeditious action by the Nuclear Regulatory Commission on export licensing. That body is currently split 2 to 2 between outright antinuclear members and honest commissioners who generally take pro-nuclear-development decisions. President Carter is under immense pressure to appoint the fifth and final vacancy on the NRC someone "favorable" to the antinuclear lobby. If this occurs, a situation where export licenses are virtually sabotaged by a hostile NRC majority is highly possible under the Percy-Glenn bill, should the President then decide it is in the national interest to override such an adverse NRC ruling on export, his decision is further subject to veto by either house of Congress.

Gerald F. Tape, a former United States ambassador to the International Atomic Energy Agency, noted in this regard, "The probability of delay and ultimate veto is too high for most potential customers to accept, especially when such can arise after the basic agreement has come into force. How can a customer be assured that extraneous factors will not influence continuing cooperation?"

One of the most far-reaching thrusts of the Nuclear Nonproliferation Act of 1978, to which remarkably little attention has been drawn by even informed congressional opposition, is the fact that the bill effectively bans approval of nuclear fuel reprocessing in a nonweapons state by imposing "timely warning" standards that are impossible to meet with existing technology. As an official from General Electric has noted, "Such an absolute prohibition would be particularly offensive to allies such as Japan and West Germany, and would seem to prejudice the outcome of the fuel cycle evaluation that the United States and other nations have agreed to conduct." With passage of the legislation, the U.S. presently stands glaringly isolated among nuclear supplier nations, with the possible exception of Canada, whose export criteria by recent joint agreement are defined by "U.S. standards" — which now means the Percy bill. Western Europe, the Soviet Union, and Japan will now increasingly become the focus for nations seeking reliable sources of substantial nuclear energy technology. Perhaps the most telling and remarkable aspect of this destructive and, even on its own terms, self-defeating, piece of legislation is that it was developed completely outside any process of serious negotiation with either other supplier or other user nations.

*—William Engdahl*

*Support Continues To Grow*

# Michigan NAACP Announces Energy Conference

Over 50 representatives of the Michigan Conference of the National Association for the Advancement of Colored People (NAACP) met in Lansing on Feb. 12 and resolved to mobilize support for their national organization's call for the development of nuclear energy by hosting a statewide energy conference.

The resolution, introduced by Flint, Michigan NAACP member and former U.S. Labor Party congressional candidate Max Dean, urged that "representatives of industry, labor, and education be called together to participate in a conference to implement the NAACP's energy policy."

In motivating the call for a conference, Dean said, "This is perhaps the most important issue before us today....Energy touches on the most vital questions of livelihood....We must communicate the urgency to act quickly." Martha Thornton, chairman of the Michigan NAACP's Urban Affairs Committee, seconded the motion, saying, "The liberals who marched with Dr. Martin Luther King in Selma, Alabama now want to tell us we don't know what should be done to provide jobs for ourselves. Well, they are wrong."

The motion was then unanimously approved by the 50 representatives present.

The planning of an energy conference by the Michigan NAACP coincides with the mobilization of a growing base of support for the association's call for the development of nuclear energy. The coalition between "big business, big labor, and big minorities" envisioned in the civil rights group's December policy statement is now taking shape.

In a widely publicized press conference Feb. 14, Senator Richard Lugar (R-Ind) endorsed the NAACP energy policy as "far-sighted." Speaking to the immediate issue of the ongoing coal strike and resultant fuel shortages, Lugar emphasized that the construction of nuclear power plants was necessary and should have "begun years ago. The risk involved in nuclear power is substantially less than conventional power....For years the antigrowth people thought they had the NAACP in their back pocket. Now blacks have a position...linking jobs, energy and economic growth. The NAACP took a grave risk...people should listen."

### *Midwest Press:* Business Must Support NAACP

Chicago Defender, *"NAACP wants jobs, not handouts," Feb. 8:*

Early in January, the National Association for the Advancement of Colored People adopted a report on energy policy.

In a nutshell, this report recognizes three facts:

Black Americans are suffering a disproportionately high rate of unemployment.

New jobs come from economic growth in the private sector.

National energy policies that emphasize conservation over production will discourage growth.

The report therefore puts the NAACP in favor of a private-sector solution to the unemployment problem and in opposition to no-growth economic policies, including the Administration's energy plan.

This recognition of the vital link between black unemployment and economic growth is not in itself a new development. In fact, black economists have been moving to such a position in growing numbers. But their views have not yet had time to be digested by the man in the street. Consequently, the NAACP's new stance strikes many observers as a startling departure from past practics. And for the organization, it is....

But old alliances do not necessarily meet the needs of new times. The need now is for real jobs and career opportunities. And when it comes to job creation, the record of the private sector is far superior to that of the government. Nine out of 10 new jobs created during 1977 were created by American business and 646,000 of these jobs were filled by black people. The NAACP would actually be failing its people if it did not change its outlook accordingly....

The NAACP's new thinking is evidently the product of a small band of its directors who have had high-level business experience, not the least of them being the organization's redoubtable chairman, Mrs. Margaret Bush Wilson, who is also a director of the Monsanto Company. The group's business connections have led to charges that they are biased toward the oil industry. It is the same kind of complaint that gives us government regulators who don't know the first thing about what they are supposed to be regulating.

These NAACP leaders need and deserve support from the entire business community, especially from black entrepreneurs who know where jobs come from and how to get more of them.

Mrs. Wilson, for her part, shows no inclination to cave in under pressure from the reactionaries. She recently reaffirmed her determination to "get the organization moving again, and in new directions." I haven't met the lady, but I want to. I'd like to shake her hand.

Chicago Tribune, *"NAACP officials return the fire," by Vernon Jarrett, nationally syndicated columnist, Feb. 8:*

"The message is beginning to come through loud and clear," said the poised woman lawyer from St. Louis.

"Obviously, there are people who claim to be our friends but who insist on determining the boundaries of our mental processes," said Mrs. Margaret Bush Wilson, the first black woman to serve as board chairman of the National Association for the Advancement of Colored People (NAACP).

Mrs. Wilson spoke with deliberation, as though she were attempting to avoid any statement that could be taken out of context or misinterpreted by her hosts some 20 members of the Chicago Association of Black Journalists. It wasn't easy for her.

She and the NAACP board of directors and its new executive director, Benjamin L. Hooks, have been the targets of a heavy battery of insults and rumors since the NAACP issued its "National Energy Policy Statement" several weeks ago.

The national board of the NAACP refused to endorse President Carter's national energy program. NAACP issued a statement which charged there was an overemphasis on "conservation and a reduction in the growth of total energy demand and consumption...

Mrs. Wilson calmly restated in Chicago what she and Hooks have attempted to explain to Eastern newspaper and television commentators since the liberal community acted as though it was stunned at what some writers called a sellout to Big Oil.

"Our No. 1 interest is the economic plight of black people," she declared again and again.

Hooks...expressed another concern shared by Mrs. Wilson and two other NAACP board members attending the black journalists' luncheon at Army and Lou's restaurant.

Labor leaders William Oliver of Detroit and James Kempt of Chicago noted particularly offensive articles in the New York Times, the Washington Post, the Los Angeles Times, the New Republic magazine, and the Village Voice.

Oliver said, "Those articles either tried to smear us by suggesting that the NAACP has been bought off by the oil companies or that we blacks are too dumb even to discuss critical issues such as energy."...

## Senator Praises NAACP for Energy Stance

*Prior to his Feb. 14 press conference, Sen. Lugar released a letter of support he had sent to NAACP Executive Director Benjamin Hooks. Here are portions of it.*

...The NAACP is absolutely correct in pointing out that strong economic growth is essential if we are to solve the problem of unemployment with its particular impact on black Americans. The NAACP's straightforward confrontation of this reality, and its advocacy of the reasonable trade-offs which are necessary to assure new energy supplies and economic expansion are events of importance to all citizens committed to full employment and a healthier, more just society. I commend your stance and am pleased to associate myself with it...*In his letter, Lugar acknowledged that the report has stirred controversy, commenting,...*Resoluteness in swimming upstream against outmoded ideas has characterized the NAACP's leadership throughout its history, and I encourage you to persevere on this occasion also. I am certain that many other Senators will share my enthusiasm for working together with you in pursuit of greater energy production, and more jobs for black and white Americans...

# Blumenthal's Bear Raid Reviewed

The dollar hit record lows on Feb. 16 and again Feb. 17 against the West German mark, Swiss franc, and Japanese yen. The bear impetus came first from Energy Secretary Rodney Schlesinger's domestic operations around the coal strike, which promise economic indicators far worse than the January drops in U.S. industrial output of .7 percent, the sharpest since March 1975, and in retail sales of 3.1 percent, the sharpest in 13 years. The expansive, developmental national energy policy that would reverse the slide has not been forthcoming; the consequent general lack of confidence set the stage for the second bear impetus, from W. Michael Blumenthal.

## FOREIGN EXCHANGE

Currency dealers and bank economists had their chins on the floor all last week wondering how the Treasury Secretary could be so stupid as to armtwist the West Germans once more during his weekend European trip when it was obvious that they would not budge from their refusal to grossly "reflate" their economy. Blumenthal, in truth, was far more nimble than his New York second-guessers. He went to Bonn *intending* to throw the West Germans into a degree of frustration and outrage that would impel withdrawal of market and moral support for the dollar.

In the short run, he had a degree of success, though the returns are far from tallied. What is clear is that Blumenthal does not simply want a return to "malign neglect" of the depreciating dollar; on behalf of the London channels who have shaped his career, he is attempting to regain his slipping leverage with the White House in order to force through murderous trade-war, international austerity, and financial reorganization policies in the wake of a dollar breakdown. The "1979 protectionism" dimension of the scenario was spelled out on the front page of the Feb. 16 issue of the conservative French daily *Le Figaro* by the well-known economics editor, Alain Vernay.

Secondly, it is clear to everyone as well — as it was in 1968-1979 — that if Japan, West Germany and Switzerland merely try to buy all the dollars they can to maintain the dollar's value as a reserve currency, they will bloat their money supplies to no avail. Hence the proliferation of soft-sell London-sponsored proposals for "diversification" of reserves and investments.

On Thursday, Feb. 16, amidst rumors of heavy Mideast selling of dollars the day before, the dollar closed at record lows against the Swiss franc and deutschemark, with no evidence of the kind of heavy central bank intervention that had bolstered the dollar in earlier crises, nor of extensive moves by the U.S. Federal Reserve. The markets broke into panicky disarray when the wires carried a statement by Blumenthal's deputy Anthony Solomon at a Paris press conference that the Fed had not intervened in the markets in three weeks — which traders naturally took as a signal of a return to the dollar slide policy. Solomon's subsequent comment that he had only meant to indicate that the markets were so stable that the authorities had not needed to intervene only compounded the mistrust and confusion. Traders and investors, as the Feb. 17 *Journal of Commerce* put it, were "disheartened to see the government ineptitude reflected in such statements." New York dealers who usually keep their political curiosity under wraps, in the past couple of days showed uncommon interest in this publication's explanation of how such stunning "gaffes" can systematically recur on the part of officials whose links to international, London-based operations remain generally unknown.

On the Western European side, both in the press and from highly placed Frankfurt bankers, a wave of outrage followed Blumenthal's speedy departure from Bonn. By no means does this mean that the Schmidt government and financial policymakers have fallen into Blumenthal's let-the-dollar-go-to-hell trap. After modest interventions in support of the dollar this week, the West German central bankers at the Bundesbank appear to have bought a higher level of dollars on Feb. 17. There was also an unconfirmed report that day on the Agence France Presse wire that the Bundesbank had announced its determination not to let the mark move higher than 2.05 to the dollar. The dollar continued to depreciate, suggesting either that the report was unfounded, or that speculators rushed to test the Bundesbank. New dollar lows of $1.87 and $2.054 were registered before the closing, in New York, along with another spectacular yen jump to 237, despite at least $150 million worth of dollar-buying to hold down the yen cross rate by the Bank of Japan and Japanese private banks, who had already spent over $200 million the day before.

Amidst well-informed reports of State Department pressures on Blumenthal to actively defend the dollar, Blumenthal partisans in State's Economic Affairs section were pleased with the course of events (see interview). And the preconditions for Blumenthal's scuttling of the snake have been modified, not eliminated.

Following the devaluation of the Norwegian crown, grudgingly accepted by snake leader West Germany as an alternative to Norway's leaving the joint float altogether, the French franc was bolstered by Middle East purchases through Swiss banks, purchases which, moreover, were relent in the Eurofranc market, providing an increment in the liquidity increasingly trammeled by Premier Barre's defensive credit-restriction measures. The French stock market was also bolstered by significant foreign interest (despite continued ravings by London banks in New York and abroad about how France "absolutely stinks").

The January industrial production figures showed an ominous 3 percent decline, but the government appointed commission on investment backed up Barre's public-private investment proposals for key sectors by advising that funds be guided from speculative real-estate into productive equities. The franc, of course, is not formally in the snake, but as *Le Figaro* pointed out, its health is a key to the prosperity of Franco-West German trade and thus to European growth.

## The Germans Will Give In

The following is an interview with an official in the State Department division of monetary affairs, Feb. 19, provided by a free-lance financial journalist:

*Q: I understand there is a good deal of State Department concern about the effects on our allies of Mr. Solomon's statements in Paris. In fact, sources have told me that they're convinced Blumenthal and Solomon are deliberately trying to create a breach between the U.S. and West Germany, and that's why there was a special State-Treasury meeting yesterday.*

A: I wasn't at the meeting — there may have been some words from Dick Cooper to Blumenthal about Tony's putting his foot in it, but there is total agreement between State and Treasury on the specific issue of intervention. The policy is that under floating rates, there's no way to keep the dollar from continuing to go. What Solomon is saying is that we will continue to intervene to prevent large jumps in thin markets.

*Q: There are reports that after Blumenthal's visit, West Germans are saying, forget it, if you won't actively support the dollar we'll have to gear up for trade war.*

A: Eventually the U.S. may not have much choice about protectionism. But I think at a certain point the Germans will give in on reflation, when the unemployment is bad enough. There's been so much international pressure, they want to save face at the moment.

Publicly the Carter Administration has always been against protectionism, it is not our first option, but...

# Battle Over World Credit Markets As U.S. Banks Decline

A recent report of the Bank for International Settlements (BIS) concerning Eurocurrency market development in the third quarter of 1977 has revealed a major shift in the pattern of world credit flows. For the first time since controls on U.S. capital exports were lifted in 1974, banks in the U.S. have emerged as net borrowers rather than suppliers of funds to the international markets.

## BANKING

This startling development reflects both the severity of the dollar crisis — as foreign investors ran down their deposits at banks in the U.S., forcing U.S.-based banks to import funds from their offshore branches to shore up their positions — and the reduced share of U.S.-based banks in international lending activity. Moving into the breach were banks in the London and Luxembourg Eurocurrency markets, which accounted for the lion's share of international credit expansion during the third quarter and attracted the bulk of the new deposits.

In a nutshell: several tens of billions of dollars of deposit and lending activity have shifted from New York to London, from the domain of the Federal Reserve to the domain of the Bank of England. There are several, interconnected reasons for the shift, which is the most dramatic development on the international markets of the past year:

1) The profit-squeeze on international lenders due to the collapse of spreads on syndicated Eurocredits, much publicized over the past months, has compelled American banks to conduct a greater portion of their activity without reserve requirements that apply in the domestic market in order to compensate.

2) Fear of capital controls has kept a marginal, but important stratum of depositors leery of keeping balances in New York — although for the most part, the shift involves the same suppliers and takers of funds.

3) Higher interest rates on Eurocertificates of Deposit have accelerated the process — ironically, due to additional risk factors. The spread between comparable Euro-CDs and domestic CDs has risen to three-eighths of one percent, several times the usual difference. Partly this is the result of competition for funds in London. But, according to British banking sources, the premium is largely due to sovereign risk factors affecting the London Eurodollar market. There is a fear that the Bank of England, which has virtually totalitarian powers over London-domiciled banks, might impose controls on dollar outflows in the event of a run against sterling. In that event over one quarter of the Eurodollar market would be frozen in London. The effect this would have on the Eurodollar market stands in relation to the Herstatt collapse the way a modern thermonuclear device compares to the Hiroshima bomb. Extremely tight political coordination between leading central banks would be required to prevent a catastrophe.

According to the BIS, foreign claims on banks in the U.S. rose by a whopping $6.5 billion during the third quarter, $3.9 billion of which represented funds transferred from U.S. bank branches in the offshore centers of the Caribbean and the Far East back to the parent banks. Since U.S. banks' net external liabilities rose only $2.4 billion (see Table) compared to the $6.5 billion rise in total foreign claims, withdrawals of funds in the U.S. by other investors must have approximated $4.1 billion. It was this rather substantial deposit run-off which U.S. based banks attempted to cover by importing funds.

At the same time, U.S. banks were forced to "pull in their horns" from the international lending markets as a result of their already overexposed position as holders of "soft" developing-country debt, declining bank profit margins on syndicated medium-term credits, and the threat of increased regulation by the U.S. Comptroller of the Currency. Indeed, the external assets of banks in the U.S. actually fell by $200 million (see Table) during the third quarter.

By contrast, banks in the Belgium-Luxembourg and United Kingdom Eurocurrency markets dramatically increased their positions from both the asset (loan and investment) and liability (deposit) side — accounting for well over half the growth in the total world market. The BIS figures include, of course, U.S.-based banks' branches in Belgium, Luxembourg and London, but there is substantial evidence that West German and other foreign banks — not U.S. banks — were responsible for most of the increased lending from these centers.

Furthermore, the $3.2 billion rise in external assets of U.S. bank branches in the Caribbean and Far East, which might be interpreted to indicate increased U.S. bank lending, was more than offset by the $3.9 billion transferral of funds back to the U.S.

There are important political-strategic differences as well between a U.S. bank loan or deposit booked in London or Luxembourg, and one booked in New York. The Bank of England could, if it desired, freeze Eurocurrency deposits in London or slap down reserve requirements on lending. The West German Bundesbank — albeit from a very different standpoint than the Bank of England — could dictate the policy of Luxembourg monetary authorities. Even the Cayman Islands in the Caribbean — generally known as a U.S. offshore "bailiwick" — has recently called in Scotland Yard to help investigate international banking activity in the area.

In sum, the BIS figures point to a substantial rout of U.S. banking, and an emerging rivalry for world leadership between the West German-dominated Luxembourg market and the London market — the former oriented towards gold and long-term export- and development-related credits, the latter dedicated to short-term speculative gambits and the restoration of British imperial power.

A seemingly anomaly in the BIS data is the fact that OPEC nations borrowed $2.2 billion during the third quarter, while their deposits only rose by $.4 billion. Thus the "oil-rich" nations also appear as net borrowers from the world market. Although this is partly due to hefty borrowing by Venezuela for development projects, London's *Financial Times* helpfully points out that the

## External Positions of Banks In Group of Ten Countries, Switzerland, and Branches of U.S. Banks In the Caribbean Area and Far East

Amounts outstanding in billions of U.S. dollars

| | Belgium-Luxembourg (a) | United Kingdom (a) | United States | Caribbean Area and Far East (b) | GRAND TOTAL (All reporting countries) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| end - September 1977 | 57.4 | 149.5 | 81.7 | 87.5 | 590.4 |
| end - June 1977 | 52.9 | 144.8 | 81.9 | 84.3 | 572.4 |
| end - September 1976 | 45.2 | 127.6 | 71.5 | 68.0 | 500.9 |
| June 1977 - Sept. 1977 | + 4.5 | + 4.7 | — 0.2 | + 3.2 | +18.0 |
| Sept. 1976 - Sept. 1977 | +12.2 | +21.9 | +10.2 | +19.5 | +89.5 |
| **LIABILITIES** | | | | | |
| end - September 1977 | 55.8 | 161.2 | 74.1 | 86.0 | 591.3 |
| end - June 1977 | 51.0 | 155.8 | 71.7 | 84.2 | 571.8 |
| end - September 1976 | 43.6 | 137.9 | 63.8 | 68.8 | 495.8 |
| June 1977 - Sept. 1977 | + 4.8 | + 5.4 | + 2.4 | + 1.8 | +19.5 |
| Sept. 1976 - Sept. 1977 | +12.2 | +23.3 | +10.3 | +17.2 | +95.5 |

(a) Includes only foreign currency (Euro-currency) assets and liabilities.
(b) Branches of U.S. banks only, as reported by U.S.

Bank for International Settlements

OPEC investors must have been shifting into other types of assets besides bank deposits — perhaps British Treasury securities or British merchant bank-managed "private placements"? The BIS also indicates that OPEC countries drew down their dollar deposits with branches of U.S. banks in the Caribbean and Far East by $.9 billion and with banks in the European Group of Ten countries by $.2 billion, while simultaneously building up their non-dollar deposits in Europe by $1.4 billion. Thus, OPEC "portfolio diversification," although not yet massive enough to crush U.S. banks, nevertheless represents a significant threat as long as the dollar is unstable and could swing the balance between the Luxembourg and London "systems."

—*Alice Shepard*

## British Plot Bear Raid On Eurodollar Market

*A Feb. 6* Financial Times *survey on the Euromarket subtly aired several British scenarios for "bearing" the Eurocurrency market in such a way as to wipe out the remaining U.S. bank competition and emerge on top of world credit flows. In 1974, West Germany's Herstatt Bank collapsed and momentarily paralyzed the entire Eurocurrency interbank deposit network. A Herstatt-type crunch could evolve again in many ways, the* Financial Times *editors suggest — from Third World defaults to a New York City bankruptcy to increased regulation of U.S. banks by British-oriented U.S. Comptroller of the Currency Heimann.*

If this situation (another Herstatt-ed.) is to be repeated one may expect an increasing strain on the U.S. banks' lending capacity during this year...The one development which could change this general picture (i.e., trigger a shift from the present excess liquidity to a credit shortage-ed.) is a sharp shock such as happened with the oil price rises and money market losses in 1973-74. For, while the numbers of institutions involved in the Euromarkets — and the commitment of the old hands in the business — has grown immeasurably since in the last four years, the market mechanisms are more firmly based only to the extent that solutions to the particular problems posed in 1974 have been found. The potential remains for tiered rates and a sharp and speedy contraction in the volume of inter-bank deposits, in the absence of any meaningful lender of last resort.

## Czechs Say:

# What's Good For The Dollar Is Good For Us

One clear statement on why the dollar must be supported issued this month from Prague, where the Communist Party daily *Rude Pravo* carried a two-part series of articles by Ladislav Alster on the currency crisis. Far from gloating over the U.S. currency's fall, as misguided Eastern European officials have often done—on the principle of "what's bad for the capitalists is good for us"—Alster focused on the devastating damage to world trade, not sparing Eastern Europe.

"The weakness and the decline of the dollar are no domestic affair of the United States, but a question of worldwide dimension," wrote Alster Feb. 2. Among the experts he cited to demonstrate the point were former U.S. Treasury Secretary William Simon, warning that without a strong dollar to ensure the economic stability of the United States an international crisis will occur; and Horst Siebert of the conservative West German daily *Die Welt*, who has written that the currency insecurity, consciously advocated by the Carter Administration, has done great harm to international investment activity and international trade.

Neither the West German mark, the Swiss franc, the Japanese yen—much less "so-called Special Drawing Rights"—could successfully be used to denominate oil transactions or other world trade, stressed Alster. In Saudi Arabia and in Paris, Carter was put under strong pressure for "the U.S. government to take energetic measures to support the dollar."

"Can the U.S. do anything for the international position of the dollar? Most likely it could....the U.S. remains by far the greatest capitalist economic power."

The dollar recovered somewhat after Carter's Jan. 5, 1978 statement that it would be supported, but the recovery lasted only until the president's State of the Union speech. "It may appear that the financial policy of the Carter Administration is helping the American economy by 'burning' its partners" (West Germany, Japan, etc.). "But this is not the case. Actually, nobody in the U.S. is really satisfied with Carter's financial policy....The so far very phlegmatic financial policy of the Carter government surely mirrors the crisis contradictions in the United States....Some of the phenomena cited are indeed alarming, and signal that the partially structural crisis of the capitalist world could easily turn into a high gear crisis, with unpredictable consequences, which to a certain extent would also have an unfavorable influence on the economy of the socialist countries."

In a follow-up article, Alster wrote that the U.S. deficit was only one problem underlying the fall of the dollar. More important, is the speculation against it, which has assumed "incredible dimensions and forms." Alster's cited European sources who believe the dollar is to be undervalued at this time, suggesting that central banks might attempt a wave of counterspeculation to boost the dollar.

The danger remains, he concluded, that "secret groups of insatiable adventurers can turn the economy into a huge roulette wheel."

# British Out To Destroy European Community

Geoffrey Rippon, leader of the Conservative Party faction of the British delegation to the European Economic Community (EEC) and negotiator of Britain's entry into the Common Market in 1971, has begun a bald-faced offensive against Britain's two major European allies, France and West Germany, by threatening to force the dissolution of the EEC unless Britain gets its way in all of the major controversies now under discussion in Brussels.

## EEC

Rippon's warning followed two previous assertions of British nationalism in the past week: British Foreign Secretary David Owen defended the "Anglo-Saxon tradition" of "empiricism" against European critics; and notorious racist Enoch Powell charged that France and West Germany are prolonging World War II grudges against Britain through the EEC.

Britain's attacks on its European partners are clearly the continental extension of the "coup" underway against the U.S. government, aimed at breaking potential European support for the dollar and reasserting the dominance of the pound sterling and the City of London.

### *"Perfide Albion"*

At the heart of the British continental European controversy is Britain's insistence on its national interests at the expense of increased cooperation among EEC countries. The British government's intransigence in recent policy discussions, including insistence on national fishing limits and increased EEC subsidies to Britain's debt-strapped farmers, has unleashed a wave of protest in Europe, with French, West German, and Italian press once again raising the slogan of "perfide Albion" against their British partners.

British retaliation was immediate. Last weekend, Powell told an audience of London businessmen that Britons have "simply failed to comprehend the depth and durability of resentment held against us by the Germans and French. By the Germans for the obvious reason that we defeated them (in World War II —ed.); by the French for the less obvious but still more potent reason that we did not share in their defeat." Turning on its head the dictum of German military scientist Clausewitz that "war is the continuation of politics by other means," Powell charged that French and German attitudes toward Britain and the EEC represent "the continuation of warfare by political means."

Two days after Powell's attack — for which he was denounced by West German newspapers as a "lunatic" and "extreme nationalist" — the London *Times* announced that British Tories were prepared to argue for the breakup of the EEC and its transformation into a "wider and looser" trading federation modeled on the European Free Trade Association (EFTA). Britain's use of EFTA to break up the Adenauer-De Gaulle axis in the late 1950s is well known, and there is little doubt that the British are now looking to enlarging the EEC as a good means for undermining West German-French hegemony.

### *"Make Or Break Week"*

Top British representatives, such as an influential member of the Conservative delegation to the European Parliament, warned reporters that this would be a "make or break week for the Community." Geoffrey Rippon, with backing from anti-EEC members of the Conservative Party, enlarged upon this warning, saying that if Britain does not get its way on sensitive EEC policies, he will launch a campaign for the dissolution of the European Community at a colloquium this week in Madrid on European issues. Rippon also attacked West Germany directly, echoing U.S. Treasury Secretary Blumenthal's criticisms of West German economic policy. Rippon warned that Europe and the U.S. face a "dark and dangerous future" because the monetary system is in disarray, and the balance of power is shifting in favor of the Soviet Union. In particular, he said, West Germany has been unwilling to help EEC member states with weaker economies recover from the recession. Schmidt has been "responsible for frustrating the coordinated effort of the last economic summit" and for delaying the next meeting until July. He concluded that "the fisheries question is not just a test of the credibility of the Community, it is a test of its coherence."

*—Pam Goldman*

# London Targets U.S. Achilles Heel: New York City

After three years of "surgical excision" under Lazard Freres' Felix Rohatyn, New York City's financial instability once again verges on the brink of bankruptcy. Like the infamous Nazi Finance Minister Hjalmar Schacht, Rohatyn's economic wizardry — massive austerity, 25 percent layoffs, and decimation of services — has succeeded only in weakening the victim to the point of death.

Now, Rohatyn intends to exploit New York's fiscal crisis as a weapon against the entire U.S. credit system. London is considering two options:

(1) Impose an IMF-style austerity regimen that will ignite riots, destroy the unions, and decimate business. In the ensuing chaos and confusion, London's Washington sympathizers like Walter Mondale, Treasury Secretary Blumentahl, Rep. Reuss and Senator Proxmire would ram through a flock of repressive federal decrees that will quickly be applied nationally as similar situations erupt in the collapsing economy:

(2) Kill the victim outright by forcing the city into bankruptcy, thus triggering a chain-reaction collapse of the municipal bond market, stock market, and Eurodollar operations. There are evident constraints to this scenario, including the reported opposition of the President to outright bankruptcy.

The first option is already in full swing. Rohatyn's personally selected mayor, Ed Koch, has assembled an administration of ruthless austerity proponents like "labor mediator" Basil Patterson and union-buster Herman Badillo. Koch is committed to slashing the 1979 budget by at least $500 million, which translates to about 30,000 jobs, or 15 percent of the remaining workforce, plus shutting down the municipal hospital and city university systems. He has warned the municipal labor unions — whose contracts all expire between March and July — that they can expect little or no wage increases. If they want higher wages, they will have to "increase productivity" — i.e., take layoffs to the tune of 1,000 workers for every $16 million gained. The unions, for the most part manipulated by Rohatyn protégés like AFSCME chief Victor Gotbaum, are playing into the set-up with militant rhetoric, and are even stupidly attacking each other trying to get a bigger slice of the non-existent pie. Simultaneously, Deputy Mayor Badillo is cracking down on the expendable "poverty pimp" organization. In the past, these community groups functioned primarily to fragment the seething ghettoes while maintaining a semblance of social control; but now these controls are to be removed.

Koch is merely playing out the script written in the London *Economist* of Jan. 21:

> If New York City were a foreign country — and many Americans feel that it almost is — it would have called in the International Monetary Fund long ago. The IMF's reaction to a country of 8 million people (nearly 1 million of whom were on welfare) whose government had run up $14 billion in debt and an annual deficit of $500 million, which had a faltering domestic economy and no credit, would be predictable enough. It would impose strict conditions of fiscal rectitude on that country's politicians in return for a standby credit to bail them out.
>
> That is exactlywhat America's federal government should now do to New York City's government as it enters its third financial crisis since 1975....A new control board, with federal or congressional members, should keep close tabs on City Hall....To give such a watchdog real teeth it could be granted first call on the city's federal revenue-sharing funds...

The Feb. 15 *Wall Street Journal* leaked that the Carter Administration is drafting a program for New York which might well include giving Blumenthal "standby authority" to provide federal guarantees for MAC bonds — and thus de facto power to dictate policy to the city!

The House and Senate Banking Committees, chaired by Anglophiles, Reuss and Proxmire respectively, are similarly pushing the extreme austerity scenario, refusing to consider further federal aid until the city cuts the "fat." In a statement released Feb. 14, Reuss suggested drafting legislation to institutionalize Big MAC structures for all the major cities and strict austerity for all those seeking federal bailouts.

Although no one in the corridors of power in either Washington or New York is openly advocating bankruptcy for the city — option two — London could indeed take this route. New York City is a nexus in the international financial picture. With a total debt of $15 billion — larger than that of all but a half dozen developing countries — a New York default would cause a drastic crisis of confidence in every financial center. It would cause an immediate collapse of the overextended municipal bond market. The stock market would nosedive to new lows as investors tumble over each other to sell as fast as they could.

In this context, the integrity of the major New York banks would be severely impaired. Capital flows would be totally disrupted, and the shaky Eurodollar bubble would be instantly pricked. If the United States failed to "save" its largest city, remaining faith in the dollar would crumble.

In short, within days the world economy could sink into depression. To quote *The Economist:*

> Without somelong-term federal help New York City's government will jog along on the border of bankruptcy, only tipping over it when the national economy turns down and a federal rescue would be hardest to mount. The federal government would then have to respond in the worst circumstances for itself if only to avoid the financial upheaval, with ramifications of Creditanstalt proportions rippling through the world banking system...

Reuss's Banking Committee will soon begin hearings precisely around the question of bankruptcy. While the overt attempt will be to demonstrate that this is not a sane alternative, there are indications that the most entrenched Anglophiles — like Reuss — are at least toying with the idea. Reuss himself released a statement last December urging reserve requirements on liabilities of *foreign* branches of U.S. banks. Such a move would force U.S. banks to raise interest rates, effectively curtailing Eurodollar lending activities and thus collapsing the Eurodollar market!

There are other possibilities. Senator Proxmire, in contrast to Reuss, is taking a hard line on New York City, advocating no federal aid whatsoever. If the Congress were to deadlock in indecision on New York, by July New York would indeed default. Similarly, if Carter's plan or some other version were to give British agent-of-influence Blumenthal discretionary control of Federal pursestrings to New York, Blumenthal could singlehandedly precipitate a collapse under any pretext.

*—Steve Parsons*

# European Banks Battle Britain For Luxembourg Base

The Duchy of Luxembourg has emerged as a leading international financial center as a result of efforts by European banks and industrial corporations to break the vicious cycle of alternating austerity and deficit-spending-fed inflation which has progressively eroded Europe's economy since the 1965-66 recession.

Luxembourg now hosts 91 subsidiaries of leading international banks. The fact that Belgian, French, and, most recently, Scandinavian banks have established operations in Luxembourg to bypass domestic legislation inhibiting lending to industrial enterprises or, in the case of West German banks, to escape penalties on foreign bank deposits—belies the widely circulated view that Luxembourg is "just another Cayman Islands," or a semi-legal "tax haven," free from government control.

Luxembourg emerged as a noteworthy financial center in 1967, when the Dresdner Bank, West Germany's second largest, opened the first West Germany subsidiary there. Previously, Luxembourg had been the seat of international operations for an exclusive handful of French and American banks, most notably Wells Fargo.

Dresdner's decision helped to pave the way for a major shift in West German banking, which previously had virtually no international operations to speak of. During the 1960s, London's financial press gloated over the timidity of West German bankers in the international field, attributing the country's "inward-looking" financial practices to a widespread fear that the debacle of two world wars, when the entirety of German foreign banking assets were seized and dismantled, might be repeated.

From its Luxembourg base, Dresdner entered into a number of agreements with France's Banque Nationale de Paris, including the 1972 formation of BIFEN, a bank devoted to financing international nuclear energy projects. BIFEN's shareholders also include the Banque de l'Union Européenne, an institution controlled by the Belgian-based Empain-Schneider group, which runs Luxembourg's huge steel firm, ARBED.

In addition to its BIFEN activities, Dresdner proposed in January 1975 that a nuclear energy bank be constituted by European governments. Dresdner renewed this proposal last fall, suggesting that the bank be capitalized at several billion deutschemarks and be based in Luxembourg.

### *Why Europe Needs Luxembourg*

Under present international economic conditions, however, such proposals cannot be seriously implemented unless Luxembourg becomes a focal point for continental banking.

In West Germany, private banks are prevented from attracting foreign deposits for investment purposes because of high reserve requirements and emergency deposit margins that the central bank has slapped down to facilitate support operations for the U.S. dollar. Thus, if a West German bank wants to attract Arab petrodollar investments, for example, it must act through its Luxembourg subsidiary if the arrangement is to be profitable.

In Belgium, more than 50 percent of all bank lending is channeled into public debt financing, which is growing at more than twice the rate of private borrowing. Similarly, three new Scandinavian banks opened subsidiaries in Luxembourg in 1977 for the stated purpose of acquiring credits and trade financing for domestic customers. Corporatist legislation restricting bank lending, especially in Sweden, makes it virtually impossible for domestic banks to finance industry from their home base.

The U.S. and European Labor Parties have put forward a series of proposals to further Luxembourg's role as an international center for transactions in and depositing of gold, as a major first step toward the creation of a new gold-backed monetary system. The Labor Parties have also proposed to the U.S. government that a branch of the U.S. Export-Import bank be set up in Luxembourg to soak up excess dollar liquidity from the London-controlled Eurodollar market, and to use these funds to finance U.S. high-technology exports on the order of $200 billion per year. Concerted implementation of these programs would reshape present defensive "Maginot Line" opposition to continental economic collapse by using Luxembourg's financial assets to foot the bill of global industrial recovery.

### *"Multi-Currency" Hoax*

Today, with over 20 banking subsidiaries, West German banks constitute the largest national sector grouping in Luxembourg. A huge market in deutschemark-denominated Eurobonds has grown out of this base of operations and, several times since the end of 1976, monthly sales of deutschebond issues have topped dollar-denominated issues.

British merchant banking circles, led by the Rothschild-Lazard networks, are manipulating the emergence of non-dollar-denominated bond markets in Europe to subvert the Luxembourg-based banks. Consistent with the Brookings Institution's seven-year-old push for a "dollar-deutschemark" axis, London sees the several billion of dollars in deutschemark bond issues as a steppingstone to a "multi-currency" international financial bloc that could shore up both a constantly depreciating dollar and a defunct pound sterling.

From 1971-1975, Rothschild-Lazard networks made use of their control over Kredietbank, S.A. Luxembourg, a subsidiary of Belgium's leading Flemish bank, to introduce $1.3 billion in bonds denominated in European Units of Account (EUA), an artificial currency first introduced by the European Economic Community to finance labor-intensive "regional development" projects. Yale Economist Robert Triffin, an early proponent of London's "multi-currency" hoax, is a member of Kredietbank's board.

The EUA game was put into motion by unwitting Scandinavian corporations, which have been forced until now to use the Eurobond market for the bulk of their financing operations. Prior to the Kredietbank's EUA venture, Scandinavian issues were controlled by Hambros Bank of London, with the aid of the London-connected New York houses of Kuhn Loeb; Lazard Freres; and Drexel-Harriman.

Suddenly, following a major publicity campaign on the EUA, Kredietbank S.A. Luxembourg became the leading underwriter for Scandinavian issues—raising the obvious suspicion whether Lazard had not handed their credit-starved customers over to Kredietbank's general manager André Coussement, a former colonial administrator in the Belgian Congo. On the purchasing side, Kredietbank disposed of the issues through a private network of Flemish customers. Since it is illegal to advertise bond marketings in Belgium, private information networks run by messenger out of Luxembourg and Zurich, Switzerland have impenetrable control over Belgian international bond investments.

By 1975, Kredietbank had become Europe's leading bond underwriter, although at the close of that year it took a drubbing when it failed to market an issue for France's national electricity firm, EDF denominated in another London-inspired funny money, the International Monetary Fund's Special Drawing Rights.

### *London's Inside Job on European Banking*

Kredietbank has also been used by London to organize an "insiders" network in West German banking circles. Walter Seipp, international operations director for Westdeutsche Landesbank, has sat on Kredietbank's board since 1963, when Westdeutsche shoveled large investments into the Luxembourg subsidiary, transforming it from a minor, local bank into an international commercial banking outlet for London. A major outcry erupted in West Germany last year when Westdeutsche offered to bailout and to merge with the bankrupt state bank of Hesse—this would have given Westdeutsche the largest bank assets in Western Europe.

London has made use of European terrorist networks under the control of British MI-5 to break up the networks in the Luxembourg project. The July 1977 murder of Dresdner Bank chairman Jürgen Ponto and the January 1978 kidnapping of ARBED chairman Baron Empain are cited by leading European circles as acts engineered by London to prevent Luxembourg from becoming the focus of a gold-backed monetary system.

Similarly, the mysterious December 1976 death of French Gaullist-connected industrialist Jean de Broglie has been used by the London *Financial Times* to "keep warm" a potential "corruption" investigation of 4,000 corporate holding companies set up in Luxembourg by international firms in the past few years. The "investigation" into de Broglie's murder has led to the accusation that an illicit holding company operating in his name in Luxembourg was used to launder European contributions to President Nixon's election campaign.

# Ghost Of Nixon-Brezhnev Detente Haunts Exim Hearings

The Feb. 6 hearings of the Senate Banking Committee's Subcommittee on International Finance on the rechartering of the Export-Import Bank have occasioned the dusting off of a few skeletons. These hearings themselves will not only shape ensuing Congressional debate on the rechartering issue but will help to decide the future shape of U.S. export policy overall.

However, the arguments pro and con, at least in general outline, are not new. London merchant bankers have fought tooth and nail to prevent the Eximbank from assuming its due responsibilities as the primary agency for financing major U.S. technology exports since the early days of the Nixon Administration.

At that time, President Nixon and leading members of his Cabinet, including Secretary of State William Rogers and Commerce Secretary Maurice Stans, sought to use the Eximbank not only for financing exports but as a central mechanism in securing détente with the Soviet Union on the basis of expanded East-West trade. These men knew that the best way to shortcircuit a British Cold War revival was to ground "superpower" relations in the two countries' mutual interest in bringing their own economies up to the level of the most advanced technologies then available as a springboard to extending that technological development to the rest of the world.

Thus, it should come as absolutely no surprise that British-oriented press and other conduits of London are now concocting the shabbiest of pretenses to shut down the Eximbank once and for all during the upcoming congressional debates. The AFL-CIO has most recently fallen prey to the arguments of these Cold Warriors as indicated in first-hand reports that the AFL-CIO will do everything in its power to stop the Eximbank from "exporting jobs."

In 1972-73, London did not let up its efforts to destroy industrial trade-based détente until Nixon himself had been watergated from office and until the very institutions of constitutional government in the United States had been seriously weakened.

This time around, however, Congress will be well armed with U.S. Labor Party documentation of this early British subversion of the Eximbank and with a Labor Party proposal for the expansion of the Bank's lending facilities from its current paltry $9 billion to $200 billion — a sum large enough to accomplish what the Nixon Administration failed to do and then some.

*Nixon-Brezhnev Summit*

In August 1971, the United States unwittingly contributed to a major shakeup of the international economy when the Nixon Administration was bamboozled by British agents-of-influence into severing the dollar from gold. As a partial countermove, Nixon personally, under the advisement of his Secretaries of State and Commerce, undertook to put an end to all major points of conflict — including the tragic Vietnam War — between the United States and the Soviet Union through mutual industrial recovery.

In early 1972, the American chief of state announced the historic eight-day May summit meeting in Moscow with his Soviet counterpart, Leonid Brezhnev. London, momentarily caught off guard, jeered that the trip was a "vote-getting stunt for the fall presidential elections."

In the course of those eight days, Nixon and his staff finalized a series of draft communiqués and treaties that blew gaping holes in the Cold War smog then hovering over the world.

The May 29 announcement of the first SALT agreement between the U.S. and the USSR was a critical first step. The clear thrust of the agreement rested on "the need to make every effort to remove the threat of war and to create conditions which promote the reduction of tensions in the world and the strengthening of universal security and international cooperation."

Other landmark agreements announced the same day included cooperation in space, science and technology, health and medicine, and trends and commercial relations. The agreement on Science and Technology was exemplary in its provisions for joint work in the "development and implementation of programs and projects in the fields of basic and applied sciences," including the harnessing of nuclear power, and joint exploration of outer space.

The second major step in founding the era of détente was embodied in the U.S.-Soviet Agreement on Trade. That agreement heralded the opening of unimagined opportunities for trade between East and West and, by clear implication, North and South with its prescription that "total trade during its three-year period *will at least triple* to an aggregate amount of at least $1.5 billion."

The accord also called for the granting of most-favored-nation status between the U.S. and Soviet Union; the establishment of a U.S.-USSR Commercial Commission with offices and trade representation in each country; and provisions for reciprocity of government credits, which on the U.S. side, were to be provided *exclusively by the Eximbank.*

A White House Fact Sheet on the trade agreement, published in fall 1972, reported that "the Soviet government states that it expects substantial orders to be placed in the United States for 'machinery, plant and equipment, agricultural products, industrial goods, and consumer goods.' " U.S. corporations applied for export licenses for equipment valued at well over $1 billion in anticipation of successful bidding on contracts for the huge Kama River truck plant construction projects. Development of Siberian natural gas reserves, a multi-billion-dollar contract, promised to meet a portion of U.S. energy needs and offered opportunities for joint scientific work with Soviet scientists in Novosibirsk in explosive dynamics and other areas on the frontiers of science.

Orders for U.S. goods continued to flow in at the very favorable *export ratio of 3 to 1 — that is, the U.S. exported three times what the Soviets exported to the U.S. largely in capital and technological goods.*

The impact of the Trade Accords was noted by at least one honest U.S. trade expert, who reported that on only "two previous occasions (has) the Soviet Union used a Mixed or Joint Commercial Commission to manage foreign operations with a free economy country. A Trade and Navigation Agreement with Italy (March 5, 1947) provided for such a Commission," but was disbanded in 1948. "The idea of the Joint Commission was revived in French-Soviet relations...on June 30, 1966...in order to strengthen their economic, scientific, and technical cooperation." According to this expert, the 1972 U.S.-Soviet accords were consciously modeled on the earlier agreements reached between General Charles de Gaulle and the Soviets, which led to record trade levels.

The far-reaching thrust of the May package of agreements was further reflected in an October 1972 press briefing from the Secretary of Commerce's office:

> We shall be seeking funds from Congress in a budget jointly prepared by State and Commerce to *step up our commercial programs worldwide.* Without waiting for this, we have been juggling positions so that we could put some additional commercial manpower into Eastern Europe. We recently added a fourth officer in Moscow. We are putting a second commercial officer into Budapest (Hungary) and expanding the commercial section in Bucharest (Romania). We are hiring a commercial specialist locally in Prague (Czechoslovakia).
>
> We are shifting our budget priorities and Commerce is undertaking its new programs because we think that it is the time for American business to make its move in Eastern Europe. We have spent 20 years erecting discriminatory walls around this trade, allowing West European firms to gain a dominant position. American assets as we now reappear in the commercial arena, include a technological and management edge, a scale of operation that is large enough to be suited to the massive investment approach of the planned economies.

Finally, to guarantee that the initial impulse written into the May agreements was sustained on the basis of a Hamiltonian *dirigistic* approach, the Eximbank was drawing up the plans for a Development Corporation and Development Institute.

### *London Counterattacks*

The Nixon Administration's initiatives were a cause for hysterical outrage on the part of London's leading financiers, who suddenly saw their painstaking efforts, since 1971 to foist a common fund commodity cartel on the Third World going down the drain. Nixon and his close advisors were clearly a threat to their monetarist interests and could not be tolerated in the White House.

As Costas Kalimtgis has documented in his series of articles, "Expel Britain's Kissinger For Treason," *(1)* British agents-of-influence wasted no time in eliminating the key individuals through the Watergate scandals. And as early as October 1972, a reporter with the Lazard Freres-owned *Washington Post* sounded London's call to sabotage Nixon-Brezhnev détente because of Soviet violations of "human rights."

The Jan. 6, 1973 issue of the London *Economist* outlined in deliberate detail the dangers inherent in the May initiatives, advising the U.S. that:

> They do not end up actually subsidizing through faulty pricing the economic growth of the East. *Soft credits or prices* will do more harm than good...The West's money and knowhow will be used to enrich and beef up the ideological enemy.

Feeding potential Soviet paranoia the *Economist* then slyly continued:

> The West has capital. The East has resources. The use of one to exploit the other will turn it into a semi-colonial disaster, unless both East and West watch out.

The *Economist* enumerated the evils of the multibillion-dollar Siberian natural gas deal; denounced any barter or buy-back deals; and after labeling East-West trade "the Waltz of the Elephants," boasted, that "it was good to see how Mr. Peter Peterson, (of Lehman Brothers, who succeeded Maurice Stans — ed.), American Secretary of Commerce, slapped down a man like Armand Hammer or a company like Tenneco when their claims of *mammoth deals* about to be signed with Russia ran crudely ahead of reality."

But, most telling of all, the *Economist* morosely contemplated "how far this affair will go between America and Russia, leaders of two hostile camps, will determine much about East-West trade as a whole."

The *Economist's* credentials as a mouthpiece for City of London merchant banks are illustrated by a look at its editorial board: Chairman Evelyn Rothschild, also Chairman of N.M. Rothschild & Son; Editor Andrew Knight, member of the select governing Council of the Royal Institute of International Affairs; Trustee Viscount Harcourt, a former chairman of Morgan Grenfell bank and currently Chairman of the Board of the Rhodes Trust.

### *"Fighting For Our Lives"*

In the 12 months following this signal piece, Britain's unrestrained war against the Nixon-Brezhnev détente succeeded in grossly distorting U.S. domestic and foreign policy. By year's end, President Nixon was a captive of Watergate paranoia and the Middle East was in flames, thanks to the handiwork of National Security Advisor Henry Kissinger. Nixon's expanded trade and world peace policy lay shattered.

Recalling the atmoshpere of siege that gripped Washington in 1973-74, a former Eximbank officer under the Nixon Administration angrily explained, "We had started 1973 planning to greatly expand the operations of Exim. To our shock, we found that we had to fight to save the Bank's life and to prevent the Bank's charter from being extinguished."

Despite the fact that Watergate was daily stripping Nixon of constructive powers, and Republicans and old line Democrats alike were being prodded into line, the Eximbank did not shut down immediately. Eximbank financing and the attendant growth of exports hit record highs in 1973. The full weight of Watergate did not hit until 1974.

In 1974, Tories in the U.S. Congress clamped down on East-West trade by ramming through the Jackson-Vanik Amendment of the Trade Act, which hamstrung trade to MI-6-created East bloc dissident groups. The Jackson-Vanik Amendment, ostensibly protesting the "lack of free emigration" for minorities in the USSR, placed an incredible $300-million ceiling on U.S. lending, through the Eximbank, to the Soviet Union. It also denied the Soviets most-favored-nation status, which would have normalized trade relations between the U.S. and the USSR.

In rapid succession, the congressional traitors fired through bill after bill to finish the job started with Watergate and the Jackson-Vanik Amendment. In 1975, Eximbank financing, when corrected for inflation, plummeted, and U.S. exports, when corrected for inflation, stagnated.

Leading the list of legislation and subsequent Executive Orders from President Carter, are:

* The "Human Rights" Act of 1976, which imposes restrictions on U.S. trade with countries that allegedly violate human rights.

* The Ribicoff-Rosenthal "Anti-Boycott" Amendment of the Export Administration Act of 1977, which legislates against firms complying with the Arab boycott of Israel and thoroughly cripples U.S. Mideast trade.

* The Carter-Schlesinger "Anti-Nuclear Export" Executive Order of 1977, which forbids all U.S. export of nuclear fuels and technology.

Finally, in 1976, the AFL—CIO dumbly bought into the British "action" with its charge that "U.S. exports cost American Jobs." The AFL-CIO hammered out its "position" on the Eximbank at a conference held at Rye, New York in December, 1976, cosponsored by the AFL-CIO and the Carnegie Endowment for International Peace, and including speakers from the Ford Foundation. Carnegie Endowment, which is also the chief financier of the Trilateral Commission, turned the Rye, N.Y. meeting into an anti-export brainwashing session for the trade unionists present.

The AFL-CIO now plans to present its arguments at the hearings on the Eximbank and is spending large sums to bribe or blackmail others into adopting its position.

*—Richard Freeman*

1. See *New Solidarity*, Vol. VIII, No. 89, Jan. 17, 1978; No. 90, Jan. 20, 1978; and No. 93, Jan. 31, 1978.

# Poland Tries To Manage Austerity With 'Moral' Mobilization

For the year of 1978, the Polish government and Polish United Workers' Party (PUWP) leadership is betting on the weather and hoping for a recovery in the West. It is their hope that this year will not mark the fifth in a string of consecutive bad seasons, which have cut Poland's already inefficient agricultural production and helped perpetuate the food supply problems plaguing the country.

Grain purchases were chiefly why Poland's imports grew twice as fast last year as the 2.7 percent planned. Exports, meanwhile, were not able to achieve the desired 13-15 percent increase — they grew 11.4 percent — due to "the prolonged slump and increasing protectionism on world capitalist markets," as PUWP leader Edward Gierek put it last month.

These two concerns, agriculture and foreign trade, figured prominently at a special PUWP conference on economic affairs, held the second week of January and announced by Gierek as the occasion "to establish the tasks for the next three years." The conference, however, took no dramatic decisions. It confirmed the policies under which the current five-year plan of Poland, in its first two years (1976 and 1977) has had to be steadily revised downwards (see *National Income* graph).

In seeking to keep plan implementation on track, Gierek and his colleagues are forcing themselves to adopt serious economies, which could catalyze the very supply irregularities and shortages they are trying to avoid. Mid-February saw reports of mandatory shutdowns at some of the biggest factories in Poland, because fuel-use quotas had been exceeded. This was not a good start for an economy where last year's production targets were missed in electric power, cement, agricultural machinery, and fertilizer industries.

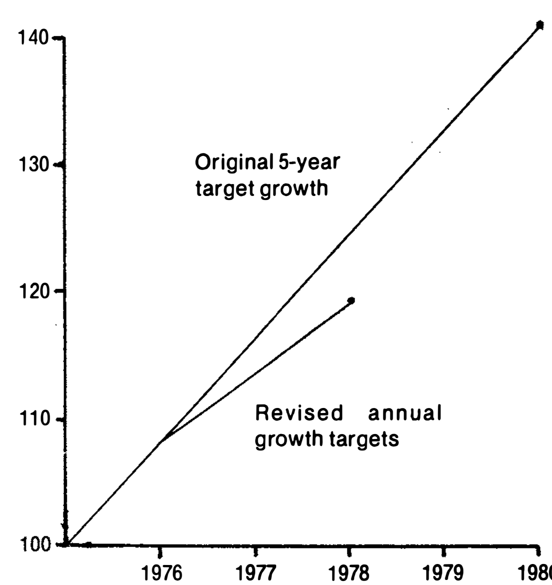
Gierek's policy is one of merely *managing* Poland's mounting difficulties. Poland's foreign debt and chronic shortages, including food shortages, are the two explosives Gierek's current policy, known as the "economic maneuver," is intended to defuse. The maneuver calls for shifting resources into production for the consumer and for export, at the expense of heavy industry investment. It is a medium-term containment effort, whose longer-term effects of reducing basic industry expansion would be crippling.

During the maneuver, under way for over a year, "enormous subsidies", in Gierek's words, are being continued for food prices. These subsidies will cost nearly *one-sixth* of total national budgetary expenditures in 1978! The "problem of prices", Gierek reported, "will be solved by us gradually," avoiding by all means any sudden hike. (In 1976, the announcement of an impending price rise was followed by riots in several cities until the hike was withdrawn.)

## "Moral" Mobilization

Unable to strike decisively at the agriculture and foreign trade problems — nearly impossible for Poland in the absence of international economic expansion — Warsaw is trying to substitute a national mobilization for productivity. Gierek defined it in his report to the January conference where he urged not only the "thrifty use of resources" and "rational management of fuels, power and raw materials," but also "civic co-responsibility", "social discipline", and dependency of

**National Income — Poland 1976-80 plan**




1975 =100

work hour reductions on "productivity and labor discipline." In the spirit of these demands, Gierek dedicated his report in part to "the moral and political unity of the nation."

According to some reports from Warsaw, the emphasis on individual initiative has tipped the balance in a long-brewing PUWP dispute over steps to decentralize economic planning. The dispute had broken into the open in late 1977, when Mieczyslaw Rakowski, editor of the weekly *Polityka*, came under fire in the press for advocating decentralization. Rakowski and his magazine are known to be strongly influenced by foreign social-democrats with an interest in "liberalization" of Eastern European economies and to serve as a self-appointed, but officially sanctioned, voice of popular moods. In the past two months, however, attacks on Rakowski ceased and he has been heard in calls to "work harder."

Even more striking was the sudden prominence granted Professor Jan Szczepanski, who openly associates with London's notorious labor control and brainwashing laboratory, the Tavistock Institute. Szczepanski, not a member of the PUWP but recently promoted to a place on the prestigious State Council, was given space in the PUWP daily *Trybuna Ludu* to hold forth on the need to promote individual responsibility by stressing to the citizen that the *only* level on which he can take responsibility is the local place of work (see excerpts).

Szczepanski's line is not yet official policy across the board. But Gierek told the PUWP conference that in-plant "conferences of workers' self-government" should be directed chiefly to combat "waste of labor and materials" and "low quality". By charging workers' organizations with the management of austerity, Poland is following a path which proved perilous in "self-managing" Yugoslavia: the worker's petty localism is encouraged. In place of heightened responsibility, this route will deepen demoralization.

*—Rachel Berthoff*

## A 'British' Prescription For Poland

***Dr. Jan Szczepanski, an official in the Polish Academy of Sciences with responsibilities in the social sciences, was interviewed in the Polish party daily*** **Trybuna Ludu** ***Jan. 23. Szczepanski has been an associate of London's Tavistock Institute, through its publication*** **Human Relations,** ***for many years.***

Let us leave the great problems of largescale management to those whose task it is to solve them. Let us return to the question of what every worker can do to improve things on the individual scale....Seeing or hearing of cases of thoughtless waste, people ask: What is it and who is it that can prevent Citizen "N" from doing his job honestly and reliably....We have more than enough people able to create a constructive force of pressure to eliminate shoddy production, bad management, the losses in production....

On the whole, everyone in our country is calling for implementation of the principles of socialism. Everyone is agreed that reliable work is the first of these principles, but far from everyone is ready to be the first to implement it.

I often talk with foreigners visiting our country — I am speaking of those who are sympathetic to us and who are forced to judge our country with the help of a few observations made during their brief visits. They keep asking me: Why do we refuse to be a prosperous society? Why are some people so quick to damage their new apartments? Why do they refuse to live in orderly housing settlements? Why do they agree to live in badly organized settlements that make them nervous and exhaust their energies, which could be used for something positive?

I have written often on these subjects, and among the letters in response I have found those whose authors accused me of slandering our nation and asked me who I was, despite the fact that I was writing in Polish. Well, my view is that to love Poland is to be persevering in the fight for high morality work standards.

## London's Strategy:

# Regional Conflicts In The Third World

Over the last few weeks, a series of border conflicts, territorial disputes, and similar conflicts, mostly in the Third World, have been either provoked or escalated such that the number of potential "hot spots" which could flare into superpower confrontation has dramatically increased. The British government and the heavily British-penetrated Carter Administration have been the major protagonists in all of them.

On one level, this development reflects the classical British manipulation of "hot spots" in order to provoke confrontations between the U.S. and the Soviet Union. London's Cold War technique pummels unwilling proindustrial factions in Western Europe and the U.S. into following along with British monetarist control over the world. This time around, however, advocates of the British System who have one foot in the coffin, have designed a "final solution" to assure the survival of their interests.

Close reading of the journals of the British-dominated U.S. foreign policy makers, with Zbigniew Brzezinski and Henry Kissinger in the lead, shows that the second major aspect of these conflicts is London's intent to use them to carry out a systematic genocidal depopulation of the Third World.

London's rigged U.S.-USSR confrontation is designed to force the Soviets to back down from intervening in the regional conflicts. But if the Soviets follow this path, the oligarchical British grouping will follow through to a full thermonuclear war with the Soviet Union. This will come as soon as London feels that its first families can emigrate to the Third World, leaving behind the radioactive rubble of Western Europe and North America, without being threatened by the "inferior" races of South America, Africa, and Asia. However, the British intent and the actual results of their plan, are, of course, two different matters.

*The Scenarios*

Having one foot in the grave themselves, the Trilateral Commission, the New York Council on Foreign Relations, and the Bilderberg Society (i.e., the London tendency) view the wiping away of the modern state and national sovereignty as their primary task. The recurring impulse of leaders of the United States, Western Europe, and large chunks of the Third World to act in the interest of their respective national states, is seen as the biggest threat to the nexus of City of London, New York, and some commercial banks. Therefore, what London and its allies propose is either a "new world order," or a new form of "cooperation" because of the "interdependence" of the world, designed to shatter national sovereignty.

The David Rockefeller, Kissinger, Brzezinski, Trilateral Commission call for such a new order is especially blunt: "A realistic strategy of action must take into account the major obstacles to cooperative management of interdependence," a recent commission document reads. "Obstacles of particular importance are the desire for national autonomy... the traditional concept of sovereignty aggravate(s) the tension between national policies and transnational interaction."

Samuel Huntingdon, a Trilateral Commission "theoretician" and high-level Defense Department official, calls the problem the "ungovernability of democracies," while Brzezinski and Huntingdon buddy Daniel Bell states "the national state has become too small for the big problems in life, and too big for the small problems... the national state is an ineffective instrument for dealing with the scale of major economic problems... The problem, then, is to design effective international instruments..."

What policy is to be implemented by these "international instruments?" Massive energy conservation and the resultant deindustrialization. "...The pressures of domestic politics encourage a short-term view of problems," Huntingdon writes. "The fact that politicians must present themselves to the voters every few years has the unfortunate effect of concentrating their attention on immediate issues... The failure of American and European politics to respond adequately to the necessity to reduce oil consumption provides a telling example." Huntingdon's Trilateral Commission document proposes slave labor for the Third World, a Kissingerian International Resources Bank to oversee London's looting of Third World raw materials, and the scrapping of the U.S. dollar in favor of Special Drawing Rights with the International Monetary Fund evolving into a world central bank. In short, this is the policy now being carried out by Messrs. Blumenthal, Schlesinger, Brzezinski, Kissinger, British Chancellor of the Exchequer Denis Healey, and EEC Chairman Roy Jenkins.

However, the problem still remains of how to implement these policies with the resultant removal of national sovereignty fast enough to allow the political-financial interests of these agents' patrons to survive. All of these think tankers recognize that it is impossible under present circumstances to carry out London's program. Yet they point out that the seed for creating this "world order" exists. Naturally, they see themselves as the harbingers of the new order, an idea that goes back to the 19th century founding of the Roundtable by the British oligarchical families.

The Trilateral Commission reports this view: "Many issues can be handled through a series of circles of consultation and discussion, and moving inward toward closer cooperation until, in the innermost rings, close collaboration and coordination of policies occur among the key group."

William P. Bundy of the Council on Foreign Relations characterizes the Round Table ideal this way: "Something beyond nationalism is slowly taking root in the world. With all the discouraging developments of the last five years, the signs of a developing sense of common human destiny *are* present." Stanley Hoffman of Harvard calls it the "...fragile flickerings of 'universal consciousness'."

The gap between the fragile existence of London's new Round Table and its ruling over the world is to be bridged by provoked "global fragmentation," upheavals and engineered "localized conflicts." A sinister formulation of this is given by Henry Kissinger in *The Washington Review* (Vol. II, No. 1). Kissinger points out, from an explicitly British imperial view, that the nation-state emerged in the 18th and 19th centuries because the "concept of a legitimate political unit had changed." Putting forward the idea of the "world order" as the new legitimate unit, Kissinger then states: "If there is a change in the idea of a legitimate unit, you will automatically have a transformation of the international system and a period of *upheaval*; *this is one of the problems of the contemporary period.*" (emphasis added)

Even blunter than Kissinger's pseudo-intellectual babblings is think tanker Daniel Bell in *Foreign Policy* (Summer, 1977). Bell points out that unless new international institutions are formed, "global fragmentation" will result. Bell asserts that similar circumstances to today's in the 1930s brought about fascism, although Bell knows well that in fact it was the British who brought fascism and Nazism to power. Today, Bell points out, "It is highly unlikely that any of the European countries will go fascist... These movements are too discredited politically and would lack any historical legitimacy. What is more likely to happen in Europe, as well as in many other countries, is *fragmentation...*" Bell points to Basque, Catalonian, Breton, etc. terrorism and to Quebec separatism as signs of such fragmentation. He argues that Eastern Europe will suffer the same fate via the dissidents movement. More to the point, he compares the fascist gangs of the 1930s to the terrorists of today.

Could it be clearer, that the Trilateral Commission and its London masters are the sponsors of terrorism, fragmentation, and conflicts today in order to assure their "world order?"

The journals are full of material like this. The Trilateral Commission document "Towards a Rennovated International System" points out that "...local conflicts could well occur with greater frequency in the next quarter century than they have in the comparable period just past." Ralf Dahrendorf, an Anglicized German who sits on the Trilateral Commission and heads the London School of Economics, points out that "...local or localized wars, and 'direct diplomacy' of a limited character" are probable. (*Foreign Affairs*, October, 1977). Remarkably, Dahrendorf says that "since we are no longer concerned with one overriding military conflict between two superpowers, the repetition of the painful and useless experiences of Europe's history in other parts of the world is by no means unlikely." Yet, Dahrendorf knows that the European conflicts he refers to were all caused and used by the British to destroy continental unity against the British Empire! Like Bell, Dahrendorf is clearly stating who will be responsible for bringing about localized conflicts, upheaval, and fragmentation.

Finally, the Rand Corporation, a British think tank implanted in the U.S., has released yet another scenario for conflicts in Latin America and elsewhere. During Kissinger's tenure at the National Security Council and the State Department, Rand authored the conflict "scenario" which presently keeps most of the Southern Cone of Latin America in a permanent state of military mobilization over the question of a Bolivian access to the sea. Now Rand has published a document titled "U.S. Arms Transfers, Diplomacy, and Security in Latin America and Beyond." Its message is simple. Regardless of whether U.S. transfers of arms take place or not, there will be countless border conflicts in the area and "beyond." Therefore, sales of arms is encouraged.

*Genocide: The Case Of Mexico*

Besides the object of establishing a British-dominated "world order" by marking the globe with regional conflicts, London's object is genocide. Simple economic collapse, austerity, and starvation will not occur rapidly enough for these modern Malthusians. Lest anyone doubt this, the case of Mexico is clear enough. Daniel Bell, in the above-cited article, points out that one of the major problems for the remainder of the century is the "population tidal wave" in the Third World. Using racist terminology, Bell spins off subsidiary scenarios involving Mexico.

It is Mexico's population growth that makes Bell most hysterical. His scenarios are all centered on the necessity of sealing the U.S.-Mexico border, a move that would cause major disruption within Mexico since the Mexican workers who cross into the U.S. for work could not be absorbed into the Mexican labor force. Disruption within Mexico would, of course, lead to a military government there, Bell continues, all but saying that *genocide* is the only answer.

William Paddock of the Rockefeller Foundation has already said that depopulation of Mexico is the intent of the border-sealing policy. Paddock in 1975 stated that Mexico's population had to be reduced by half from 60 million to 30 million. Lest anyone think that Bell is merely a scenario-monger, it should be noted that he served as special emissary to Europe from President-elect Carter in December of 1976. His message to the Europeans was that they must pick up the major responsibility for the defense of Western Europe since "an explosion could occur on our southern border which would force Mr. Carter to pull back certain military units from Europe."

The Bell-Paddock scenario is now in activation. Ford Foundation, Institute for Policy Studies, and Rockefeller Foundation-controlled agents within the Chicano movement have been activated to "oppose" Carter's program for dealing with illegal Mexican workers in the U.S. by calling for Chicago separatism in the U.S. Southwest, replete with terrorism and environmentalism. This, of course, is going on while the Carter Administration begins to propose legislation and otherwise put into motion that apparatus which will lead to the sealing of the border under the Paddock and Bell plan.

### *The Conflicts*

A close look at the other conflicts will show that *genocide* is indeed an inherent part of the scenarios. The Ethiopia-Somalia conflict on the Horn of Africa is exemplary. Former British colony Somalia's British-manipulated invasion of Ethiopia, against all international law, and other equally outlaw operations to dismember Ethiopia, if successful, would mean genocide not only for the Horn of Africa but for the entire African continent. As the Organization of African Unity has let it be known, and any African diplomat will tell you, if the principle of territorial integrity is destroyed in Ethiopia by the British-Trilateral Commission-Brzezinski combination, all of Africa will become a free-fire zone for the dismembering of the nation-states currently in existence. The continent would be set aflame with tribal genocidal warfare, with Biafra serving as the model for this modern way of dealing with the "white man's burden." Therefore, to the extent the Soviets, Cubans, and the German Democratic Republic guarantee the existence of Ethiopia, they guarantee the principles of African territorial integrity and sovereignty and minimal human rights. To that extent the Soviet role in the Horn should be supported.

In summary fashion, other local conflicts are:

*South America*: In March, 1976, the British monarchy gave Chile the Beagle Islands, on the Atlantic side of the tip of South America, thereby breaking the established balance that had existed between Chile and Argentina for over 70 years. Under the old arrangement, Argentina had rights to the Atlantic, with Chile retaining rights to the Pacific. Among other things, this put Britain in a better position to ward off Argentina from the oil-rich Malvinas (the Falkland Islands) which Britain took by force from Argentina in the 1830s in violation of the Monroe Doctrine. The only British claim to the islands are that the few hundred sheepherders who inhabit the area want to continue being British citizens!

The other aspect of the conflict in South America is the question of Bolivian exit to the sea. This problem dates from 1879, when the British with strong opposition from the U.S. incited the Chileans to steal Peruvian and Bolivian territory in order to shore up the Rothschilds' financial integrity in the area. As pointed out before, the conflict is being run by the Rand Corp, and the Chileans continue to be the leading stooges of the scenario. The Ecuadorians have been added, and are being encouraged to try to take territory back from Peru lost during a short border war in 1941. As in the case of the Horn of Africa, an explosion of these conflicts would open up the whole of South America (including Colombia and Venezuela) to border wars which would end in Thirty Years War style chaos and genocide for the continent.

*Central America*: The most immediate British input into this area is around the question of the British colony of Belize. British policy now, as expressed by Foreign Secretary Owen, is to territorially divide Belize instead of guaranteeing its independence and integrity. On the other side, the unstable and puppet regime of Guatemala is being manipulated into a frenzied pitch against Belize. Before British Prime Minister Callaghan was wholeheartedly playing the hand of the City of London banks, as he is now, he had prevented a Guatemalan invasion of Belize in 1977 by sending British troops to defend it. Callaghan took this action over the hysterical objections of Foreign Secretary Owen, who presumably cared little if Guatemala took Belize by force.

Off the Belize scenario Guatemala is also being whipped up to attack Mexico, because of Mexico's insistence on full independence with territorial integrity for Belize. Guatemala's presumed target would be Mexico's oil fields in the south.

The other Central American instabilities are well known, and have been lately escalated on the basis of Brzezinski's attempts to overthrow Nicaraguan dictator Somoza with the object of setting off chaos in the area.

This scenario is nothing but the southern aspect of the Bell-Paddock plan to destroy Mexico and its population. Only in this light can the political debacle of the Panama Canal debates be viewed. This has been made clear by Canal Treaty "supporter" Kissinger, who, even though he says that the treaty is needed to maintain stability in the area, nevertheless proposes limited sovereignty for the region and spins off visions of guerrilla warfare, Vietnams, and tens of thousands of U.S. troops in Panama.

Furthermore, Kissinger has always proposed and carried out policies of *instability* in every area of the world. The Panama Canal issue than essentially boils down to the manipulation of a situation in order to get the U.S. and especially U.S. conservative layers embroiled in a conflict scenario. So far, this manipulation is proceeding apace, without any major Republican or Democratic political force identifying the actual issue involved.

All the other major conflicts in the Third World follow the same pattern: gross violations of borders or of the principles of territorial integrity which lay the groundwork for the destruction of national sovereignty.

Besides the well known Mideast scenarios, such is the case with China's client-state Cambodia and its insane campaign of aggression against Vietnam, with the Chinese now serving as major allies of NATO. Similarly in the Southern African situation, the British are manipulating events to defend their financial interests against both African nation-builders such as A. Neto of Angola, as well as proindustrial and anti-British tendencies within the South African Afrikaner groupings.

Not accidentally, George Ball of the same Council on Foreign Relations crowd as Bell and friends, has proposed the official partition of South Africa into a white state and a black state. Ball's proposal carried to the extreme the insane racist view that is inherent in the bantustan policies of the worst of the British manipulated Afrikaners. More importantly, Ball knows that any attempt to impose on South Africa such a radical division would result in genocidal racial warfare and the destruction of the anti-British industrial potential of South Africa, along with probable war between the black frontline states and South Africa. But then, George Ball is no stranger to genocide since he's one of the leading advocates of ultra-Malthusian policies for the Third World.

### *Haig: War General*

The military machinery for the implementation of these scenarios is rapidly being readied for actual deployment. Most notable is the new defense posture of Secretary of Defense Brown in the U.S. which heretofore had been the exclusive warcry of Kissinger ally and NATO commander, General Haig. As put forward in the U.S. defense budget, Brown proposes a strategy of preparing U.S. forces to fight "one and a half wars." The first war is general thermonuclear war; the half war is conventional war(possibly including the use of tactical nuclear weapons) in the Third World. Brown explicitly cited the Middle East as the most likely location of such a conflict. Haig has been campaigning for years to prepare NATO to fight on its "southern" flank in the Third World. Generally, everyone has correctly seen this as a return to the MacNamara and Maxwell Taylor "flexible response" strategy which was responsible for the disaster in Vietnam.

This strategy must be understood as identical to the tactical nuclear warfare doctrine devised for the European theatre. It is designed to create a conflict in the Third World, proceeding toward U.S. intervention even to the level of Vietnam, and then to force the Soviets to "blink" and withdraw from all challenges by NATO in the Third World. In this schema, Brown, Haig, et al. hope to quickly gain the strategic advantage by controlling and destroying the Third World. Then the stage will be set for thermoncuelar war with the Soviets on NATO's terms.

Of course, the Soviets will treat this type of warfare in a similar fashion to the way they are prepared to face tactical nuclear warfare. Should they be confronted with a series of conflicts or with one large regional war (such as an explosion in the Mideast), the Soviets will not "blink." Rather they will fight a total nuclear war rather than be put in the position of waiting to be surrounded entirely through NATO hegemony in the Third World.

In short, the plans of Kissinger, Bell and their London masters to carry out genocide will result in early thermonulcear war. This war, although horrifyingly costly to the Soviets, will be lost by NATO. Anyone endorsing any of the regional conflict scenarios and using the rationalization of "Soviet expansionism" or other cover stories about any of these conflicts to justify their support is either suffering from a suicidal mania or is simply a racist British agent.

*—Fernando Quijano*
*Director of Third World Affairs,*
*U.S. Labor Party*

# The Campaign To Subvert U.S. Law Enforcement

## I. Introduction

The same people and institutions who coordinate and direct terrorists and environmentalists are also protecting them from the law, through outright subversion of the law enforcement system and the intelligence community of the United States.

The spawning of the terrorist, environmentalist, and deindustrialization movements are part of a larger plan to achieve a British monetarist system in the United States, using this deliberately created "left" fascist movement as its enforcer. Key in this subversion is the destruction of, or domination over, the FBI, CIA, and state and local police apparatuses.

Toward this end, the Campaign to Stop Government Spying was created in 1976 by Morton H. Halperin, a former assistant of Henry Kissinger, to coordinate wrecking operations against the FBI, the CIA, and local police intelligence units — especially those aligned with urban political machines active in fighting the zero-growth policies endorsed by Kissinger and the political faction he represents. The Campaign manufactures various "spying" and "brutality" scandals to weaken public confidence in law enforcement institutions, while facilitating Campaign-directed shotgun litigation, Watergating, and "reform" of antiterrorist police and intelligence officials and institutions.

The Campaign is comprised of the same network of individuals associated with Morton Halperin and Henry Kissinger, and operating on behalf of London-centered financial interests, that conspired to bring down Richard Nixon and severely damage the CIA and FBI. It is the same factional grouping that backed former CIA agent Phillip Agee's "exposés" against the CIA in the "post-Watergate" era. And the same group is behind the attempt to discredit the FBI through the litigation against John Kearny and other FBI officials who, in the early 1970s, tried to round up Weather Underground terrorists and their Institute for Policy Studies controllers.

This report presents only one segment of this subversive apparatus's activities — The Campaign to Stop Government Spying. Omitted is any attempt to describe the extensions of this network deployed internationally against these and other intelligence agencies or deployed domestically in other subversive, terrorist, and fascist planning activities.

## II. The Chain of Command

Morton Halperin's Campaign To Stop Government Spying is a broad mixture of Institute for Policy Studies and related networks, combining their resources for a multifaceted attack capability against law enforcement targets. The American Civil Liberties Union, the National Lawyers Guild and other neo-Fabian lawyers' organizations provide the battery of attorneys to pin down law enforcement institutions in litigation actions. Factionally allied national press outlets such as the *Washington Post* and regionally-oriented newspapers such as the *Philadelphia Inquirer* provide constant coverage of Campaign-orchestrated "scandals," thereby legitimizing those "scandals" among the general population. On this basis, Halperin's think tank for the Campaign, the Center for National Security Studies (CNSS), is able to win "public support" for its proposed "recharters" of the FBI, CIA, and local police intelligence units — charters which aim to severely restrict police investigations into terrorist networks through the ruse that these agencies' investigations ought to be legally limited to "crimes only." Perpetrated under the guise of "protecting civil liberties," this charade is intended to obstruct direct investigations into the Institute for Policy Studies networks which control and direct the terrorists.

This anti-law enforcement apparatus is controlled from the top down by monetarist institutions whose policy is dictated by the City of London planners.

*The overall policy direction* of the Campaign is provided by a top London-allied law firm in the U.S. — Paul, Weiss, Rifkind, Wharton and Garrison. Paul, Weiss handles all litigation for the investment house of Lazard Freres. Paul, Weiss partner, former Attorney General Ramsey Clark (also a member of the New York Council on Foreign Relations), is fully integrated into the Campaign's component organizations to facilitate fingertip control of Campaign activities: Clark is presently chairman of the National Advisory Board of the American Civil Liberties Union and the Center for Constitutional Rights, and controller of a top international terrorist protection center, the International Association for Democratic Lawyers. As Attorney General from 1967 to 1969, Clark was directly responsible for the creation of the Law Enforcement Assistance Administration (LEAA) program designed as a vehicle through which to "buy" policy control over local law enforcement institutions.

*Funding* for the Campaign to Stop Government Spying and its various components is provided totally by top Wall Street foundations allied with the City of London policymakers — notably, the Field Foundation, the Stern Fund, and the Compton Trust.

The Field Foundation, the top funder of law enforcement subversion activities in this country, is run directly out of Paul, Weiss. The president of Field is Morris B. Abram, a partner in Paul, Weiss as well as a policymaker within the Democratic Party and the "Israel Lobby" organization, the American Jewish Committee. In 1976, Field gave over $150,000 to Campaign operations.

Other board members of the Field Foundation include Robert Coles, contributing editor to *New Republic* and profiler of American youth; Fiona Field Beck, a trustee of the Institute for Policy Studies; Willard Gaylin, a board member of the American Civil Liberties Union "project on amnesty"; and M. Carl Holman, president of the National Urban Coalition. Before assuming his post as U.S. Ambassador to the United Nations, Andrew Young was a Field Foundation board member.

The Stern Fund, operated by the Stern family, is nothing but a direct familial extension of City of London financial interests — the Goldman Sachs and Lehman Brothers investment houses. The president of the Stern Fund is Philip M. Stern, who has been a trustee of the Institute for Policy Studies since its inception in 1963. Prior to 1963, Philip Stern was a State Department official in the Kennedy Administration. The Stern Fund also directs policy for the Ottinger Foundation — the foundation of "radical-liberal" Congressman Richard Ottinger (D-N.Y.). David R. Hunter, a former Ford Foundation official, serves as executive director for both foundations. Together, the Stern and Ottinger organizations earmarked over $180,000 for Campaign operations during 1976.

The Compton Trust is directly linked to London monetarist interests through its founder and current chairman, Randolph P. Compton. Compton has served as an official of Lazard Freres and is presently an officer in the London-created United World Federalists. During 1976, the Trust gave over $150,000 to the Center for National Security Studies through the Center's conduit, the Fund for Peace.

## III. Two Case Summaries

Over the past year the Campaign To Stop Government Spying has put considerable time and resources into wrecking the police departments of two major cities: Philadelphia and Seattle. While a couple dozen other cities have been targeted as well, these two have been primary foci for Campaign efforts, and to date, they remain the most advanced examples of Campaign operations.

### Case 1: Philadelphia

The Philadelphia model illustrates most clearly an effective counterthrust against law enforcement subversion operations through direct public identification of the conspiratorial networks involved. Mayor Frank Rizzo and the Philadelphia Police Department, as of late 1977, were under heavy attack from the Campaign — via a "police brutality" smear played up almost daily in the *Philadelphia Inquirer.* The U.S. Attorney in Philadelphia, David Marston, had gotten indictments against three Philadelphia police officers and against government officials within the Rizzo administration. Within a month of this bleak picture, by late December 1977, indictments against the three officers had been dismissed in a court of law. David Marston had received notice of his dismissal by Attorney General Griffin Bell (which has since become a cause celebre of the same networks' operations against the Carter Administration); and the *Inquirer* had been relegated to forming a defense committee for the outgoing Marston. What happened?

On Dec 21, Mayor Rizzo pulled the plug on the Campaign at a press conference wherein he publicly identified a "leftist-liberal" conspiracy whose aim was to discredit the city's government and undermine law enforcement effectiveness. Rizzo's bold step enabled Bell to dump Marston two weeks thereafter. Mayor Rizzo's action, combined with a several-months long effort by the U.S. Labor Party to expose the Campaign To Stop Government Spying and identify the individuals responsible, created the necessary environment to discredit and effectively disable the Campaign apparatus.

Local financial supporters of the Campaign such as 1st Pennsylvania Bank Chairman John R. Bunting and federal-level accomplices such as the Law Enforcement Assistance Administration and the Civil Rights Division of the Justice Department were put under public scrutiny. At present, this counterattack has held the Campaign at bay and aided the Mayor to consolidate prodevelopment forces in the city.

### Case 2: Seattle

The Seattle Police Department stands at a crossroads — either the terrorists and Campaign components win and Seattle law enforcement is rendered impotent, or prodevelopment forces mobilize in support of law enforcement, in which case a major terrorist network, the George Jackson Brigade, will be destroyed. There is no middle road, and the outcome will effect law enforcement around the country.

In the Seattle case, it is clearly demonstrated that the Campaign and the terrorists are but one network. Here the chief Campaign components are the National Lawyers Guild and the American Friends Service Committee — both organizations directly connected to known George Jackson Brigade terrorists. For example, Mark Cook, a George Jackson Brigade terrorist recently sentenced to life imprisonment for the shooting of a police officer, is an official in the Seattle AFSC!

Prompted by a year of NLG and AFSC "police spying" press exposes, the Seattle City Council is presently considering municipal guidelines to limit the investigative activities of the Seattle Police Department Intelligence Unit. Acting as consultants to the City Council are a top Campaign spokesman from the Center for National Security Studies, Jerry Berman, and an LEAA specialist on "police intelligence," Don R. Harris.

In sharp contrast to the present crisis, last year at about this time Seattle promised to be the scene of a complete rout of the NLG-AFSC terrorists. NLG terrorist controller Paul Zilsel had been arrested and charged with possession of fire arms, explosives, and a George Jackson Brigade terrorist hit list. Meanwhile, a grand jury was vigorously questioning other Institute for Policy Studies-related terrorist controllers and suspected terrorists.

What happened during this period to so severely alter the battle? When the Campaign launched their phony "police spying" scandal, no prodevelopment forces in the area, with the sole exception of the U.S. Labor Party, stepped forward to identify the conspiracy. Granted this crucial breathing space, the Campaign was able to launch its "policy spying" hoax through which the Campaign could immobilize the city's grand jury, get the charges against Zilsel dropped, and force the Seattle Police Department into a weak and defensive posture.

While there is still plenty of fight to be found within the Seattle police department and development-oriented forces in the area, without an open identification of the conspiracy the Northwest region faces an increase in terrorism and growing law enforcement ineffectiveness. Over the recent months, George Jackson Brigade terrorism has sharply escalated. (For a full report on these developments, see "George Jackson Brigade: A Profile," *Executive Intelligence Review*, Vol. IV No. 51, Dec. 19, 1977.)

## IV. The Campaign Dossier

Here, the key institutions and personnel who direct the day-to-day operations of the Campaign To Stop Government Spying and its components.

(1) The director of the Campaign and the chief day-to-day controller of anti-law enforcement operations in the U.S. is Henry Kissinger's "left hand," *Morton H. Halperin.* Halperin is a member of the London-based International Institute for Strategic Studies (IISS), and a director of the Center for National Security Studies (CNSS). Previously he served as a State Department National Security Advisor, appointed by Kissinger, and was also formerly Deputy Assistant Secretary of Defense.

(2) *The Center for National Security Studies:* The Center, headquartered in Washington, D.C., is the primary think tank and command-and-control point for law enforcement subversion. To maintain its "left" veneer, the CNSS takes an "opposition" posture to both Henry Kissinger and the Law Enforcement Assistance Administration. Marching orders from the Center go out to a broad array of IPS-controlled "left" political intelligence networks, from the Socialist Workers Party to the Americans for Democratic Action.

*Robert Borosage*, a present director of the Center, was recently named the new head of the Institute for Policy Studies.

*Jerry Berman*, the Center's director of the "Project on Domestic Surveillance," is the national liaison to the ACLU, and acts as "cocounsel" with the ACLU on "surveillance litigation." Berman is writing draft legislative "formats" for municipal-level "police curbs" to be used by local Campaign units around the country.

*John Marks*, director of the Center's "CIA Project," is a former State Department intelligence officer (1968-70) and is coauthor, with Victor Marchetti, of *The CIA and the Cult of Intelligence.*

Marks, Borosage and Halperin, along with Christine Marwick, are coauthors of *The Lawless State*, the rationale and blueprint for subverting federal intelligence agencies. They wrote, "...The FBI's only legitimate function should be the investigation of crimes...legislation should explicitly forbid the FBI's farming out to state and local police forces the activities that it is not itself authorized to carry out...Preventive action will not be tolerated."

On the CIA: "...The covert operations of the CIA have cost more than they are worth, and its human espionage activities are technologically obsolete (the very argument employed two years later by Admiral Stansfield Turner to facilitate a purge within the agency —RK)...By charter, the Covert Operations Branch of the CIA should be terminated. All covert operations, including human espionage in peacetime, should be ended..."

And on the National Security Agency (NSA): "A legislated charter should take the NSA out of the Department of Defense and bring it under civilian control. Strict limitations should be placed on the messages that it is allowed to intercept."

(3) The *American Civil Liberties Union:* The American Civil Liberties Union (ACLU), operationally centered in Washington, D.C. and New York City, is the major "left lawyer" pool used for litigation against U.S. law enforcement. The ACLU is presently conducting legal suits against the FBI, former President Richard Nixon, Donald Rumsfeld and Military Intelligence, the Michigan State Police, the Los Angeles Police Department, the Houston Police Department, the New York Police Department's Special Services Unit, the private Law Enforcement Intelligence Unit (LEIU), the Memphis Police Department's Domestic Intelligence Unit, the Kansas Bureau of Investigation, and others.

The ACLU and the Center for National Security Studies jointly form the "Project on National Security and Civil Liberties," under the direction of *Morton Halperin*, and publish *First Principles* — a monthly "report to the troops" on how anti-law enforcement litigation is proceeding. *Christine Marwick* is the editor of *First Principles.*

Overall direction of the ACLU comes from Advisory Board members *Ramsey Clark* and *Morton Halperin.* Other personnel are National Director *John Shattuck, Hope Eastman, Paul Chevigny, Frank Donner, Jay Miller*, and *Jack Novik.*

*Chevigny* and *Donner*, along with *Jerry Berman* and *Halperin*, were responsible for the proposed charter for the FBI, "A Law To Control the FBI," written under the auspices of an ACLU front organization, the Committee for Public Justice. A version of this bill is now being promoted in Congress.

(4) *The National Lawyers Guild:* Like the ACLU, the National Lawyers Guild provides a battery of attorneys and researchers for litigation against police and related agencies, and simultaneously provides legal defense for Institute for Policy Studies terrorists. For example, the NLG supplied legal defense for Symbionese Liberation Army controllers William and Emily Harris.

NLG "showcase" attorneys are *Leonard Weinglas* and *William Kunstler.* Another NLGer active in such litigation is Philadelphia attorney *David Rudovsky*, who has been the chief "people's attorney" against Mayor Rizzo and the Philadelphia Police Department. *Rudovsky* is presently putting together a "police misconduct litigation manual" for Campaign operations around the country.

(5) *CounterSpy:* CounterSpy is a specialized dirty tricks unit, comprised mostly of former intelligence

officers, which engages in covert operations against U.S. intelligence organizations. Exemplary is the printing, in *CounterSpy* magazine, of a list of CIA officials stationed around the world. This resulted in the assassination of CIA Station Chief in Athens Richard Welch, and the immobilization of other CIA officials. In 1975, CounterSpy operative *Philip Agee* wrote *The CIA Diary,* a book which endangered the lives of scores of CIA agents throughout South America.

CounterSpy personnel include:

*Timothy Butz,* a former U.S. Air Force intelligence officer, coordinated the Vietnam Veterans Against War (VVAW) — once intended to be used as a unit of brainwashed killers.

*Barton Osborne,* former U.S. Army Intelligence and CIA agent, is a major spokesman against the CIA's use of covert operations. *Osborne's* specialty is providing "eyewitness accounts" of CIA atrocities in Vietnam.

*Margaret Van Houten,* also a member of the American Friends Service Committee of Philadelphia, is a top promoter of "police brutality" exposés in cities including Baltimore, Cleveland, Los Angeles, Philadelphia, and Seattle.

(6) *Other Component Groups:*

Below is a partial listing of Campaign component groups which play a significant supporting role in anti-law enforcement activities:

The Center for Constitutional Rights
Bill of Rights Foundation
Americans for Democratic Action
Friends of the Earth
National Emergency Civil Liberties Union
Urban Policy Research Institute (California)
National Committee Against Repressive Legislation
Grand Jury Project

*— Robert Kay*

## Funding Of The Campaign To Stop Government Spying

| Foundation | Recipient | Date | Amount | Description |
|---|---|---|---|---|
| Field | ACLU | 9/75 | $125,000 | For Committee for Public Justice. Toward administrative expenses of Committee, which seeks to serve as "early warning against infringement of civil rights for the people." |
| Field | ACLU | 11/75 | 42,300 | Project on National Security and Civil Liberties. For general support of project which, in cooperation with the Center for National Security Studies, challenges domestic surveillance, contests governmental secrecy, conducts seminars for the press and other groups, and undertakes public information on these issues. |
| Field | Fund for Peace | 11/75 | 125,000 | For general support of the Center for National Security Studies, conducts seminars for the press and other groups, and undertakes public information on these issues. |
| Field | Fund for Peace | 11/76 | 133,000 | For general support of the Center for National Security Studies, Washington, D.C., which is engaged in research and public information on growth of state power in the name of national security. |
| Field | Bill of Rights Foundation | 11/76 | 25,000 | For the Political Rights Defense Fund, which is taking court action against the FBI and other federal intelligence forces. |
| Field | AFSC | 11/76 | 10,000 | For program on government surveillance and citizens' rights. |
| Stern | Philadelphia Youth Project Inc. | 3/76 | 50,000 | Intelligence Documentation Center, Washington D.C. For research on the impact of repression of dissent to secret government activities. |
| Stern | Urban Policy Research Inst. | 3/76 | 30,000 | For general support of information sources to protect individual rights from abuse by police agencies. |
| Stern | Urban Policy Research Inst. | 3/76 | 30,000 | For project to improve investigative journalism in California. |
| Stern | Youth Project Inc | 6/76 | 30,000 | Campaign To Stop Government Spying. |
| Ottinger | ACLU Foundation, | 2/76 | 10,000 | For project on national security. |
| Ottinger | Youth Project, Inc. | 6/76 | 5,000 | Campaign To Stop Government Spying. |
| Compton | Fund for Peace | 12/75 | 91,000 | For continuing support to the Fund. |

In this sampling of funding of the Campaign To Stop Government Spying and its component organizations, it should be noted that this is merely a small sampling of grants, intended only as an illustration, not a comprehensive listing.

# Dayan Activates Israel's First Strike Option

Israeli Foreign Minister Moshe Dayan, Agriculture Minister Ariel Sharon, and the British-controlled Zionist Lobby in the U.S. are now trying to panic the Israeli government over the State Department's announced policy of selling arms to Saudi Arabia and Egypt. Also at issue is Secretary of State Vance's Feb. 10 declaration, which was subsequently backed up by the Carter Administration, telling Israel that withdrawal from the Sinai settlements, the West Bank, and Gaza is a necessary requisite for a Middle East peace accord.

The Dayan-Sharon operation is aimed at boxing Prime Minister Menachem Begin into an intransigent, breakaway-ally mode that will preclude Israeli cooperation with U.S. mediation efforts and prevent the consolidation of an overall peace settlement. The goal of Dayan—and London—is to set the stage for a separate peace between Israel and Egypt, which would serve to heighten Cold War tensions in the region.

According to CBS radio, the Israelis are again activating their preemptive strike option to counter the "growing Arab war threat" created, they charge, by the sale of U.S. arms to Saudi Arabia and Egypt. An aide to Sen. Henry Jackson (D-Wash.) justified Israel's search for "all possible options," including the nuclear option, in response to the U.S. policy moves.

## Press Spread War-Line

*A front-page article by Michael Parks in the Feb. 15* Baltimore Sun *reports from Jerusalem that the expectation of war is spreading in Israel, tied into growing support for Dayan's advocacy of using Israel's nuclear option to counter the Arabs' arsenal:*

Three months after President Anwar el Sadat's historic trip to Jerusalem, many Israelis feel that the Middle East conflict has returned to the same stalemate that had preceded his visit, and talk among Israelis is now as much of the "next war" as prospects for a peace settlement.

Initial goodwill has been replaced by the old suspicions of Arab willingness to live in peace, and one newspaper recalled the warning of Lt. Gen. Mordechai Gur, the Israel defense forces chief of staff, that the Sadat initiative would probably prove to be a trick.

Israel's determination to put its security and survival above all, even a chance for peace, will lead the government to accelerate its strategic reassessment with prospects far greater now that Israel will decide to rely on a nuclear deterrent in the future.

Some Israeli strategists, including Moshe Dayan before he became foreign minister, had already concluded that Israel could not be sure of decisively defeating Arab forces as their arsenals expanded over the next three or four years, cutting Israel's qualitative edge. Now, Israeli political analysts are concluding that Jerusalem cannot depend on Washington to guarantee its security in all future settlements.

The Begin government still stands by the pledge of previous governments here, spokesmen said yesterday, that Israel will not be the first to introduce nuclear weapons into the Middle East conflict, though the U.S. Central Intelligence Agency says it has had such arms for more than a decade and was ready to use them in the 1973 war. But arguments are now being worked out to justify such a move as a response to Iraq's rapidly developing nuclear capability.

*Echoing this line, the Feb. 12* Sunday Times *of London, in a long feature entitled "Now That Sadat Has Failed," notes that Carter is incapable of pressuring Israel because of their nuclear option. The article, which is excerpted below, puts forth the notion that an Israeli first strike remains a live option:*

Mr. Begin's insistence on planting new settlements in the Sinai and the West Bank and his prevarications about their number and nature are a provocation of the U.S. as well as the Arabs and are foolhardy in the extreme if Israel's survival depends in any measure on the U.S. The more plausible explanation is the converse—that Israel's survival now rests on the possession of, and the determination *in extremis* to use, the ultimate response.

Here then are two reasonably rational conclusions: first, that there is no prospect of an Arab-Israeli peace settlement and, secondly, that in the consequent belligerent situation, one side has and may use nuclear weapons... (Possession of nuclear weaponry) makes—would make—Israel a truly independent state which can dictate to others from the frontiers it is to have.

Neither the Americans nor the Russians are going to use nuclear weapons except as a result of conflict mismanagement. For them nuclear hostilities entail national destruction, an act of suicidal despair. But for Israel the question is national survival—and in that context, everything goes.

## Dayan Boxes In Begin

*In an interview in the* New York Times, *Dayan, who has just finished touring the U.S. to rally support for his hardline, 'no-concessions-to-Egypt' policies, announced that "Israel has substantial reservations now about the present (U.S.) Administration's role in objectively mediating" the Israel-Egypt talks. Dayan's role as saboteur was pinpointed by one well-briefed Mideast analyst:*

It is expected that Dayan will play the same blackmail game that he played in October when he undercut the joint Soviet-U.S. communiqué. Dayan will use every force that he can muster against the pro-Arab forces in the U.S. Administration. His trip to the U.S. makes that clear. Dayan will threaten to activate Israel's "breakaway" option and at the same time he will mobilize the Jewish Lobby to move Carter away from Sadat and toward Israel.

*Another source described Dayan's operation to encircle Begin and, by manipulating his psychological weaknesses, force him into dropping the quest for a comprehensive settlement.*

Dayan has profiled Begin very well and he plays upon his ideological beliefs. The situation with Begin has reached a very sensitive phase, and no one knows how the Prime Minister is planning to get out. Defense Minister Weizman is fighting to keep some kind of leverage over Begin, but Weizman himself is not in a strong position.

## Weizman Smooths Negotiations

*Weizman, a close ally of Begin for years, is personally spearheading efforts against the joint Dayan-Sharon drive to make an issue of the settlements dominant in the Middle East. The Defense Minister is trying to organize support for Begin to accommodate Sadat in order to clear the way for expanded regional peace talks. For this effort, Weizman is being attacked by the fanatic ideologues within Begin's own Herut Party while facing other obstructions from Dayan and Sharon, thus narrowing his maneuvering room. However, Weizman maintains strong ties with several European and U.S. military factions, which, if they lend him the critical support that he now needs, could turn the tide against the Dayanists.*

*Last week, Weizman countermanded an announcement by Sharon that new settlements would be established and old settlements expanded in northern Sinai, by ordering a total freeze on settlements. Weizman called the settlements "politically harmful" and demanded a government review of settlements policy, currently Sharon's personal domain. Sharon, in an interview, expressed "surprise" at Weizman's action and charged him with not clearing the move with the Cabinet. Weizman responded by stating that he had cleared everything with Begin himself!*

*Largely as a result of Weizman's positive pressure, Begin has backed away somewhat from his initial outburst against the United States following the Vance statement in an effort to smooth relations with the U.S. In a speech before the Israeli Knesset, Begin reaffirmed the importance of Israel-U.S. ties, while the French daily* Le Matin *of Feb. 14 blamed the whole Israel-U.S. crisis on Dayan:*

During the press conference given by Begin on Monday, Begin did only one thing and that was to attempt to lower the tension between the U.S. and Israel that had been caused by his Foreign Minister Dayan. Begin reaffirmed the profound friendship with the U.S., despite any differences.

Moshe Dayan precipitated the crisis between the U.S. and Israel. One can only believe that he left for Washington with the sole purpose to push confrontation. On his way, he started out by saying that Israel was delivering arms to Ethiopia. He then chided the American Jewish leaders by saying that their role should only be unconditional support of Israel and that they were not to play mediator. Finally, he made it a point of emphasizing that his country would continue the settlements.

He answered Vance's recent statement by saying that the U.S. had gone over to Egypt's side and demanded that Begin act as strongly as possible because the U.S. administration was about to apply pressure on Israel.

Begin then called the American ambassador and made known to him in the coolest of terms that he was angry about U.S. betrayal.

The next day, the Israeli government accepted Begin's statement, but not without some difficulty coming from Weizman, Yadin and some liberals, who said that Vance's statement was only a reaffirmation of the American policy. Then a battle began between Sharon and Weizman with Sharon accusing Weizman of ordering the cessation of settlements in the Sinai while he was in Cairo. Weizman said that he had made the decision after having conferred with Begin.

Finally, on Monday, Begin received some clarifications from Carter who told him that this was and has always been American policy and would help Sadat to continue his negotiations. Begin then said that there was still friendship between the two countries, thus giving the U.S. the green light to continue the mediating process.

## Begin Urged To Act

*However, unless Begin begins to act more aggressively against the saboteurs of peace, it appears likely that his hold over the reins of power will falter. According to the French daily* Le Figaro *of Feb. 14:*

Mr. Begin is in the government but not in power. The battle of communiqués between Weizman and Sharon regarding the Sinai settlements could be made into a humorous anecdote if it were not a sign that the authority of the Prime Minister over his governmental coalition were not in question.

*A commentary in the Feb. 9* Jerusalem Post *by Mark Segal entitled "Shenanigans at Shilo" issues an urgent call to move against Sharon now.*

Sharon has embarrassed the Likud government on previous occasions—particularly by his declarations on settlement policy, over which Begin put him in charge. If Begin thought he could thereby neutralize a potentially dangerous man, then he was proven by events to be as mistaken in his judgment as former Premier Rabin, who sought to still Sharon's sharp criticism of the army command by appointing him his special adviser.

A small minority cannot be allowed to dictate policy to an entire nation, for that way lies anarchy. Mr. Begin should put his foot down and show he is in charge.

### Lebanon Flare-up

*The latest outburst of fighting in Lebanon, provoked by right-wing extremist and ex-president Camille Chamoun, whom Sadat described as a "life-long British agent" in an interview in* October *magazine, is leveraging the war-mongering efforts of Dayan and Sharon. Exacerbating the situation, Israeli military leaders linked to the Dayan network are renewing Israel's commitments to "defend our besieged Christian brothers across the border" against the Palestinian-Syrian threat. Ominously, Israeli armed forces chiefs, including Weizman, held meetings at the Lebanon-Israel border last week to discuss Israeli aid to the right-wing forces, one day before the commander of the southern Lebanese right-wing forces, Maj. Saad Haddad, called for a "Christian government in exile" so that Syria's military actions could be labeled an invasion of a sovereign entity. According to Christian sources cited by the Feb. 13* Jerusalem Post, *"this is the only way the Syrians can be expelled."*

# Arafat And Fatah Faction Encourage PLO Moderation

The leadership of the Palestine Liberation Organization and the central command of the Lebanese leftist national movement held a joint meeting chaired by PLO chief Yasser Arafat on Feb. 1 to discuss the continued tensions in southern Lebanon. Two important decisions taken at that meeting reflect the efforts on the part of the moderate faction within the PLO to change the image of the organization from that of being terrorist to that of a legimate representative of the Palestinian people for future Mideast peace negotiations.

Firstly, the PLO vowed to "clean out" the anarchists and extremists within its ranks in the south of Lebanon. These elements have sparked repeated conflicts with the Christian Falange in the area — conflicts which have threatened to bring direct Israeli intervention on the side of the Christians.

Secondly, the PLO declared that the majority of its guerrilla strongholds in southern Lebanon will be vacated and relinquished to the Lebanese leftist national front. These strongholds include, significantly, PLO offices in the coastal cities of Sidon, a center of strong leftist presence during the Lebanese civil war, and Tyre, the port where weapons have been shipped to the PLO. As well, Palestinian guerrillas are to withdraw from Nabatiyeh, a site of continued conflict with the Falange since the end of the civil war in 1976.

The decision to end the PLO's longstanding military presence in southern Lebanon is significant for two reasons. Most importantly, it is a clear signal to Israel that the responsible wing of the PLO and Fatah (the central commando organization within the PLO) is not interested in continuing terrorist activities against Israel, but want to negotiate peace. Secondarily, the gesture reduces the likelihood of a flareup in the volatile area which could easily draw in Syrian occupying troops, and trigger a new Arab-Israeli war.

A week after the joint meeting on southern Lebanon, a spokesman from the PLO, Said Kamal, urged the United States to adopt a clear and positive stand toward the Palestinian cause. Kamal, a leading PLO moderate from Cairo, urged the U.S. as a superpower to shoulder a special responsibility to the Palestinian cause — a signal that the PLO wants to open official negotiations with Washington. The same day, reports from the Qatar News Agency indicated that the Fatah command was requesting that the Iraqi government hand over Palestinian terrorist Abu Nidal who has been implicated in the murder of leading Palestinian moderate Said Hammami last month in London.

# Euro-Arab Development The Issue In N. African Troubles

The North African Maghreb, which includes the nations of Morocco, Algeria, Tunisia, and Libya, remains at the top of the agenda of development-oriented Euro-Arab circles who consider its political stabilization the prerequisite for a successful economic development program for the Middle East and African continent as a whole. But at present a series of provoked conflicts — the Algeria-Morocco feud over the Spanish Sahara, the political crisis in Tunisia which threatens Libyan-Tunisian relations, and the reemergence of guerrilla warfare in Chad — has turned formerly friendly nations into enemy camps.

The exacerbation of rival tendencies and proliferation of spurious guerrilla movements and border conflicts are not accidental. These crises are designed to thwart the emerging alliance between Europe and its Arab allies who have targeted this area for a zone of peace and cooperation.

*A Bridge for Development*

The notion of a Mediterranean zone of peace and economic development, which would act as a bridge between the advanced industrial sector and the underdeveloped nations, has taken shape from three principal sources — France, West Germany, and Saudi Arabia — who have recently coordinated their efforts to set up a new banking center in the small nation of Luxembourg which would eventually serve as the nucleus of a gold-backed international monetary system. This financial center, whose *raison d'être* would be the export of nuclear energy technology to the Third World, would be free from those adversary banking networks centered in the City of London who are demanding a no-growth, labor-intensive policy for the Third World.

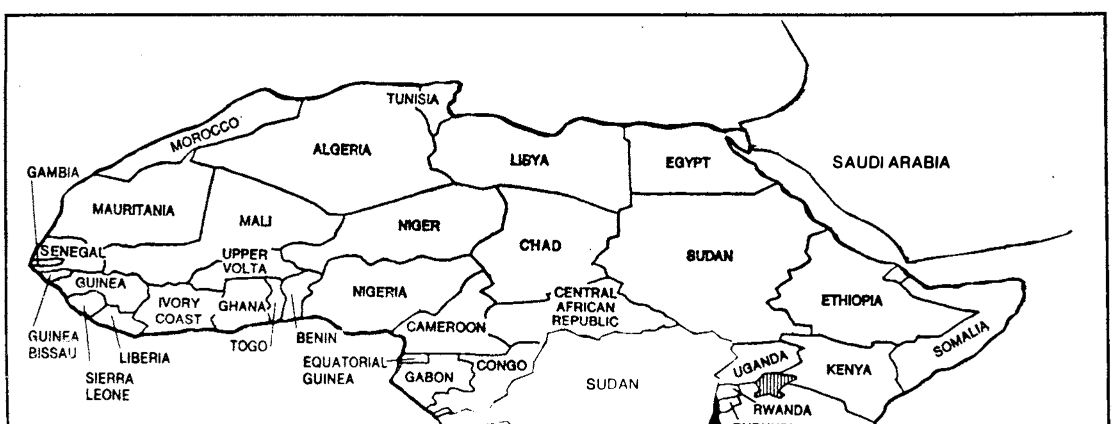
The first signs of an emerging Maghreb unity appeared in September 1977, when Libyan president Muammar Qaddafi announced in an exclusive interview in the French daily *Le Monde* that he would personally undertake to settle certain internecine Maghreb disputes in the interest of forming a "Confederation of Maghreb States." No doubt modeling his strategy on that of the first proponent of Maghreb unity, ailing Tunisian president Habib Bourguiba, Qaddafi offered his mediation in the Algerian-Moroccan dispute over the Spanish Sahara and in the Ethiopian-Somali war in the Horn of Africa.

## Tunisian and Libyan Rapprochement

The impetus behind Qaddafi's sudden interest in Maghreb stability is the figure of Mohammed Masmoudi, the former Tunisian Foreign Minister who went into voluntary exile in 1974 when his project of Tunisian-Libyan unification failed. Traveling between Paris, Tripoli, and other Arab capitals, Masmoudi is recognized in international banking circles as a very astute businessman, having himself engineered the French-Libyan Mirage jet deal in 1975. Among his many business connections, Masmoudi is reported to be very close to both the French Dassault aerospace industry, which manufactures the Mirage, and to the Saudi ruling family.

In the fall of 1977, Masmoudi began constructing his return to Tunisian politics. In conjunction with Tunisia's Interior Minister Tahar Belkhodja and Habib Achour, the leader of the 650,000-member Tunisian Trade Union Federation (UGTT), Masmoudi formed a political faction armed with an economic program for Tunisian development. In exchange for skilled manpower (Tunisia has the highest literacy rate of any African country), Qaddafi would provide the oil and currency reserves that Tunisia severely lacks. Two crucial meetings — in September and December 1977 — took place in Tripoli, attended by Achour, Masmoudi, and Qaddafi, to map out a *peaceful* strategy toward the realization of these goals.

Tunisia, however, is now in the throes of a crisis that has occurred as one aspect of a broader destabilization of the Maghreb, designed to pit the "radical" states of



Libya and Algeria against the "conservative" regimes of Morocco and Tunisia. This slicing of the region into ideologically opposed bastions could set the stage for a massive Cold War push between U.S.-backed Morocco and Tunisia and the Soviet client states of Algeria and Libya. In order for this strategy to work, French influence must be removed from Tunisia, since France's international role has been to act as a deterrent to British-backed encouragement of Cold War confrontation between the superpowers.

The orchestrated Tunisian crisis was planned to erode French influence while simultaneously setting up a hardline military government for a "human rights" slander campaign led by the Washington, D.C.-based Institute for Policy Studies (see box). This eminently British strategy is hardly original. It calls for the creation of an ultra-rightwing government which comes to power through a provoked crisis, and then becomes a whipping post for various "human rights" organizations such as IPS or Amnesty International. By focusing on Tunisia's present $25 million request for U.S. arms, liberal circles in the U.S. are softening up the military clique now in power in Tunisia to accept a more "democratic" government committed to "humanitarian" low growth and low capital investment policies. Under present circumstances, the progrowth "French" faction around former Foreign Minister Masmoudi, whose sentiments are shared by the military, is severely weakened, and there is talk that Prime Minister Hedi Nouira may form a coalition with the Liberal Party leader, Ahmed Mestiri, who receives support from London's international "human rights" apparatus.

Prior to the catastrophic Tunisian general strike in January, a series of crises pushed Tunisia into the present junta government, which is led by Defense Minister Abdullah Farhat, Security Chief Zine Ben Ali, Prime Minister Hedi Nouira, and Destour Party strongman Mohammed Sayah. This clique has the backing of aging President Habib Bourguiba and his son as well. Beginning last summer, a round of suspicious strikes among Tunisia's textile workers involving the trade unions created fear among the existing government and Destour Party leaders that the real enemy was the threatening power of the UGTT. Then, last month, immediately prior to the strike, a cabinet shakeup ensued in which Interior Minister Tahar Belkhodja was ousted for showing too much interest in the opposing faction, led by Mohammed Masmoudi and later joined by trade-union leader Habib Achour and the president's wife, Wassila Bourguiba. Belkhodja's ouster caused the virtual collapse of the government with the forced resignation of six ministers.

From this point, the stage was set for the riots of January 26. The chaos and confusion of that day, when over 100 people were killed and several hundreds wounded, was thanks to urban mobs and well-placed

## *Times*, IPS Join In Maghreb Destabilization

*On Feb. 13 the editors of the* New York Times *and the Institute for Policy Studies joined forces in the* Times' *editorial page, attacking the Tunisian government and warning of worse to come unless Tunisia is forced to toe the "human rights" line.*

*On its editorial page, the newspaper ran an editorial titled "Checking Tunisia's Drift." Here are excerpts:*

...The reality, one view of which appears in the article by Eqbal Ahmed and Stuart Schaar on today's Op-Ed page, is that Tunisia has grown steadily more repressive. Amnesty International reports that Tunisia now has its share of political prisoners and of torture.

...Prime Minister Hedi Nouira...has begun a program of military expansion supported by credits from the United States. The program seems ill-advised. It would be years before Tunisia's forces are ever trained or armed sufficiently to offer serious resistance to attack from heavily armed Libya or Algeria. Meanwhile there is a real danger that the new cadre of junior officers will become imbued with the anti-democratic doctrines of Libya and other Arab nations....Since American opinion evidently means much to Tunisia's leaders, the Administration should now indicate its distress and prepare the way for supporting action unless conditions improve.

*On the facing Op-Ed page is the article referred to in the editorial, authored by Institute for Policy Studies fellow Ahmed and Schaar, a professor in the New York area. It read in part:*

. . . As public demands for human and economic rights mounted, the (Tunisian) government responded with increased repression . . . The number of political prisoners has been augmented and torture is reported to be common. Hardliners within the ruling party have created an extralegal police force that has terrorized critics and dissenters. Increased American arms aid has reinforced repressive institutions.

By augmenting repression, the government will isolate itself further from the public and, like Iran and Chile, may come to rest solely on force. The alternative to this dismal prospect is a change of government to include the more representative elements outside the party's narrow and frozen confines.

One may hope that President Carter would fulfill his campaign promises of reducing military supplies and promoting human rights . . . In North Africa, this implies reducing rather than increasing United States military sales.

agent provocateurs who gave the military the pretext to intervene "in the interests of national security." On the heels of these incidents, Achour and 11 out of 12 members of the trade-union executive board were arrested, and the dismantling of the powerful trade union organization began. According to reports, more than a thousand trade-union leaders, students, and others are now in prison.

Although there has as yet been no overt Tunisian-Libyan confrontation, the danger exists that relations will deteriorate significantly, since Masmoudi is known to be backed by Libya's Qaddafi. What is clear is that Tunisia is being manipulated into being the foil for a "human rights" smear campaign that will tend to undermine the stability of the Maghreb as a whole.

## *Northwest Africa:* French-Saudi-Soviet Cooperation Jeopardized

Another attempt to undercut French influence in the region is the destabilization in Northwest Africa, which has brought Algeria and neighboring Morocco to the brink of war over the Polisario Front's claim to the Western Sahara. On the one hand, it aims to force the French to take sides in the Polisario conflict by intervening militarily on the side of the Moroccan and Mauritanian governments, thus forcing a rupture in Algerian-French relations. On the other, the French are to be maneuvered into a Cold War posture against the Soviet Union, which would wreck Franco-Soviet cooperation in the immediate area.

Perhaps the most significant economic development in the Maghreb, which in magnitude rivals Algerian-American cooperation in the area of liquefied natural gas (LNG) infrastructure, is the recently concluded phosphate contract between Morocco and the Soviet Union. Described by the London *Financial Times* as "probably the largest single investment by the Soviet Union in the developing world," and heralded by Moroccan King Hassan II as the "contract of the century," the deal will have the Soviets help build the Meskala mine in Southern Morocco at a total investment of $2 billion in Morocco's phosphate infrastructure. This barter arrangement, signed in Moscow a few weeks ago by the powerful head of the Office Cherifien des Phosphates, former Prime Minister Mohamed Lamrami, will make Morocco, already the world's biggest exporter of phosphates, the world's chief producer, with an output capacity of 47 million tons a year.

Significantly, with this contract the Soviets have signed a 30-year cooperation agreement with a country which is ideologically and politically tied to the conservative regime of Saudi Arabia. King Hassan II is a very close friend of the Saudi royal family, and has expended much energy in the efforts at a settlement of the Middle East conflict. In addition to Morocco's longstanding Saudi ties, French influence there is significant in the area of technical cooperation. The French are known to be developing a process whereby uranium can be extracted from phosphate rock, in direct collaboration with Moroccan technicians.

Although diplomatic relations between France and Algeria have been severely strained by the Saharan conflict, economic relations between the two countries nonetheless remain very important, especially in the area of energy cooperation. Recently, through the influence of Saudi Arabia — which has just signed a joint nuclear energy cooperation agreement with France — Algeria's state-owned energy company Sonatrach has expressed interest in French nuclear technology as well. Rich in uranium, Algeria has publicly declared that it will go nuclear in the future.

The motive force in Algeria's energy strategy is none other than Saudi Arabia. According to French journalist Paul Marie de la Gorce, editorialist for the conservative daily *Le Figaro*, Saudi Arabia was the intermediary in setting up the huge U.S.-Algerian natural gas deals. Under these arrangements, Algeria will transport up to 40 billion cubic meters of natural gas, in the form of LNG, to the U.S. during the 1980s and 1990s.

### Polisario Linked to British Operations

The Front for the Liberation of the Saguia-El-Hamra and the Rio-de-Oro, the Polisario Front, was created May 10, 1973 in a split-off from the Saharan Liberation Front, whose leader, Mohamed Bessir, was at that time claiming simple autonomy of the Western Sahara, then under Spanish administration. The first military action of the newly created Front was to attack the Spanish military post of El-Kgangua on May 20, 1973.

Following the withdrawal of the Spanish from the territory, the Polisario proclaimed on Feb. 27, 1976 the existence of the Saharan Arab Democratic Republic, whose government was set up on March 8. The creation of the Saharan Republic came at the time when the Organization of African Unity held a meeting in Addis-Ababa in order to discuss the recognition of the Polisario Front as a bona fide liberation front. The demand of the Polisario for recognition did not receive the accredited number of votes, and to this day it has not been recognized by the OAU. The Saharan Republic has been recognized by only 11 governments: Madagascar, Burundi, Benin, Angola, Algeria, and Guinea, North Korea, Togo, Mozambique, Rwanda, and the Seychelles.

It is fairly well recognized by the international press that the Polisario is armed, trained and deployed by the Algerian government. In fact, very little differentiation has been made as to whether Saharan or Algerian nationals take part in the fighting. Considered by some observers to be merely an extension of Algeria's political demands, the Polisario reminds others of the British-controlled networks in North Africa during the Second World War. In a recent article in the French daily *L'Aurore*, the Polisario was appropriately likened to the Spanish Nomad Guard, which had been set up by Britain's infamous Special Air Services during the North Africa campaign in the 1940s.

What remains uppermost in the minds of Saudi and French planners is a peaceful resolution to the Sahara conflict. Last summer, Saudi Arabia agreed to underwrite a development package whereby Morocco, Mauritania, and Algeria would jointly develop the mineral-rich Western Sahara. The Algerians were urged to drop the Polisario as a political tool, but were assured by their Saudi backers that they would receive unhindered access to the Atlantic Ocean in order to transport their iron deposits from the iron-mining center of Gara Djebilet.

As the prospects for Euro-Arab-Soviet cooperation grew in the western end of the Maghreb, the Polisario Front launched a major offensive against the French government and the French-allied governments of Morocco and Mauritania. A series of guerrilla skirmishes and attacks against the Mauritanian mining center of Zouerate and sabotage runs against the rail line which serves as the only means of transport for iron ore, Mauritania's chief source of income, culminated in the kidnapping of eight French nationals who were working as technical assistants in Mauritania's mining sector. The situation created a crisis between France and Algeria, prompting France to send a fleet of Breguet Atlantique to guard Mauritanian territory and the mining center against Polisario raiding parties. Although the French hostages were subsequently released through the good offices of Libya and the perseverance of French negotiators, the situation remains tense in the area as long as the Polisario has free rein to repeat its marauding operations.

Support for the Polisario is limited in the international community, and even the Soviet Union has refused to come out publicly in its favor. It is reported that during his most recent trip to the Soviet Union, Algeria's President was hard-pressed to elicit Soviet support for the organization.

Within Algeria, there exists a certain "radical" ideologue faction, allegedly led by Foreign Minister Bouteflika, which is utilizing the Polisario as leverage for its own political interests. These radical networks, a leftover from the anti-French terrorist agents which infiltrated the National Liberation Front during the Algerian war of independence, are using their anti-imperialist jargon to debilitate French technical cooperation in the area and assure that no capital-intensive, nuclear cooperation can be realized.

## Chad: Rerun of the Western Sahara

The unfortunate reactivation of the Frolinat rebellion inside Chad has the same aim: to remove French influence from this Francophile country. Rich in uranium like Algeria, Chad depends heavily on French military and technical assistance. In addition to maintaining historical ties with France, Chad also receives arms from the Soviet Union.

Two weeks ago, a French national and his Swiss companion were kidnapped by the rebel Frolinat guerrilla organization, in a classic destabilization attempt against the pro-French Chad government of Felix Malloum. Utilizing the modus operandi perfected in the Sahara conflict, the bandit "third army" of the Frolinat called for a ransom of $2 million and the withdrawal of French military assistance to Chad by Feb. 12, 1978.

The incident comes just when French President Giscard d'Estaing is planning an important state visit to Chad in an effort to organize an economic development zone among Francophone countries which would serve as a buffer against potential Cold War manipulations in the continent of Africa.

Last week the Vice-President of Sudan arrived in Libya to offer his assistance in solving the dispute in Chad. There are indications that Sudan has been instrumental in reconciling the various guerrilla factions with the Malloum government. Recently rebel guerrilla leader Hissen Habré, currently living in exile in the Sudan, announced that he had become reconciled with the Malloum government and that both leaders would seek a reconciliation with the other guerrilla factions. Simultaneous with the Habre-Malloum rapprochement, the Sudanese Vice-President arrived in Libya. Libya is backing the "second army" faction, which is fighting in the Northern Tibesti region. From all indications, Libya is willing to cooperate in this venture and is closely cooperating with the French in particular to solve the internal crisis in the country. Immediately after the Sudanese Vice-President's Libyan trip, both the French and Libyan governments announced that they would work closely to achieve a reconciliation of all factions within the government.

*—Mary Jane Coates*

### What is the Frolinat ?

The Frolinat is split into three factions, or "armies." In 1966, a rebellion led by Ibrahim Abatcha among the Toubou tribesmen in the northern Tibesti region of Chad led to a series of "popular revolts" 'which seriously endangered French influence in the country. In 1968 Abatcha was killed, and was succeeded by Dr. Abba Siddick who later became the head of the movement known as the Frolinat (Front for the National Liberation of Chad).

Between 1968 and 1972, the French army was called in by then President Tombalbaye to quell revolts, led by the rival Toubou tribe, which had spread from the north to the south against the opposing Saras ethic group. The French legionnaire force suffered heavy losses, and when it was finally pulled out of the conflict the French demanded that the central government institute administrative reforms, especially in the area of taxation.

The strong-man of the Frolinat is Libyan-supported Goukouni Oueddei, who is commander of the "second army," located in the northern Tibesti region. Both Goukouni and Hissen Habré took over the second army in 1972 and, in a power struggle, Goukouni emerged as the uncontested leader in 1976. A "first army" operates in the region close to Sudan.

The "third army," which claimed responsibility for the Jan. 16 kidnapping of the French and Swiss nationals, is located in the western region where Chad shares a border with Nigeria. Long decried by both the other Frolinat factions as nothing but a band of gangsters and bandits, the third army has absolutely no base in the country and is currently operating out of Nigeria, a country which is notorious for its penetration by the British.

# Forces Of Chaos Are On The Move

More than two weeks ago India celebrated its 30th year as a republic, on the date of the promulgation of the Indian Constitution. Certain Indian observers noted on that anniversary that never in its history has the Republic been faced with such a threat to its existence, to the very fabric of national unity and progress on which India's independence was based.

## INDIA

The pessimistic assessment of the current state of affairs in India is not unfounded. The historic enemies of India, the Anglo-American descendants of the British East India Company which made India into the raped and looted "jewel" of the British Empire, are once again active. London's policy toward India has not changed from its inception — to wreck the unity of the nation through systematic encouragement of regional and communal balkanization of the country; to impose the genocidal "labor-intensive" policies of enforced ruralization of the Indian population; to take the promising base of Indian industry, which could serve wide spheres of Third World development, and strip it of all lootable value.

The first phase of London's plans has been in progress for several years — the destruction of the institutions of political leadership which represent a clear expression of the national interest of the huge Indian nation. At the top of that hit list is the Congress Party, the party which led the Indian freedom struggle against British imperialism, the party which forged the foundations of Indian industrial and scientific progress and led the developing world under the leadership of former Premier Nehru.

The fate of the Congress now occupies Indian political attentions, following the dramatic exit of former Prime Minister Indira Gandhi and her followers from the party almost two months ago. The hard indicators of how badly the Congress was hurt by this split will presumably be found in certain crucial state elections scheduled for all but one state where the Congress holds power, at the end of this month. Four crucial states are: Maharashtra in the west the foremost industrial center whose capital is Bombay; the two large southern states of Andrha Pradesh and Karnataka; and the strategic northeastern state (near China) of Assam. Two smaller northeastern states are also in the fray. At this moment there are no predictions of clear winners in any of the states where the principal contenders are the Congress Party, the Indira Congress, the ruling hodgepodge Janata (Peoples) Party, and the two main organizations of the Left, the Communist Party of India (CPI — the pro-Soviet party) and the Communist Party of India-Marxist. (The CPM is the "independent" party that came out of the CPI in the early 1960s.)

### *Indira: A Wrecker for London*

Whatever sympathies one may have held for Indira Gandhi and her often courageous political leadership during the Bangladesh war and other events tend to evaporate completely in the face of her current activities. Indira Gandhi and her supporters have staked out one single goal for their election drive — to prevent Congress reelection. In every state the Indira Congress is making alliances with regional and local interests on an anti-Congress basis, in particular with advocates of greater state "independence" from central government control and of further division of the present states along communalistic and other linguistic lines. This opportunist collaboration with divisive tendencies is totally opposed to the policies of Indira Gandhi's father, Jawaharla Nehru, who worked all his life for Indian national unity, and even to Gandhi's own efforts along the same lines when she was Premier.

The unfortunate and insidious result is that the Indira Congress is having greater success in wrecking the Congress than the ruling Janata party could ever hope to have. The Janata itself is not strong in the states where the elections are occuring, since its base is mostly in India's northern "Hindi belt." While the Congress is far from destroyed, it is evident that it is foundering, as its present leadership has failed to direct a strong national organizing drive or provide programmatic direction in the current election campaign.

The crisis within the opposition parties will and can be within the ruling Janata Party. Responding to the changes occurring across the political scene, the Janata Party is currently polarized along the following lines.

A progrowth faction composed of Defense Minister Jagjivan Ram, Petroleum Minister Bahaguna, and even Prime Minister Morarji Desai in certain circumstances are watching closely the changes occuring in Parliament. Some observers view Parliament as in the calm before the storm, with these forces ready and willing to jump off the Janata mishmash bandwagon as soon as new political formations gel.

A regroupment is being provoked by two parties within the Janata Party. Home Minister Charan Singh is currently engaging in various political and economic alliances aimed at protecting his base, the rich landlord class, through endorsement of the World Bank's labor-intensive solution for the landless laborer. In short, Singh proposes that infrastructure for the untaxed wealthy kulak come from the work (paid in goods such as food) of the landless and bonded labor. Singh's efforts are supported for purely factional reasons by a portion of the right-wing Hindu nationalist Jan Sangh (a wing of the Janata Party). The RSS, the Jan Sangh's militia, is deeply divided on this issue, but not divided on the common goal of seizing the organizational apparatus of the Janata in the northern part of the country. For this, the RSS has run a muckraking campaign against Ram and Desai, aimed at discrediting them as national leaders.

### *The Communist Role*

The Indira Congress's role in spreading regionalism and undermining the nationally organized Congress, along with their defacto Janata allies, is paralleled on the left. The chaos prevailing among the major parties, including the factionalized Janata, has led to increased prospects for an expansion of the strength and influence of the Communist parties. So far, the chief beneficiary of the spreading political vacuum has been the CPM, while the pro-Soviet CPI has yet to emerge strongly out of the defeat it suffered as a result of its alliance with Gandhi during the 1975-77 "Emergency" government. The CPM has gained power in the important industrial state of West Bengal, and has added to that, a victory in the small northeastern states of Tripura and Manipur. It hopes to win the state election in the larger northeastern state of Assam this month.

The role of the CPM remains ambiguous due to a severe split in its ranks between segments of the party who are acting as agents of the World Bank by supporting regionalist tendencies and the ruralist anti-industrial outlook of the Bank, and honest party leaders and members. *New Wave*, the Indian weekly, recently identified this division, naming CPM General Secretary EMS Namboodiripad and the Finance Minister of West Bengal, Ashok Mitra (a former World Bank official), as the leaders of the regionalist prolandlord group. In constrast, *New Wave* pointed out that leaders like B.T. Ranadive, the head of the CPM's trade-union base, who reflect the working-class base of the party, have a realistic approach to the present situation. *New Wave* concluded that the CPM will abdicate all responsibility "if it surrenders to regionalism or falls for an alliance with the rich landowners at the cost of unity with the left and democratic forces, including growth-oriented sections of industrialists."

### *National Unity Needed*

While some in India talk of a merger of the two Communist parties as the basis for creating an alternative to either the Janata or Indira Congress and filling the vacuum created by the disintegrating Congress Party, that prospect is not immediately viable. On one level both the Communist parties are regionally limited in their following, lacking national strength. But, more fundamentally, a merger of the CPI and CPM leaves aside the necessity of unifying the disparate progrowth political tendencies in all the political parties, particularly in the Congress and segments of the Janata.

The Communists, with the CPM under more responsible leadership, can more fruitfully pose themselves as the kernel of an alliance of national unity based on the shared commitment of all patriotic forces for the national economic growth based on science and industry, totally opposed to the World Bank dismantling of the Indian economy. This kind of defense of national interest, given an institutional form, can effectively counter not only the efforts of London to recolonize India, but can join hands against Anglo-American designs in the rest of the developing countries and in the advanced sector.

*—Daniel Sneider*

## Book Review:

# The CFR Plan For A Coup Against Venezuela's Foreign Policy

Contemporary Venezuela and
Its Role in International Affairs.
*Robert Bond, editor*
*Published by the Council on Foreign Relations*

The New York Council on Foreign Relations has just released a blueprint on how to sabotage Venezuela's foreign policy. Official disclaimers aside, *Contemporary Venezuela and Its Role in International Affairs*, a collection of papers prepared for a Council seminar, is a policy statement by Anglo-American monetarist circles outlining their intent to force the Venezuelan government to withdraw from the foreign policy commitments of current President Carlos Andres Perez, particularly those concerning the industrialization of the Third World.

Through a series of "predictions," the CFR presents a package of strategies to be pursued by the circles and related agents it represents describing how "internal strains" and growing "instability" will oblige Venezuela to abandon its "impetuous" and aggressive foreign policy, and "retrench" behind objectives that are more amenable to monetarist interests.

Specifically, this means Venezuela is to abandon its role in seeking a new world economic order, cease being the "intellectual leader" of OPEC, and give up its "dream" of Latin American unity based on development.

The "pressures" compelling such a "retrenchment" are to include *lumpenproletariat* violence stirred up by ultraleftist-terrorist agents controlled by the Council-linked Institute for Policy Studies, plus a "leveling-off of oil income" that will supposedly fuel domestic unrest and grind Perez's industrial development program, known as the V Plan, to a halt. As editor Robert Bond flatly asserts, "If Venezuela has to choose between maximizing government oil income and solidarity with the Third World, the latter is sure to be the loser."

Should the government attempt to ignore these "strains," writes Daniel Levine in his chapter on "problems" likely to plague Venezuelan constitutional democracy, the results could be a military coup, which would take place "probably in a sea of blood...like Chile."

Already the CFR "study" is being put into an action phase. Simultaneous with the increase in ultraleftist terrorism in recent months, efforts to forge an "environmentalist" movement out of the above-ground left parties have greatly increased. Both of these capabilities represent weapons for creating "instability" and blaming the V Plan with charges that it does not provide enough "employment" and "income distribution."

Venezuelan oil exports to the U.S. during January dropped 25 percent below the previous year's levels, supposedly because of a glut in the market — a situation that could cause grave problems if prolonged.

Even more telling, however, Foreign Minister Simon Alberto Consalvi, who as former Venezuelan UN ambassador became the "close friend" of U.S. National Security Council chief (then director of the Trilateral Commission) Zbigniew Brzezinski, paid a special visit to the Council late last year to pick up some of the 3,000 copies of the report here under review. He eventually took them back with him to Caracas to distribute them personally. It is no coincidence that he has already begun to restructure Venezuelan foreign policy along the lines spelled out in *Contemporary Venezuela*.

### *Why?*

In his contribution, Franklin Tugwell, son of Fabian Society member Rexford Tugwell, writes that Venezuela has steadily become "a source of irritation and concern" for the U.S. as an OPEC leader, a cofounder of SELA (the Latin American Economic System, which excludes the U.S.), and a nation that successfully carried out the largest nationalization of Anglo-American oil interests in history. Yet while these factors are important, they stem from Perez's commitment to the new world economic order — the real reason the CFR had to write this book.

The principal danger to the CFR and its clients is that the more successfully Venezuelan leaders reinvest oil revenues in sustained industrial development, the more Venezuela becomes a model for the Third World in rejecting the zero-growth austerity policies of London and New York monetarists. Already industrialists fighting World Bank austerity in neighboring Colombia are pointing to the V Plan as the example to be followed. The Venezuelan development strategy has netted it an 11.1 percent rate of real growth in the industrial sector in the past year, among the highest in the world. Bond and his collaborators try to brush off Caracas's new world economic order policy as "moralist impulses," a "personal" goal of Perez that is "inconsistent" with Venezuelan national interests, and "bursts of impetuosity" tailored to the "cosmetic adulation" of the President. However, the true concern of these gentlemen is revealed when Bond stresses that Venezuelan foreign policy must be seen as an outgrowth of its "development strategy" — i.e., the V Plan. "At its most fundamental level," he notes, "Venezuelan foreign policy is directed toward the achievement of the country's development program." "Unfortunately," emphasizes Levine, the V Plan is "capital-intensive rather than labor-intensive."

As a result, every "scenario" floated in the Council's book stems from the basic premise that Perez's technology-directed, capital-intensive policies must be liquidated.

### *How It Works*

The way to stop the V Plan, the Council notes, is to shut down the country's oil markets. Given that Venezuela's oil industry infrastructure is the "most vulnerable" in OPEC due to the highly specialized nature of its output, Tugwell observes, such problems are "likely." Indeed, they are in effect, as was pointed out earlier. The result of prolonged marketing difficulties, as former World Bank consultant Pedro Pablo Kuczynski explains, would be a decrease in capital investment in the V Plan and a slowdown in the overall economy. As for the political impact of such a crisis, Tugwell, in commenting on a similar sudden collapse of oil sales during January 1976, writes, "The lesson was not lost; Venezuelans were made to feel very insecure indeed."

With the key source of national income cut back, the climate is set for unleashing the most important "political factor" in forcing the government to "retrench" from a Third Worldist foreign policy: urban violence. Levine identifies the "marginal" population of Venezuela's mushrooming urban slums as the most serious "challenge" to the entire political system established since the 1959 overthrow of dictator Perez Jimenez. This "unpredictable" force, he says, could provoke "shifts in the urban electorate" and a "severe weakening of party organizations" governing the fragile "balance" that has sustained constitutional government for 20 years.

"How soon will it be," Levine asks, before the country is reduced to a situation of "competing caudillos" like the "rest" of Latin America? "Perhaps not long at all," is the reply, and he adds that this is "just the kind of situation in which the military often intervenes to restore order."

Thus the result of declines in oil income is supposed to be foreign policy "retrenchment" forced by "domestic instability": "As open threats to democratic survival at home begin to disappear," writes Levine, supposedly observing past trends, "foreign policy gradually moved *away* from a primary concern with the international defense of democracy and *toward* a broader concern for economic issues....A renewal of domestic instability (or a sharpened sense of isolation and fragility derived from the spread of authoritarian rule) might affect foreign policy."

### *The Role of Environmentalism*

The catalyst for activating the "marginal" slum-dwellers, according to the CFR, will be growing unrest for "jobs" and "income distribution," with the V Plan the prime target. The V Plan, Kuczynski writes, is "hardly a recipe for jobs creation." To meet these "demands," the government is going to have to divert resources from capital investment to "public services" and "employment." The more ferment grows in the *barrios* (slums), the more the government will have to shift away from V Plan priorities.

Providing the needed help in stirring up this synthetic "ferment" against the V Plan is the Council's neo-Fabian sister organization, the Institute for Policy Studies and the related networks permeating the Venezuelan left. While Maoist provocateurs can always be counted on for a university riot or mob violence in the *barrios*, the more "respectable" left is now being mobilized to provide a zero-growth programmatic content to the entire movement. An ideologue for the leftist People's Electoral Movement (MEP) last month illustrated the kind of "jobs" and "income distribution" the CFR seeks. Writing an op-ed in the country's leading daily, *El Nacional*, the MEP spokesman called for degrading Venezuela to the starvation and misery of a primitive economy based on the "ideas of Mahatma Gandhi." We must return to an economy of "small villages," says the MEP, and forget about "giant complexes" of "advanced technology."

The MEP "program" is almost identical to the policies being advocated on another level by former Mines Minister Juan Pablo Perez Alfonso and former Foreign Minister Ramon Escovar Salom. Both are attacking Perez's policies through diatribes against "savage development," "false progress," "gigantism." Escovar recently advocated *tracción humana* — literally, humans as draught animals — instead of machinery. On the official level, Consalvi pursues the same ends, as shown by his vigorous endorsement of the World Bank's labor-intensive "Caribbean development program."

### *What the CFR's Venezuelan Foreign Policy Is to Look Like*

With the above carefully manipulated "instabilities," the CFR "predicts" several changes to occur in specific areas of Venezuelan foreign policy:

*The New World Economic Order:* This, says the CFR, is simply a luxury Venezuela will no longer be able to afford. "The personal nature of Venezuela's commitment to the Third World," writes Bond, "makes the current New International Economic Order policy highly susceptible to a change in administration." And with increasing "instability" and declining oil revenues, Levine points out, "any administration will have to retrench" from these more active policies.

*OPEC:* "A dramatic change in Venezuela's OPEC role is a distinct possibility," meaning the country's function as the key mediating force between the duped price hawks and the conservatives who favor oil price freezes will be finished. Since Venezuela has managed to prevent fatal splits in the cartel while simultaneously holding off the provocative price hikes that would destroy the U.S. dollar and international trade, abandoning this role could be extremely dangerous. As economic pressures mount domestically, "Venezuela might become more adamant on the issue of price increases," says Bond, backed up by Kim Fuad, who cites "intensified challenge" from the "radicals." Already persons of dubious loyalties such as zero growth guru Perez Alfonso, the alleged "father of OPEC," are openly calling for splitting the organization by demanding Venezuela raise oil prices unilaterally.

Fuad, Perez Alfonso's biographer, cannot contain his glee over what he sees as a Venezuelan drift away from policy alliance with Saudi oil minister Yamani, who favors steady prices and increased production to ensure global economic recovery.

*Relations with the U.S.:* As the entire CFR scenario unfolds, Venezuelan policy towards the U.S., which revolves around oil, is to be based on the no-energy policies of U.S. energy czar James Schlesinger. Tugwell's not-very-subtle message is that as Venezuela's young nationalized oil industry goes through a few "frightening" drops in sales, it will become more anxious to join with Schlesinger in setting up a "regional energy institution" — a euphemism for giving Schlesinger fingertip control over hemispheric energy supplies, completely circumventing OPEC.

Again, this is another aspect of the CFR blueprint that is now operational. The environmentalist left, aided by Perez Alfonso and the editors of *El Nacional*, is pressuring for "government-to-government deals" with the U.S. As the Department of Energy readily admitted last week, any such "deals" at this point can only mean sales to Schlesinger's dictatorial strategic reserve — a proto-form of the proposed regional energy body. Since large sales to this facility would be seen as "OPEC-busting," a spokesman admitted, Venezuela would have to be "running scared" before it would consent.

*Latin American Integration:* Caracas's Latin American policy, says the CFR, is "inconsistent," "ad hoc." The "150-year-old dream" of "Bolivarian unity" is "doomed." Venezuela "will probably abandon its goal of a unified Latin America," says Bond. Thus, under the CFR's "retrenchment," the future "augurs poorly" for SELA and other integration efforts, according to John Martz. Likewise, Martz sees the Andean Pact as facing "impending collapse."

*New Geopolitics:* Venezuelan foreign policy must now take into account the "new reality" that Venezuela, Mexico, and Brazil are the "prime candidates for regional leadership," says the Council, outlining a system of Kissingerian axes and "spheres of influence." With remarkable precision, the Council "predicts" a new turn in relations with Brazil, which are at present the "clearest example that Venezuela lacks a well-defined policy toward Latin America...Preoccupation with Brazil's Amazonian development will necessitate compromise on Perez's part."

Consalvi has already begun to move in this direction, by indicating Venezuelan willingness to discuss the formation of an Amazon Pact with Brazil, an alliance which, if based on zero-growth looting programs, would dominate and "police" the entire continent for New York and London.

It must be emphasized, however, that in no way does Consalvi, any more than Brzezinski or Schlesinger, intend to have Venezuela support Brazil's nuclear energy program. It was Consalvi's circles that sabotaged necessary Brazilian-Venezuelan nuclear cooperation, by advising Perez to call for a "regional" nuclear agency during his summit meeting with President Geisel last November. The Brazilians properly recognized this as part of a Schlesinger attempt to "police" Brazil's access to nuclear technology.

*Caribbean "Development":* The Caribbean, where the World Bank is launching its Mahatma Gandhi-style labor-intensive "development program," is the one area in which Venezuela will *not* retrench. It is "a natural sphere of influence" for Venezuela, says the Council. Whereas it would be wholly consistent with Perez's Third World development policy to use Venezuelan oil revenues to aid capital-intensive Caribbean development in conjunction with Mexico, a "zero-growth" Venezuela would act as Mexico's enemy in the CFR scenario, enforcing labor-intensive austerity in the Caribbean.

*"Restructuring" the Foreign Ministry:* The Foreign Ministry is the "least professional of all the ministries" dealing in foreign matters, complains the CFR. In identifying one of the key "problems," Martz notes that many decisions can be made "only at his (the President's) desk." On cue, Consalvi has proceeded to "restructure" the ministry to make it more "professional" and keep it out of "internal policies" — i.e., purge it of tendencies favoring capital-intensive development. With several thousand of Consalvi's copies of the Council's book circulating around Caracas, it is not surprising that columnist Mario Matute Bravo, known as a fervent follower of Milton Friedman, recently endorsed Consalvi's efforts in this area and was so bold as to suggest Consalvi set up a *Consejo de Politica Exterior* — a Council on Foreign Relations!

*—Chris Allen*

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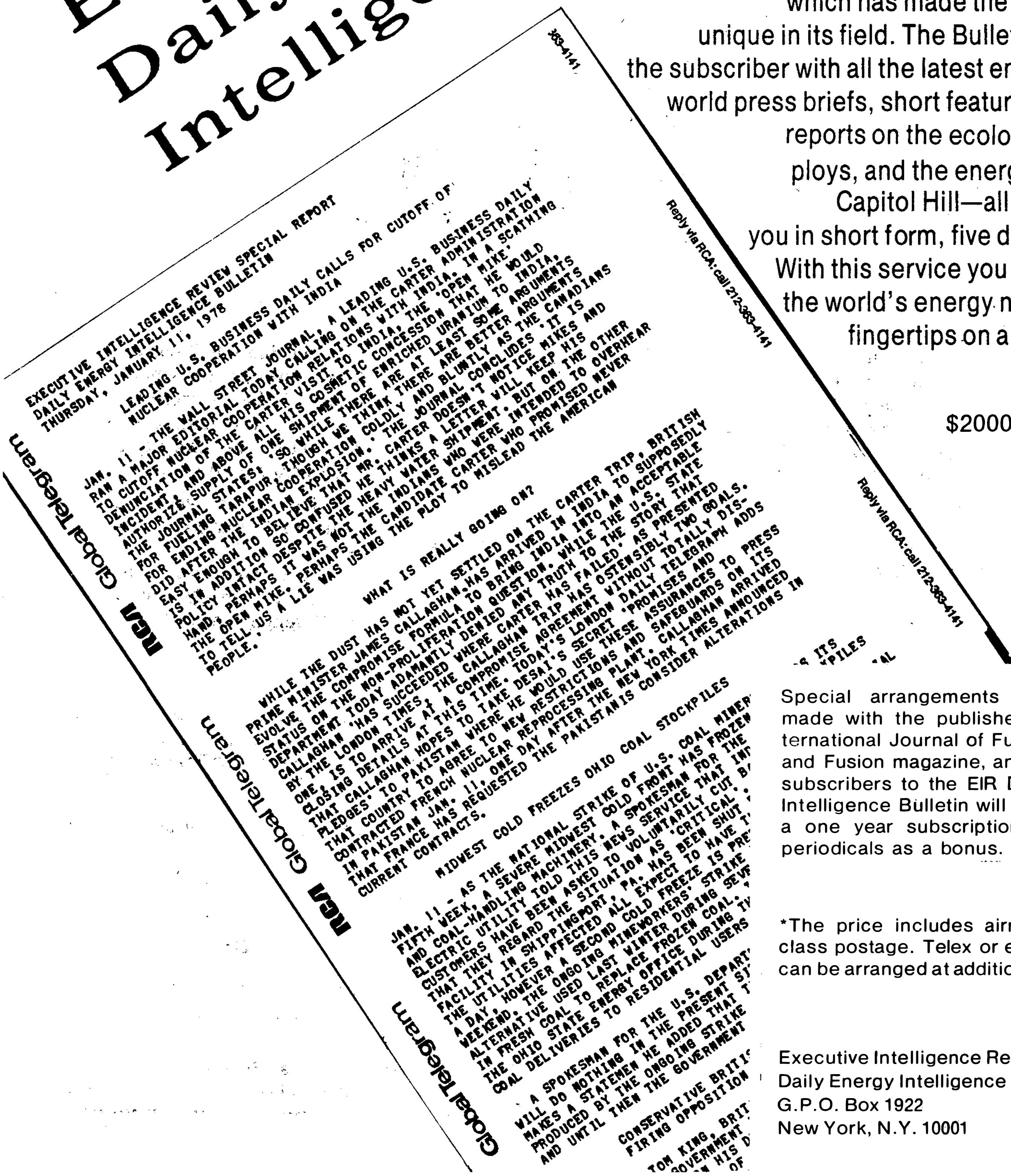


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