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# **EXECUTIVE INTELLIGENCE REVIEW**

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**New Solidarity International Press Service**

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# EXECUTIVE INTELLIGENCE REVIEW

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# EXECUTIVE INTELLIGENCE REVIEW

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## IN THIS WEEK'S ISSUE

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The week after your newspaper **didn't** tell you about the historic 25-year economic pact between Moscow and Bonn... it sold you a "**crisis in Africa**" that's nothing but a **preposterous hoax**... Our **INTERNATIONAL** report **sets the record straight** . . . with the facts you'll find **nowhere else** about who the "Soviet-backed rebels" in Zaire **really are**... how **Henry Kissinger** and NATO's pet Belgian government have tried to stampede the U.S. and Europe into an intervention into Africa **whose real victim would be East-West detente** . . . a sampling of the "**get the Soviets**" chorus from the worst of the British and would-be British press... and Ethiopia's blistering condemnation of **Britain's role as Africa's and the Third World's worst enemy** . . . Also in **INTERNATIONAL**, the latest on the West-German-USSR "**deal of the century**" that Kissinger and Company are trying to stop... with **Soviet statements** on their assessment of the deal... and their hopes for **participation — not confrontation — with the U.S.** . . .

\* \* \*

From New Delhi, Asian desk chief Dan Sneider files an **exclusive interview with Indira Gandhi**, India's former Prime Minister... Gandhi scores the "discrimination" against Third World **development of nuclear power** resources... defends the encouragement of **science and industry** as "essential to fight poverty"... and gives her views on the **violence that continues to wrack her country**... in **THIRD WORLD**...

\* \* \*

Our **U.S. REPORT** analyzes the Carter Administration's victory on the plane sales vote... the way that one myth — "**Israel right or wrong**" — was overcome only to **make way for another** — "**stop the Soviet threat**"... and, therefore, what sort of victory it was... Included: how Henry Kissinger deployed on **both sides of the debate**... Also featured: a report on the **Fusion Energy Foundation's** conference on "**Energy and Jobs**" in Detroit... and in **ECONOMICS** a U.S. Labor Party proposal for an **export program** that can get the U.S. economy moving again...

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INTER-NATIONAL
U.S. REPORT
ECONOMICS
ECONOMIC SURVEY
ENERGY
SOVIET SECTOR
COUNTER INTELLIGENCE
THIRD WORLD

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One of the **most dangerous** features of the U.S. scene is examined in this week's **SPECIAL REPORT** ... in which U.S. Labor Party chairman **Lyndon H. LaRouche** tells "**The Truth About Chappaquidick**" ... The Labor Party leader explains why **Teddy Kennedy is moving against Walter Mondale now** ... in order to get **Jimmy Carter's job later** ... why Chappaquidick mystified **Richard Nixon** ... and **what it revealed about the American electorate** ...

\* \* \*

In the weeks following the murder of Aldo Moro, the Italian government has taken unprecedented steps... **the controller level...COUNTERINTELLIGENCE** documents how Italy's governing alliance of Christian Democrats and Communists is going after **the London-linked financier circles** that stand behind the Red Brigades' "surrogate warfare" ... and describes the international counteroperations that have uncovered **Israeli intelligence links to the terrorists** ... plus **extensive excerpts from**

Italy's press ... Featured: Labor Party chairman **LaRouche's call for justice in the Moro case** ... that delineates the **methodology required to unravel the terrorist networks right to their evil, British heart** ...

\* \* \*

An antidote to the barrage of propaganda for "**solving inflation**" through some form of wage controls... in this issue's **ECONOMIC SURVEY** ... which demolishes "**The Incomes Policy Swindle**" ... with **extensive comparisons** between the U.S., Japanese, British, and other advanced economies ... show **where the real problem in U.S. productivity lies** ...

\* \* \*

**Other highlights in this issue** include a report on how East Germany is looking at the U.S. fight over export policy, in **SOVIET SECTOR**. Rockefeller Foundation report that calls on the Administration to **encourage, not sabotage, the fast-breeder nuclear reactor**...

# The Truth About Kissinger's Phony Africa Crisis

## A Hoax Designed To Stop East-West Accord

A preposterous crisis in the African nation of Zaire, linked to a hysterical campaign by the press about Soviet and Cuban "imperialism" in Africa, emerged this week as the City of London's riposte to the Soviet-West German treaty signed in Bonn and prospects for a U.S.-Soviet SALT accord.

But, as virtually no Americans are aware due to the lies and fabrications in the *New York Times*, the *Washington Post*, Reuters, and Associated Press — which controlled the entire flow of news about the "crisis in Zaire" — *there is no Africa crisis!*

The responsibility for this hoax lies with British intelligence, NATO, and select Belgian and other mining interests who sponsored the invasion of Zaire by a scraggly pile of guerrilla mercenaries. It is a desperate attempt to provoke a confrontation in U.S.-Soviet relations.

Great Britain and China, the two nations whose strategic posture in support of Cold War was most

threatened by the 25-year economic accord signed in Bonn May 10, have mobilized against it. Using the duo of Henry Kissinger and Zbigniew Brzezinski, they are seeking to sucker Jimmy Carter into a suicidal show of force against "Communist expansion" in Africa or elsewhere.

"We must hold the Soviet Union responsible," said Kissinger last week. "Up to this point, I have agreed with the Administration that SALT should not be linked with what has happened so far. But in light of what now appears to be occurring in Zaire, I think we ought to review the whole negotiations, all our negotiations with the Soviets."

President Carter, foolishly propitiating the Kissinger line and the mythical "anti-Soviet American public opinion," has been emanating dangerous signals that he is preparing for some showdown with the USSR. In a Capitol Hill meeting with Congressmen, Carter warned of the implications of 40,000 Cuban soldiers in Africa and

## Europe Cool To Belgian, British War-Cries

The effort to create an East-West crisis over the fabricated "communist invasion" of Zaire is not going well.

The first setback came after Monday's dramatic announcement that units of the U.S. 82nd Airborne Division had been alerted to rescue American citizens "trapped behind rebel lines." But then the "trapped" Americans, who were already a good 10 miles out of harm's way, were quietly and calmly moved out of the area, by their employer, the Morrison-Knudsen Engineering Company of Boise, Idaho.

Further attempts to create hysteria, and more wild claims of planned Western military intervention, have been led by Belgian Prime Minister Leo Tindemans, enthusiastically assisted by the British and British-subsidiary press. The primary result has been some considerable embarrassment to Tindemans.

There were reports that "some 2,500 Europeans and 14 Americans are trapped behind rebel lines in southern Zaire," and that the "rebels" have forbidden the Europeans from leaving Kolwezi and may hold them hostage, an unsubstantiated claim designed to bring visions of the Stanleyville massacre in the early 1960s. Tindemans yesterday told reporters that "fighting is taking place in the streets of Kolwezi, and whites are the main targets...perhaps dozens of Euro-

peans are being killed." The hitherto unknown "Zaire Committee" in Brussels ominously warned that the Europeans in Kolwezi would be all right if there were not European intervention — but that they could not guarantee their safety if there was.

Tindemans, who is playing host to a routine meeting of NATO representatives in Brussels, also claimed that a NATO "coordinating committee" of France, Britain, Belgium, and Zaire was making plans for intervention, and, getting carried away, he blurted out: "We and the Germans are going to intervene..."

After a West German government spokesman categorically denied that his country had any such intention, Tindemans was forced to retract. Belgium has acted unilaterally, however, according to some reports that Belgian troop transports with 1,200 troops aboard have left Belgium, presumably bound for Zaire.

The French are also indicating caution. The Paris daily *le Figaro*, representing leading French business circles, published an analysis May 18 pointing out that France has everything to lose by intervening, and proposing instead that France put pressure on the government of Zaire's President Mobutu Sese Seko to negotiate a detente with Angola.

reportedly discussed with the Senate "easing restraints on Presidential authority to assist friendly governments in trouble," including via covert military activity.

## The "Africa Hoax"

According to the scare reports that appeared on May 15, at least 4,000 battle-hardened fighters, trained in Angola by Cubans and accompanied by Cuban officers, supposedly invaded southern Zaire's rich copper belt and seized the town of Kolwezi. Amid heavy fighting, the story went, they entered from Zambia and spread out in an effort to take over Zaire's Shaba province. Zairean Radio, the only source of official reports, claimed to see a huge plot involving the USSR, East Germany, Cuba, Angola, Algeria, and Libya. Unless help were immediately forthcoming from the U.S., China, and France, the radio screamed, Zaire's President Mobutu was cooked.

Two realities need to be pointed out.

First, there exists absolutely no reliable intelligence assessment of the fighting in Zaire independent of either the wildly inflated Zairean claims or the distortions of the press. Not a single on-the-scene report has appeared in print — dutiful correspondents are filing stories from Brussels, Washington, and Zambia!

At the same time, all the countries charged with supporting the so-called invasion have denied it, and none has issued any statements backing the Shaba "rebels."

Second, and more important, the responsibility for the Shaba crisis can be pinned directly on the City of London. The invaders, probably far smaller in number than the reported 4,000, are admitted to be members of the former Katanga secessionist gendarmes who, it is widely known, are mercenaries owned by the British-Belgian mining interests who formerly controlled Katanga (now Shaba).

## The True Story

Here is the true story, a New Solidarity International Press Service exclusive.

According to French diplomatic sources, the invaders of Zaire are a ragtag bunch of mercenaries backed by "Belgian business interests" and supported by a faction of discredited Zaireans including former Foreign Minister Karl I'Bond. Bond, and these Belgian interests, who are closely linked to British banking networks, are working with an outfit called MARC, a Katanga exile organization based in Brussels. They ran the invasion show, whose real muscle was provided by trained personnel drawn directly from the intelligence pool of Britain, Portugal, Israel, and South Africa.

Last year, when a similar "Zaire invasion" took place — again run by the Belgian-Katanga plotters — President Mobutu purged Foreign Minister Bond, several other ministers, and the chief of the Central Bank of Zaire for "treason," accusing them of collaborating with the rebels! Now Bond is active again, an African 007.

European banking sources report that the new chief of

Zaire's central bank, still in office, has been resisting the IMF austerity plan for Zaire, and has worked out a deal with New York's Citibank for a \$210 million loan which ignores the IMF conditions! An IMF mission is currently in Kinshasa, the capital of Zaire, to force his ouster and collect on arrears of \$175 million. This amounts to a direct London-IMF plot to reinstate the ousted clique that Mobutu charged with treason in last year's invasion.

Last year, when French and Moroccan troops, at the request of Mobutu, entered Zaire quietly to help put down the Shaba rebellion, the Belgian foreign minister issued a bitter attack on France for "imperialism." Such an astonishing remark from an EEC colleague was repeated this week by the City of London press. Both the *Financial Times* and the London *Guardian* attacked France, which again is considering support for Mobutu, saying that France should consult its EEC partners before it involves itself in conflicts in Africa.

## Africa and the Schmidt-Brezhnev Deal

The solution to Africa's real problems — hunger, poverty, ignorance, and disease — can only be plans for rapid economic development and industrialization — and it is exactly such plans, in the context of the USSR-West German treaty, that France and West Germany are actively considering.

In two days, in Paris, 20 African heads of state will meet with French President Giscard to discuss a wide range of subjects, including development, defense, and political ties. In two weeks, West German Chancellor Helmut Schmidt will visit Nigeria and Zambia, two key African states, for similar talks.

In the context of the Bonn treaty with the USSR, there is fast emerging a concerted effort to bring stability and détente to Africa by West Germany and France, and, according to available evidence, both the USSR and Saudi Arabia are supporting that policy. Happily, French troops have been deployed in recent weeks to crush British intelligence-inspired "revolts" in Chad and the former Spanish Sahara, and, if the situation worsens, will be used tactfully in Zaire as well.

Saudi Arabia, which this week opened up a new embassy in Zambia, has recently been increasing its activity in Africa. However, contrary to press lies, the Saudis are not working in a purely anticommunist framework, but have taken into account the realities of the Africa situation and — in such areas as the Horn of Africa — are quietly working with the USSR to stabilize potential conflicts.

The question now is the American response. Adventurism by Carter, if it does not directly lead to World War III, will spoil the chances of the U.S. getting into the "open door" to U.S.-Soviet entente that Schmidt desires. A yahoo response by Carter, a dirty deal with China, or support for Ian Smith's deadly "internal solution" in Rhodesia carry the seeds of catastrophe.

The American people are solidly opposed to a "Vietnam" in Africa. Will Carter get the hint?

—Robert Dreyfuss

# The Gutter Press Demands Confrontation

Washington Post, *editorial*, "Foreign Policy: The Right Question," May 18:

...Has the United States overreacted to the Vietnam trauma, leaving itself without the military and political resources — including executive authority and that elusive quality known as "will" — to deter aggressors and bolster friends? An ever-larger segment of the political community, we note, seems to think that is the case. The mood may not be one of panic, but the alarm is real.

Some part of the problem is the sense that the curve of Soviet-encouraged violence and power is rising at a moment when the United States has neither recovered from the wounds of Watergate and Vietnam nor come to terms with changes in the international economy and the international balance of power. It is becoming an uphill battle to argue that the United States, having come through one good patch internationally (India, Spain and Portugal, Egypt and Sudan, etc.), is now simply passing through a bad patch. In any event, the outrage that fueled earlier demands to trim back executive power is yielding to the anxious feeling that the president, as the single responsible authority capable of direct action, cannot be deprived of the necessary tools. Paradoxically, that is happening even as misgivings spread about President Carter. He was elected, after all, to deal with a very different imperative: that of strengthening the moral and institutional structure of government's domestic initiatives, not of arresting the erosion of our influence and power overseas.

We do not offer this necessarily impressionistic view because we accept the validity of every element in it, but rather because we think it is taking on a force of its own that the president cannot ignore. How should he deal with it? We offer two general answers.

First, he should not be swept up in hasty improvisations whose immediate effect may be to still political doubts, but whose longer-term consequences may be harmful to American institutions or American interests or both. It would be foolish, for instance, to plunge into Zaire — though a sure and prompt response to Zaire's request for aid might be very useful....

It is not time to quake for the republic. The United States has elements of great material and moral power on which it can draw. But the president is not getting the best out of the many able people in his national-security apparatus. He is not projecting to the country a sense of purposeful participation in its own destiny. If Mr. Carter projected such a sense, we believe, he would tap support he does not seem to know exists.

New York Times, *editorial*, "The Answer Is Not in Africa," May 18:

Hardly a day passes without some new violent episode among the tribes of Africa as they struggle to preserve or to alter the boundaries inherited from their old colonial masters. Ethiopians are on the march against their long-

rebellious province of Eritrea. Rebellious Katangans, now called Shabas, are reviving the battle to break free of Zaire, the former Belgian Congo, or at least to topple its central Government, led by President Mobutu.

Indirectly abetting both offensives, if not directly participating in them, are Cubans supplied and supported by the Soviet Union. Africans stiffened by these foreign legions have already prevailed in Angola and on the Somali front of Ethiopia. The mere threat of a Cuban-Soviet involvement already colors the diplomacy of Rhodesia. So with each new episode, a question for Americans returns more insistently: When will it be time for the United States to try to block these non-African adventurers?

The time may be approaching. Stability and orderly development in Africa may soon require resistance against Soviet imperial maneuvers there. The world standing of the United States itself may soon require it. But a policy of resistance for geopolitical, global reasons does not automatically translate into direct intervention or into alliance with every frail or corrupt target of Cuban-Soviet activity. If the threat becomes large enough, let the answers be large in American-Soviet relations. Wheat deals and other trade activity, technical exchanges, cultural intercourse, scientific and medical collaboration — all are potential hostages in a determined policy to alter Soviet conduct.

So let us separate our anger over Moscow's dangerous opportunism from the pathetic and diverse conflicts in different regions of Africa. Zaire is a valuable case in point. That we share with General Mobutu a resentment of the role of Cubans in Angola, is no reason to conclude that we share much else with him or need to assert a national interest in his survival....

Conceivably at stake in the new fighting is Zaire's huge debt of about \$2 billion, much of it owed to American banks. And that is, granted, an American interest. But a corrupt and inept regime, even more than the decline in the price of Zaire's copper, is responsible for the country's economic failure and rising political opposition. The debts may never be paid, no matter who wins. As the Carter Administration seems to understand, Zaire's regime is hardly the vehicle for a demonstration of American resistance to the Russians.

It would be useful nonetheless to establish the extent of the Cuban connection with the Shaba rebellion, if only to destroy the Cubans' pretense that they merely serve the cause of territorial cohesion at the request of legally constituted African governments. Their imminent betrayal of their former friends in Eritrea would also demonstrate that the Cubans have become the puppets of the Russians. If we intend to resist them, Moscow is the place to call.

Financial Times (*London*), May 16:

Where will France be fighting next? Zaire's appeal for French military support in its southeastern Shaba province opens the prospect of its taking on a fourth over-



seas front. With its military involvement under attack at home — from the Left — and abroad — from, among others, the Danes in the European Parliament last week — France is running an increasing risk of burning its fingers in foreign wars....Giscard Africanus is making enemies almost as quickly as friends. Some argue that French intervention works negatively in the long term by encouraging the — already far greater — interference of countries like Cuba.

## French Response: Caution

Les Echos (*Paris*), *May 16*:

...There are no reasons lacking to incite one to prudence either...Particularly, nothing has come to confirm in a categorical way that the Shaba events are not simply the result of a reinforced (internal — ed.) opposition to the regime. Or at least that they are not

meeting favorable echoes in a population suffering from a catastrophic economic situation...In the case of Zaire the border-line between the principle of support for moderate Africa and that of noninterference in internal affairs is very difficult to trace.

Le Figaro (*Paris*), *May 15*:

Paris will undoubtedly make an effort, before taking any decision whatsoever, to verify if the Cubans are really involved in the coup and if the vital centers of Shaba threaten to fall into rebel hands...

Le Figaro, *May 16*:

The information that can be gathered on the situation in Shaba is so **fuzzy**, so contradictory, that it would be imprudent to affirm what will be the attitude that the powers Mobutu called on will take...All the more imprudent since the policy of these powers in Zaire is, itself, extremely undecided.

# 'That Anachronistic British Policy: Hypocrisy'

*As British interests are doing everything possible to foment a race war in southern Africa, the government of Ethiopia this week issued a resounding condemnation of British "colonial" policy in an editorial in the April 23 Ethiopian Herald. Here are excerpts:*

The British government has been lately conducting an extremely hostile and provocative campaign against Ethiopia and its revolution. The recent speech, for instance, of the British Foreign Secretary, Dr. David Owen concerning the internationalist support being rendered to Ethiopia by fraternal socialist states to defend its independence, unity and revolution, may have been prompted by a desire to mislead the world of the essential contents of the prevailing situation in the Horn of Africa. Dr. Owen's thoughtless outbursts reflect not only an automated performance to please his imperialist warlords, but also shows profound confusion in Britain's foreign policy objectives. Indeed Britain's unprincipled position, in the eyes of fair-minded world opinion, has given her the reputation of being opportunistic and of living in a dream old world.

It is to be recalled that Dr. Owen's naive attitude towards the national sovereignty and revolution of Ethiopia drew sharp condemnation on the part of the Ethiopian Ambassador to Britain, Ato Ayalew Wolde-Giorgis, who condemned the Foreign Secretary's remarks as "an effrontery to the honour and dignity of Ethiopia and its revolution." Ato Ayalew also dismissed Dr. Owen's high handed behavior in questioning the sovereign rights of Ethiopia to choose its friends, by stating: "We have the full and inalienable right to ask for and obtain assistance to repel the (Somalia) aggression and to dispel the machinations of the imperialists and reactionary Arab countries."

All along the British government has been deeply engrossed in open acts of animosity and blackmail directed

against the Ethiopian state and the revolution of its people. Ever since the upsurge of the Ethiopian Revolution, British government leaders and the British mass media have been making deliberate attempts to smear our revolution. Runaway feudalists made Britain their sanctuary from where they staged counter-revolutionary plots with the aim of restoring the former feudo-capitalist system. The long series of anti-Ethiopia innuendos by British leaders have been raised to such serious proportions which render continued maintenance of relations meaningless.

Who does not know that Britain, as the greatest criminal in imperialist plunder, has been massacring and dividing people, destroying civilization, stifling culture and expanding slavery and racism to America, the Middle East and Asia? Unable to reconcile itself to having been defeated by the struggling oppressed masses of the world and the attainment of independence by the former British colonies, the British government has arrogated to itself the role of an international policeman. It also continues to interfere in the internal affairs of sovereign states.

Britain remains the culprit for the problems of Namibia, Zimbabwe, South Africa, the Middle East, and Ireland which are areas of world tension. The British government is in the vanguard of those western countries which are rendering constant support to the colonial and racist regimes of Southern Africa, in their horrible crimes against the African people. But the British government shall no longer be allowed to go unchallenged and continue with its sinister machinations against the rights of oppressed peoples to achieve independence as well as consolidate and defend their freedom and unity....

Dr. Owen's insulting remarks, therefore, were a climax in frustration by a man with a searing conscience

for all the crimes perpetrated by his country against the oppressed people of the world. These do not in any way do good to uplift Britain's battered image, nor to absolve it of all its past guilt. For all that, the cumulative anti-Ethiopian campaign performance of the British leadership is a masterpiece with the hallmarks of that old British hypocrisy.

## Britain is the Third World's Biggest Enemy

*In the same issue of the Herald is a statement by Major Dawid, Deputy Secretary of the Ethiopian Ministry of Foreign Affairs. We reprint here portions of his statement, which the Herald said, "outlines Ethiopia's position on Namibia."*

It is perhaps useful to recall some of these injustices committed by the British:

1. The British destroyed African civilization, subjugated 20 million people to slavery, and developed its own economy by exploiting African resources and cheap labour.

2. To facilitate and prolong its exploitation the British government established small kingdoms and feudatory states, in its former colonies.

3. Consistent with its divide and rule policy, the British government created contradictions and antagonisms among the people of its former colonies which have been inherited by the present generation.

For example:

—in Sri Lanka between the Tamils and Sinhalese

—in India between the Hindus and the Moslems  
—in Ireland between the Protestants and the Catholics  
—in Palestine between the Jews and the Moslem  
—in Guayana between the Indians and the Blacks  
—in Africa between the Blacks and the Whites  
—in Cyprus between the Greeks and the Turks...

4. Over and above these, the British has purposely left the legacy of border and territorial problems behind it. For instance:

Between Iraq and Iran  
—India and Pakistan  
—Ghana and Togo  
—Ethiopia and Somalia  
—Kenya and Somalia  
—Sudan and Egypt...

5. It is disheartening to note also that the major problems that are perpetually threatening world peace:

—The Palestine problem in the Middle East  
—the Quebec problem in Canada  
—the problem in Ireland  
—the problem in Namibia  
—the problem in Zimbabwe  
—the problem in Cyprus  
—the problem in South Africa — are all inherited from the British colonial rule....

The British government is the leading imperialist country which is trying to subvert and thwart the endeavour of the Third World countries which are trying to create a society free of exploitation.

This assessment can be corroborated by what this government is doing in Ethiopia against freedom fighters in different parts of the world.

## Soviets Praise Huge Scope Of Bonn Deal; Await U.S. Role

A May 11 joint statement from the Soviet Communist Party Politburo, the Council of Ministers, and the Supreme Soviet Presidium has qualified Soviet President Leonid Brezhnev's visit, earlier this month, to West Germany and the resulting 25-year economic cooperation agreements as "a major event of international scope." Published in large type across the front pages of Soviet newspapers, the joint declaration informed the Soviet population that the economic cooperation planned in the Bonn meetings with West German Chancellor Helmut Schmidt will be on a huge scale and is properly viewed as an extremely important policy initiative.

Five days later, on May 16, Brezhnev chaired a session of the Presidium of the USSR Supreme Soviet which considered an agenda that included "a new program of measures" for the development of Siberia and the Soviet Far East until 1990. The meeting was expected to further review the results of the Brezhnev trip and the agreements reached which gave the go-ahead for West German participation in just such major trade and development undertakings as the vast Siberian region.

Statements and followup diplomacy on the part of

Brezhnev and Chancellor Schmidt confirm that their agreements are no bilateral deal: the Bonn-Moscow pact constitutes an offer to the United States and other industrialized nations not merely to "get in on" the economic deal of the century, but to shift the world political geometry fundamentally. The Schmidt-Brezhnev agreement offers an alliance for international industrial recovery, which will close out for good the British financiers' and intelligence agencies' options on economic collapse and confrontation with the Soviet Union.

### Inadequate U.S. Response

The package drawn up by Schmidt and Brezhnev can only survive with political support from the United States. So far, the American response is woefully inadequate.

Despite the massive press blackout that has kept news of the Bonn-Moscow breakthrough from the U.S. population, top-level executives in U.S. industry and government are well aware of the scale and potential impact of the agreements. But, from far too many corporate head-

quarters, the word is approximately, "Cool the public discussion and we will sneak through some participation in the deal." Several top firms have just dispatched negotiators to Bonn and Moscow to fix up a cut in the Siberian deals.

No less dangerous is the susceptibility of U.S. leaders to a purported explanation of the Schmidt-Brezhnev deal, which British agents on the U.S. scene are filtering into as many pipelines as they can. The line retailed is that Schmidt agreed to see Brezhnev only because he had lost confidence in the United States and that he views cooperation with the Soviets as a hedge against further deterioration of Bonn-Washington relations. Accordingly, it is predicted that France as well as the U.S. stands to lose if the Soviet-West German cooperation does materialize, especially in sensitive areas such as nuclear technology and fuels.

Reality is exactly opposite to these stories. It is above all the United States and France to whom Schmidt and Brezhnev are appealing. The true obstacles to U.S. participation must be removed, namely the ensconced British influences in American policymaking — Kissinger, Kennedy, Blumenthal, and Schlesinger. This is a political job which smoke-filled backroom negotiating methods attempt to ignore.

## Realize Detente and Economic Expansion

Within West Germany and within the Soviet Union, Schmidt and Brezhnev are energetically pursuing their pact into the implementation phase. The Soviet leadership statement of May 11 instructed the Soviet people and, in particular, the Soviet economic and trade organizations that:

"The Politburo of the Central Committee of the Communist Party of the Soviet Union, the Presidium of the Supreme Soviet of the USSR, and the Council of Ministers of the USSR fully and completely approve the work carried out by...L.I. Brezhnev during his visit to the Federal Republic of Germany (FRG) and the results of this politically important visit....

"(They) express their conviction that the joint Declaration and the Agreement on the development and deepening of long-term cooperation between the USSR and the FRG in the area of the economy and industry will provide great stability and great scope to relations between the Soviet Union and the FRG....

"The fruitful work accomplished during the visit was directed toward furthering comprehensively concrete, effective efforts, which should be both unilateral, bilateral, and multilateral, to deepen the process of détente in full accord with the Final Act of the Helsinki conference, in order that all opportunities and means for reducing both the conventional and the nuclear arms race, limiting arms, and implementing concrete measures for disarmament be utilized....

"(They) attribute great importance to the results of L.I. Brezhnev's visit in the economic sphere. The expansion, on the basis of the documents signed, of trade, industrial, and technological cooperation between the USSR and the FRG will strengthen the natural foundation of détente substantially, and will help the systematic stable and mutually beneficial growth of good neighborly

ties to the gain of the peoples, for the good of workers in both countries. The appropriate Soviet organizations must do everything depending on them to fill this mutually beneficial agreement with concrete content and to fulfill their obligations, precisely, promptly and with initiative, for achieving a significant increase in trade and the implementation of joint large scale projects. It is understood that positive results can be achieved here, if the West German side acts in this fashion as well....

"The visit of L.I. Brezhnev to the FRG was a major event of international scope....It marks a stage in the development of political détente and in the creation of conditions for carrying it over into the military area. The realization of all the opportunities, defined by the results of the visit, for consolidating peace and international security require further persistent efforts by both sides.

"The Soviet people warmly support the results of the visit to the FRG and highly value the great work done by L.I. Brezhnev to ensure the success of the visit. The visit has met with approval and recognition from progressive, peaceloving forces throughout the world."

## Portillo to Moscow

On May 16, Brezhnev and Prime Minister Kosygin greeted President José Lopez Portillo at the airport, as he arrived in Moscow for comprehensive talks. Lopez Portillo's prediction that multilateral as well as bilateral trade deals would be consummated in Moscow suggests that Mexico will be moving into a central role in expanded East-West-developing sector trade flows.

Parallel developments should emerge from the Shah of Iran's tour of Bulgaria and Hungary, which began May 16, and from a special Italo-Soviet Chamber of Commerce conference on East-West trade slated for May 23.

Schmidt's Finance Minister Matthofer also proclaimed the intention of getting Italy onto its feet and into the new development packages. In an interview to the Italian weekly *Panorama*, he announced that West Germany is prepared to extend any credit that Italy asks for and desires to establish "a stable exchange area" in which trade may be expanded.

## Now or Never for U.S.

Continuing prominent and warm Soviet press coverage for Schmidt's policy statement contrasts sharply with what the Soviet government paper *Izvestia* had to say about Jimmy Carter May 12, under the headline "Shadow on a Bright Day." Responding to Carter's rash statements on the West Coast, charging Moscow with "racial prejudices" and interventionism in Africa, *Izvestia* criticized Carter in exceptionally strong terms for "ignoring elementary ethics and all known facts."

The Soviets are gravely concerned that the manipulable Carter will fail to give U.S. policy a positive impulse toward cooperation in the Schmidt-Brezhnev framework and toward a new Strategic Arms Limitation Treaty (SALT) agreement. The Novosti Press Agency released on May 17 an article by Lev Semeiko, an expert on nuclear strategy, warning:

“The real problem arises, as I see it, from the attempts of SALT-2 opponents to revise the existing agreements in order to secure U.S. military superiority. Anyone who makes a technical and strategic analysis of the critical amendments to the agreed SALT provisions can see this....

“These examples (which are cited by Semeiko, including the cruise missile and the different U.S. and Soviet ballistic missiles — ed.), like many others, reveal a highly dangerous problem: a possibility that the talks will be dragged out because of the attempts of certain influential U.S. leaders to compel a revision not only of the Vladivostok accord, but of the agreements achieved in recent months.

“This foot-dragging may, unless stopped, entail most unpleasant consequences. A new round of the arms race may well be brought on even while the talks are still in progress and make them increasingly difficult....

“The real problem is how to clear the way for a politically favorable approach to the complicated SALT issues, instead of an overly technical one....It is the wisdom of statesmanship that must prevail in these circumstances. What is possible and necessary is to sort out the essentials from the fabricated issues, the real ones from the figments of imagination. A SALT breakdown would increase drastically the threat of a global nuclear disaster.”

In an earlier article, published May 9, to commemorate Victory in Europe Day, Soviet Defense Minister Marshal Dmitrii Ustinov reiterated the Soviet commitment to a speedy conclusion of the SALT negotiations. While citing Brezhnev's trip as proof that the Soviet Union wants peace, Ustinov stressed the danger of Chinese statements on the “inevitability” of war and of provocations which may be mounted in other regions. Ustinov's words make clear that Moscow is closely watching the hotspots in Africa, the Mideast, and Asia — in fact, all British operations to torpedo the Schmidt-Brezhnev arrangements — and hoping the U.S. will act responsibly to stop their exploding.

—Rachel Berthoff

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Correction

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In the special *INTERNATIONAL* section in our last issue, the *Executive Intelligence Review* inadvertently misquoted West German Chancellor Schmidt in our reprint of his speech on “Making Detente Irreversible.” Schmidt said that he was convinced that his hopes for peace were shared by “the Ukrainian farmer and the Ruhr miner,” not the “Russian miner” as we erroneously printed.

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# The Truth About Chappaquidick

...we are compelled to peek under the covers to discover the truth about the Chappaquidick bridge incident... This past incident is now a matter of United States national security, and must be examined from that standpoint, with that sense of urgency.

*The following analysis was released on May 11, 1978 by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.*

During the past several weeks there has been a strong, escalating push by top British intelligence forces to shove Senator Edward Kennedy into the Vice-President's office to replace Walter F. Mondale. This push behind Kennedy is accompanied by a number of recent developments pointing in the direction of prompting Mondale's early resignation.

Around the Kennedy Foundation's Lord Harlech, the British secret intelligence push to put Kennedy into the White House — via the Vice-Presidency — is visibly backed by the same combination of Scotch aristocrats and Astor-orbiting English aristocratic families which backed Adolf Hitler during the 1930s. This is the group allied to close Rudolf Hess acquaintance Lord Hamilton, and to those same "Cliveden set" circles to which Joseph Kennedy was linked during the pre-Pearl Harbor period. Lord Alec Douglas-Home of Munich Hitler Pact fame is notable within the overall collection.

Under these circumstances, we are compelled to peek under the covers to discover the truth about the Chappaquidick bridge incident. For too long, our otherwise proper compassion for the victim of that incident has inhibited numbers of us from looking closely at the significance of Ted Kennedy's role in the affair. This past incident is now a matter of United States national security, and must be examined from that standpoint, with that sense of urgency.

#### *Why Chappaquidick Mystified Richard M. Nixon*

The 1974 White House publication of the transcript of several tapes called to our attention the fact that President Richard M. Nixon was concerned to gain possession of findings from a continuing private investigation into the Chappaquidick bridge affair. In this point, President Nixon committed the same blunder as did the fictional prefect of police in Edgar Allan Poe's "The Purloined Letter." Nixon was looking for the crucial evidence in the wrong form and in the wrong place.

The more intently people look directly at the supposed mysteries of the Chappaquidick affair, the more they lose sight of the important facts — the facts lurking in the corners of their vision. Such people ask the wrong questions about the bridge incident itself. They miss the real significance of the affair, which lies far from the watery passage between Martha's Vineyard and Chappaquidick Island. They miss the point: they make the wrong assumptions about what the waters covered, and they make wrong assumptions concerning what was reflected off those waters. We shall occupy ourselves here with the second point.

As Edgar Allan Poe repeatedly insisted in most of his writings, including his famous poem, "The Raven," most investigators are helpless to discover the truth whenever the truth of a matter cannot be deduced from the facts of a case-in-itself as presented. In such instances, the more intently investigation and deduction concentrate on the localized circumstances and given clues, the further removed their minds become from the truth behind the occurrence. This point applies to all crucial scientific discoveries, and to the most important and challenging varieties of criminal investigation.

Insofar as the details of the bridge incident are involved, all the reported accounts show that investigators have been governed by certain cultivated preconceptions which this writer would not have blundered into accepting. Why, for example, would any investigator assume that Ted Kennedy was necessarily in the vehicle? That assumption is not a fact from which to begin inquiry; it is an adversary hypothesis to be challenged.

...Conditioned by a muckraking press, the American public are so "scandal-minded"...that they immediately leap to and seize upon pornographic assumptions...to the effect that the important aspects of a subject public figure's policies, commitments and connections are overlooked.

What events were buried within the waters of the channel is of minor importance by comparison with what those waters reflected. *The incident reflected a sharp, if brief glimpse of the Kennedy character.* A large sector of the U.S. population was provoked by that flash of

reflected moonlight into a preconscious insight into the Kennedy brothers' character. This is the crucial point which President Nixon overlooked.

Conditioned by a muckraking press, the American public (and leading political figures) are so "scandal-minded" — so pornographic, that they immediately leap to and seize upon pornographic assumptions (sex, personal bribery, and what-not), to the effect that the important aspects of a subject public figure's policies, commitments and connections are overlooked.

This is so with the case of G. William Miller, currently — most unfortunately — Chairman of the Federal Reserve System. If Miller's skyrocketing interest-rates policies wreck the national economy, send inflation heavenward and U.S. production and employment levels to hell, that is not considered sufficient cause to oust *the Kennedy-connected* Miller. However, a breath of personal scandal concerning Miller is, according to the habits of misguided public opinion, deemed a proper reason for his hasty resignation. *O tempora, o mores!*

It is the same with the scandals directed against the CIA and FBI.

Henry A. Kissinger's "former" protégés, Morton Halperin and Daniel Ellsberg, are leading among those who announce it scandalous that the CIA and FBI should engage in covert methods of surveillance against a murderous criminal conspiracy of terrorist bombers, the Institute for Policy Studies-molded Weatherman organization. It is the mere fact of cover surveillance which is made into a matter of pornographic scandal-mongering in-and-of-itself. A credulous public, Congress, and some courts have lost sight of the distinction between improper and proper targets of *crime-preventing* surveillance. So, while Kissinger's "former" protégé Halperin runs the "left" attack on the CIA and FBI, William F. Buckley, working under direct instructions from the same Kissinger, orchestrates the "right" side of the same scenario, a game which leaves the nation stripped of means to stop a wave of terrorism now under way.

*O tempora, o mores!*

Ted Kennedy is significant (in the Chappaquidick affair) only to the extent we examine him as the figurehead-tool of the Kennedy machine, of the British Secret Intelligence Service.

So, the American public glutted itself in pornographic fantasies, while it hypocritically praised Kennedy's tame dirty-tricks specialist John Doar in his manufacturing of forged evidence against a Nixon White House.

The conscious mind of the American public was so preoccupied with its pornographic fantasies concerning Chappaquidick that it blocked out the simple truth lighting up the corners of its mind's eye. Public opinion demanded that investigation either pursue or halt before a point of prurient speculation. Public opinion ignored the investigation of the Kennedy political machine. It degraded the victim, Mary Jo Kopechne, to a sex-object; it denied her justice and the dignity of her political significance.

President Nixon fell into that trap. Instead of seeing the light of knowledge glancing off the waters of the Chappaquidick channel — the political character of the Kennedy machine, Nixon's interest was focused on the foolish public's taste for pornography. Nixon the quarterback weighed the possibilities of a crowd-pleasing (pornographic) "touchdown" in a matter where real public interest — national interest! — demanded that no games be played.

...The American public senses that most of its public figures are phonies...The public mind rightly projected the value-judgment, "phoney," on Ted Kennedy, but the public mind was unable to account for this impulsive judgment.

#### *The Investigation*

For the sake of the victim, no public investigation of her part in the incident should be pursued at this time, except those lines which inclusively provide her belated justice by restoring her dignity. What is significant in the Chappaquidick incident is the role of the Kennedy political machine, the Kennedy political interests, *the interests of the British Secret Intelligence Service*. It was a sudden, preconscious sense of the Kennedy machine which struck the corner of the mind's eye in the reflection from the waters of a cover-up. It was that side of the matter which Poe's C. Auguste Dupin would have pursued, and which we examine here.

Indeed, if the public belatedly recognizes that Poe, although a gifted writer, was no mere writer, the relevance — the double relevance — of the reference to him ought to become clear. Poe was a political counterintelligence operative of a private network descended from the Association of Revolutionary War Officers, from the Cincinnati circles. During the period of Poe's adult life, this private association was dedicated to combatting British subversion and treason, and counterintelligence under the supervision of former President John Quincy Adams and was associated with such figures as Henry Clay and Matthew and Henry C. Carey. The Kennedy machine is a lineal descendant of the same enemy Adams, Carey, Clay, and Poe combatted, the treason combatted by Abraham Lincoln, the British forces which assassinated President Lincoln, and later President William McKinley.

The Kennedy machine is, in the misdirected delusions of many citizens, an outgrowth of the Boston Irish-American machine. The Kennedys are formally of Irish-American extraction, and descendants from "Honey" Fitzpatrick, one-time boss of the Boston Irish-American machine. Yet, the Kennedys are not merely of a type which has an ugly reputation in Ireland — the Queen's own Anglophile Irishmen, but the Kennedy machine is part of the British Secret Intelligence Services coming, going, up, and down. To be exact, one speaks of the Edinburgh Kennedy family, the branch of British secret intelligence against which Poe and his sponsors directed

their special efforts during the first half of the last century.

In the Kennedy machine, two treasonous currents in U.S. life intersect. One of those currents is local to greater Boston: the Anglophile Boston mercantile-financial circles whose philosophical expression was the Concord "Transcendentalist" group around Emerson, Longfellow, and Alcott, the group which transformed Harvard University into a colonial branch of Oxford's Balliol College. This Boston group of subversives was a direction reflection of the Edinburgh division of the British Secret Intelligence Service, whose literary cover was the *Edinburgh Review* and *Blackwood's Magazine*. The other current is the old Manhattan scalawag political machine of the traitor Aaron Burr, Martin Van Buren, and Rothschild agent August Belmont. As the Anglophile "old Bostonians" found themselves outnumbered by immigrant groups, the Manhattan machine of Van Buren and Belmont set up a colonial branch in Boston, the Boston Democratic Party machine, used to keep the local Irish-Americans in line for the advantage of Boston's London-linked financial houses.

The Joseph Kennedy family, a product of that indicated bit of political genetic engineering, became a direct agent of British-based elements of British secret intelligence. On the public record, this direct connection begins with Joseph P. Kennedy's securing some of the same whiskey monopolies formerly held by Arnold Rothstein et. al., from the same British interests which had backed the Prohibition-period creation of organized crime in the United States, and which used scotch-whisky conduits for importing British heroin via Hong Kong, Shanghai, Singapore, the British West Indies and Canada. (So much for the essence of Bobby Kennedy's "fight against organized crime," which in fact facilitated a change of British management of British-organized crime.)

Ambassador Joseph Kennedy, floating into prominence on a sea of booze, was an intimate of the Astor-centered *pro-Hitler* forces in the British aristocracy, and the Kennedy family fortunes were guided by the Lazard-linked experts, including André Meyer. The British SIS connections of the Kennedy family included John Wheeler-Bennet, the same John Wheeler-Bennet of SIS and the Royal Institute of International Affairs whose immediate subordinate was Harvard's William Yandell Elliott. The latter, Henry Kissinger's patron at Harvard, headed up a key element of British secret intelligence within the United States. It is the same William Yandell Elliott who headed up the U.S. division of the network behind terrorism in Italy today — the "Mazzini Society" network — providing the historical link of Henry Kissinger to Italian terrorist circles.

Senator Edward Kennedy the political personality is not a person, but a public-relations package. Inside the package, there is a pathetic, unwholesome, and altogether dumb creature, whose special distinction is that of being the available titular heir to the title of "himself, the Kennedy." In the person of Ted Kennedy, we have as little interest as could be imagined. One can throw a stone out one's window and strike at random a better candidate for the Senate or any other significant public office. It is Kennedy the myth, the public-relations package, which rightly occupies our attention.

It is not Ted Kennedy, but the Kennedy machine which should have been investigated in the Chappaquidick affair. Ted Kennedy is significant in that affair only to the extent we examine him as the figurehead-tool of the Kennedy machine, of the British Secret Intelligence Service. Just so, Ted Kennedy's attempt to push heroin through the Congress, Kennedy's role in Britain's new phase of its "Opium War" against the United States. Heroin is a product of British financial interests centered in the British West Indies (the "Silver Triangle"), Singapore, Hong Kong, old Shanghai banking interests (the "Golden Triangle"), and the Canadian (Vancouver, Toronto, Montreal) dope depots of the British Secret Intelligence Service. It is British financial interests which control the bulk of the traffic of marijuana, cocaine, and heroin smuggled into the United States. It is British interest which Kennedy is promoting with his proposed "reform" of drug legislation. That exemplifies the significance of political figure Ted Kennedy in all respects.

If it appears shocking that a Kennedy machine linked to the pro-Hitler elements of the British aristocracy should also be the darling of the "Jewish Lobby," the clarification of that ugly little paradox lies in London. The Homes, the Camerons, the Duke of Devonshire, the Astors, the Churchills, Robert Moss, Christopher Mayhew, Robert Swann, Denis Healey, Roy Jenkins, David Owen, the London Rothschilds, Lazard Brothers, Hambros, Barings, Lloyd's Insurance, Hill-Samuel, Blair and Company of London, and so forth, are all parts of British intelligence, as are the Royal Institute of International Affairs, the International Institute for Strategic Studies, the Institute for the Study of Conflict, the *London Times*, *The Economist*, the *Daily Telegraph*, the *Observer*, the *Financial Times*, and the Rupert Murdoch press empire. The "Jewish Lobby," which is to say the Joint Distribution Committee set up jointly with Nazi Finance Minister Hjalmar Schacht, is not an independent creation of native Americans of Jewish designation, but a British intelligence operation which uses credulous Jews as a political commodity. The Joint Distribution Committee, established with a mandate for buying and selling Jews, is adhering strictly to that mandate to the present date. (Henry Kissinger, similarly, is not a personage, but a property.)

From the standpoint of those financial interests designated as Jewish which are attached to London in this respect, the business of Jewish loyalties is governed by Hobbesian principles. Those Jewish financiers' attachment to ordinary Jews is to property, from which property a certain rate of ground-rent income, political and financial, is expected, and intrusions by competitors unwanted. It is not properly surprising that the most exotic anti-Semites in the U.S. have been financed principally by circles associated with the B'nai B'rith's Anti-Defamation League. The wicked shepherd hires the showcase wolves to keep the terrified sheep huddled within the herd.

Those facts, and a larger mass to the same effect have been in the public domain. The public does not directly study these facts; nonetheless, some of these facts do not escape wide attention. The Chappaquidick incident caught the imagination of much of the public because it agreed with pre-existing facts. The public's immediate,



preconscious perception of the reflections from Chappaquidick waters was not, of course, that the Kennedys are subversive British agents. To the shape of the pre-conscious thought in the public mind, the most appropriate word attachable is "phoney."

...In the case of Ted Kennedy, the public view is of an empty-headed "womanizer," whose mental powers are inadequate for carrying a serious policy-conception from one side of the room to another...Yet, in the other side of their minds, most of the public view this same person as "a Kennedy," and many vote for Ted Kennedy and so forth on this account.

#### *Ted Kennedy, the Phoney*

The American public senses that most of its public figures are phonies. If we look behind the word, we are obliged to pursue a most interesting and fruitful investigation.

"Phoney" signifies that in the public mind its own beliefs concerning a public figure are extremely contradictory. "Phoney" applied to a public figure is in fact a matter of projection on the part of the electorate. To call a President, a Senator, and so forth "phonies" is to refer to an act, a state of mind of the electorate. Either one voted for the "phoney" oneself or one respects (admires or fears a person *as important*) the "stature" of the person for the public position he or she has attained.

So, in referring to a public figure as a "phoney," the layman-critic is actually denouncing the immorality of his or her own mental life. "I know that X----- is an A— H—, but I still voted for him." "Party loyalty" or other cheap excuses are often presented as justification for campaigning for or voting for "blivets" or worse. Underneath, the public conscience knows that the voters have behaved immorally in boosting a "blivet" to positions of public stature. In viewing such figures as "phonies," the public mind is projecting its own self-contempt upon a person who symbolizes the public's own immorality.

In the case of Ted Kennedy, the public view is of an empty-headed "womanizer," whose mental powers are inadequate for carrying a serious policy-conception from one side of the room to another. This creature has, in public, performed not a single original act above the mental level required to sort newspapers at the corner variety store. Yet, in the other side of their minds, most of the public view this same person as "a Kennedy," and many vote for Ted Kennedy and so forth on this account. They even seriously consider putting a man who, to all accounts of public performance, cannot think, into the highest elected offices of the land.

To many of those voters throughout the Democratic Party, both rank-and-filers and officials, the reflection off the Chappaquidick waters provoked a temporary emotion of vast relief. The incident lifted a great moral

burden from their minds. Party machine considerations, complicated by the martyr-status of John F. Kennedy and Bobby Kennedy, had oppressed them earlier with the obligation to put Ted Kennedy into the White House at some early point. Chappaquidick gave them an excuse for not doing so. All of the evidence of the actual character of the Kennedys momentarily coalesced in the preconscious shape of imminently conscious thought. As this preconscious recognition was transformed into its corresponding conscious form of thought, the words which consciousness attached to the thought itself were, speaking categorically, "that guy's a phoney."

The press and other influential reaction to the Chappaquidick incident diverted attention away from that significant thought to the intricacies of the isolated incident itself. Inquiry retreated from the one feature of the incident which was of the broadest, most special significance to the national interest.

The fact that popular opinion converges upon terming a certain individual a "phoney" is not necessarily founded upon a point of legitimate discredit concerning that individual. The public mind may apply the term "phoney" to a person it supports or tolerates in high office. It may, and does, as readily, apply the term "phoney" to a person, wrongly, for quite opposite reasons. If the public senses itself on the verge of being obliged to support a certain factional proposition, but refuses to do so for reasons of immoral expediency, it excuses itself by slandering the person associated with that proposition.

*In both kinds of cases, it is public opinion that is exhibiting the "phoniness," not the purported object of the epithet.* In both types of cases, the use of the term "phoney" characterizes a projective avoidance of the fickle public's sense of some immoral judgment ruling its own mind.

When the term "phoney," or similar slander is applied to a person undeserving of such judgment, the public mind is faced with a special difficulty. The person who invents a slander suffers the discomfort of knowing that he or she is lying in circulating such abuse. To avoid this internal discomfort, the public mind prefers to have the slanders originate with others. *The immorality of the public mind prefers to repeat gossip.*

Whenever widespread opinion views an individual as a "phoney," as was the widespread reaction to the Chappaquidick affair, it is the obligation of responsible journalists, editors and others to inquire into the grounds for that popular impulse.

If the public reaction was based on the facts of Chappaquidick as reported, popular opinion was offering a judgment it was generally unqualified to make. Although better-trained minds of the school of Poe's C. Auguste Dupin had the ability to discover a flaw in the Chappaquidick fairy tales offered by most of the press, the general public to date lacks the qualifications to make such a judgment *independently*. (Public opinion might guess the right answer, but would necessarily come to the right answer by incompetent methods of reasoning.)

Therefore, what the general public thought about the reported facts of Chappaquidick was irrelevant. The only important line of inquiry was: Did the events of Chappaquidick trigger *an impulse of recognition* in the public mind? Did the gestalt of the Chappaquidick incident somehow supply the cathexis for pulling together a

...The duty of honest journalists, editors, and others was to seize the moment of Chappaquidick to present a factual-analytical, in-depth report under the title, "What, really, are the Kennedys?"

thought, a moral judgment, based on sound facts previously in the possession of public knowledge?

This was indeed the case. The public mind rightly projected the value-judgment, "phoney," on Ted Kennedy, but the public mind was unable to account for this impulsive judgment. The proper journalistic response to the Chappaquidick affair was to present the facts about the Kennedy family along the lines I have summarized above.

There is a precise analogy in the following sort of occurrence. In the course of a conversation, an individual often has a certain name, a certain fact "on the tip of my tongue." In the classroom, a student has, similarly, a discovery (original to him or her) on the "tip of my tongue." In the interest of facilitating the conversation, or the educational process, the conversation-partner, or teacher, or a fellow-student, may speak the name of the thought "on the tip of the tongue" of the frustrated person: "Do you mean...?"

The duty of honest journalists, editors, and others was to seize the moment of Chappaquidick to present a factual-analytical, in-depth report under the title, "What, really are the Kennedys?" The public mind was that moment, predisposed to comprehend what the Kennedy machine represented. That was the moment to supply the facts.

If that had been done, the facts concerning the incident itself would have been quickly forced to light. Once the truth about the Kennedys was generally known, public opinion would have looked at the Chappaquidick incident not as a matter of the person Ted Kennedy, but as a matter of the Kennedy political machine. It would have studied the matter from the vantage point of C. Auguste Dupin.

Since no such investigation was made (at least in terms of available public knowledge), the public greedily swallowed the diversionary suggestion of prurient interest, slandering the dead in covering up the guilt of the living.

#### *Public Immorality*

In recent decades, a 16-year-old virgin is almost to be viewed as of headline newsworthiness. Increasingly, married individuals maintain households with persons other than their legal spouses. Many salesmen, and persons of other categories rather regularly spice the routine of conjugal duties with bits of extra-marital fornication. This pattern is at the center of a wider domain of "unconsummated" flirtations, to the point that many marriage partners maintain an unadulterous household while, sometimes over long periods, maintaining the closest mental-emotional attachment to a person outside the marital relationship.

The mere fact or conjecture of an extramarital emotional attachment, sexually "consummated" or not, is of no legitimate interest to most of the contemporary population as a matter in itself. The prurient fixation on the alleged "womanizing" of the Kennedy men is, respecting most of the population indulging in such entertainments, despicable hypocrisy. The focus on sex as such is a pornographic obscenity. The quality of the *human* relationship between two individuals is usually treated with broad indifference; the prurient vector of public interest brushes the important aspects of human relationships to one side as *boring*: "Let's get to the sexual part."

For myself, I do not wish to be informed of which women do or did not have sexual affairs with one of Joe Kennedy's offspring. If it were shown that Ted Kennedy is a male-chauvinist goat, who cannot look at a pretty woman as a human being — as some sources attempt to persuade me — that fact would be relevant to me in judging him personally as a public figure, in judging his competence to judge almost anything. Respecting men whose personal qualities of judgment are of importance in governing their public conduct, such matters are of some weight. However, since Ted Kennedy is a "blivet," essentially not a person but a public-relations "Frankenstein's monster," his known personal qualities already being overwhelmingly negative, it is of little importance to know also whether or not he is a man or a goat.

If I thought such matters as being of relevant clinical interest in assessing a Kennedy, I would prefer to avoid detailed such inquiries if possible, since I do not wish to cater to the propensity of public opinion for debasing itself with pornographic fantasies. I may have the competence to judge such matters; most of the public does not.

It is not a question of whether Ted Kennedy is or is not a goat which concerns me. What concerns me is the goat-like mental behavior of so much of public opinion. As one in the school of Plato, having attained some approximation of mastercraftsmanship in that profession, I know with the greatest relative clinical efficiency what the effect of pornography is on the moral-judgmental qualities of the mind. Pornography is not only associated with the lowest state of consciousness among the three qualities of consciousness known to the Platonics and Neoplatonics; the person of scientific or other accomplishments, in the moment he or she is seized by a pornographic outlook, descends from the third or second quality of consciousness, where he or she is ordinarily located, to the lowest degree. In this latter condition, the human mind is incapable of competent judgment.

This political point has been emphasized, from various vantage-points of reference, by many of the leading Platonics and Neoplatonics, beginning with Plato himself. The Platonics and Neoplatonics, including Thomas Paine and the founders of our nation and its Constitution generally, recognized that a certain level of cultural and moral development of the electorate was indispensable to the establishment and maintenance of a democratic republic. If a major portion of the general electorate degenerates morally to the level of Marat's sansculottes of the French Revolution's Jacobin terror, or to the level of the liberal-radical supporters of Joe Rauh, Jr. and the Institute for Policy Studies networks,

democracy under the sway of such social forces leads to anarchy followed by tyranny.

The existence of a republic demands that the franchised constituency be delimited to persons who, in the majority, are capable of locating individual interest in the primary general interest of the nation and its posterity, not setting individual and local greedy, sensual interest into opposition to the primary interest of the nation as a whole. These electors must choose public officials who are characterized by dedication, not mere personal ambition. In that way, the policy-shaping processes of a constitutional republic are controlled by a search for the national interest, a search for the proper role and interest of the nation in promoting the general interest of the human species as a whole.

This capability of judgment exists only in electorates whose mental level is located on the higher two of the three levels of consciousness identified by the Platonics and Neoplatonics. The Founding Fathers of this nation established a democratic republic under Neoplatonic constitutional principles, not because they believed that all individual persons were qualified to vote simply because they were persons. We established a democratic republic because the majority of the American population of the late 18th century represented the only population in the world sufficiently developed in education and moral outlook to be qualified to be an electorate.

This quality of the electorate is the most precious asset of a democratic republic. Without that quality, the republic must fail, must fall. It is the primary constitutional duty of all leading public figures, whether in public office or in important private institutions, to protect

and to cultivate such essential qualities in the majority of our citizens. Whenever a population degrades itself into a blend of particularist, narrow-interest outlooks, and to a pornographic sort of outlook in selection of public officials and policies, that portion of the electorate has been self-degraded below the standards of fitness to vote. Such a moral cancer within the electorate is a menace to the republic.

By permitting itself to be degraded to a prurient sort of muckraking interest in the Chappaquidick incident, public opinion brought itself to the lowest level of consciousness, stripping itself of the power to see anything but the "dirty pictures" it painted in its own mind. It saw nothing else but a petty personal scandal spiced with rumors of sexual overtones. It lost the powers of judgment needed to see the larger reality. The preconscious recognition that "Kennedy is a phoney" was left unexplored, and even that moment that insight soon vanished, forgotten.

That incident exemplifies the reasons our elections nowadays are determined by a mixture of galloping electoral frauds and "x-rated" balloting by large sections of the electorate, who permit themselves to be self-degraded by preoccupation with the banal, small-change obsessions of sexual and other prurient interest in "scandal." Thus, until we awaken from that pornographic nightmare, to discover why patriotic interest demands a purging of the Kennedy machine, our nation stands in increasing peril. For such reasons, we cannot tolerate a Ted Kennedy in leading office and long survive as a nation.

# Which Way For Carter On Mideast, SALT?

*After The Jet Sale Vote, Strategic Policy Is Still At Issue*

The Senate 54-44 May 15 vote to uphold Carter's "package deal," sending jet fighters to Egypt, Israel and Saudi Arabia, has successfully blocked what opponents of the arms sale had frankly advertised as an attempt to reimpose a blanket Zionist veto over U.S. peace policies in the Middle East. However, the fact that key Zionist

shibboleth equally dangerous for peace proposals: the myth of a new "Soviet menace" in the Middle East.

Ribicoff, for example, correctly described Saudi Arabia as "central to the search for peace" and "a moral and economic force in the Islamic Arab world." He followed this with a summons to a closed-session briefing for the full Senate at which, according to some press accounts, he concentrated on the purported "threat" to the Saudis from Soviet-backed South Yemen, Iraq and Ethiopia.

Only days earlier, Carter himself had erroneously portrayed Cuban military, economic, and technical assistance of six years standing in South Yemen as a "new" danger to regional stability.

Both charges in effect recall and legitimize the geopolitical ravings of Henry Kissinger, who excused his nominal support for the plane sales with the line that the Saudis have been encircled by "a gigantic pincer" of Soviet design.

## THE ADMINISTRATION

Lobby Senators agreed to the sale on the basis of protecting Saudi Arabia from a spurious "communist imperialist threat," may feed this victory for the Administration into a broader defeat by sabotaging U.S.-USSR SALT negotiations.

The reported behavior of Sen. Abraham Ribicoff (D-Conn) underlines the glory and the shame of the Carter Administration's "victory." Ribicoff, historically a faithful supporter of Israeli policy, supported the President by defining the issue in its sharpest terms. Yet, he also painted a lurid picture of Soviet penetration in this region.

"Who is to decide our foreign policy?" he asked the Senate during the arms-sale debate. "Should it not be the President and the Secretary of State and Congress? If we are not honest with ourselves, down what dark and uncertain road do we travel?"

Other once fervently pro-Israel Senators joined Ribicoff. Sen. Mike Gravel (D-Alaska) told the Senate, "I, like many members, up to now have a 100 percent voting record for Israel, and I have enjoyed the beneficence of that at the polls and in financial backing..." Reporting the massive pressure brought to bear on Senators by pro-Israeli organizations, Gravel acknowledged he might be "kissing away" electoral support, but "when you deliver an ultimatum once, you cannot deliver it two or three times...I think this will be a watershed year of Jewish influence in this country."

### *Anti-Communist Hitch*

But if the majority of the Senate followed Carter and Ribicoff in rejecting the "knee-jerk" Israel-my-country-right-or-wrong response which has contributed to the sabotage of every American effort to achieve a comprehensive Middle East peace settlement for the past 30 years, they did so only at the price of promoting another

### *A Promissory Note*

It is known to every informed person in Washington and other world capitals, however, that the Administration's decision to sell advanced F-15 fighters to the Saudis and the older model F-5E to Egypt's Sadat had nothing to do with military security per se for either Arab country, but was based on the necessity to provide a U.S. "pledge of good faith" in Mideast peace negotiations in the absence of any such demonstration by U.S. "ally" Israel. As even the *New York Times* is now compelled to report, Israeli Foreign Minister Moshe Dayan's schemes to force Sadat to sign a separate peace agreement with Israel *without* a resolution of the Palestinian question — the dominant aim of Israeli policy for the past six months — have ended in failure after a series of explicit rejections of this untenable approach by Carter.

Now the U.S. must rapidly make good on the "promissory note" represented by the plane sales, by putting forward a regional Arab-Israeli peace plan based on regional economic development, as proposed by Chicago banker Robert Abboud, Japanese Prime Minister Takeo Fukuda, and the U.S. Labor Party. Concurrently, the U.S. must revive the long-dormant U.S.-Soviet joint statement of last fall recognizing "the legitimate rights of the Palestinians" to create the climate in which a responsible Palestinian leadership can function as an active partner-in-peace with Egypt, Syria, Jordan, and Israel.

### *From Arms Sales to Disarmament*

While the arms sale is considered as having effectively removed a roadblock to Middle East peace prospects, the effect on the critical Strategic Arms Limitation Treaty (SALT II) talks demands unequivocal action by Carter to dispel the "fear of the Reds" climate used to block Israeli demands for exclusive military support.

The latest progress towards SALT II makes the point. Last week the Politico-Military affairs committee of the State Department released a joint communiqué of the U.S.-Soviet standing committee to limit conventional arms sales: "It was agreed that the problem limiting international traffic of conventional arms is urgent...and to solve it is to promote international peace and security and strengthen détente."

Simultaneously, the joint commission on limits of radiological weapons meeting in Geneva achieved what was described as a near breakthrough in limiting new types of weapons of mass destruction. On SALT itself, the commission on disarmament has been announcing agreements on technical aspects covering the U.S. cruise missile, the Soviet backfire bomber, and has set the numbers of allowable strategic missiles and warheads. It is reported that agreement on remaining questions can easily be reached in time to allow Carter and Brezhnev to initial a treaty at a summit conference.

### *Enter Kissinger, Stage "Left-Right"*

Disruption of Soviet-U.S. arms agreements can be traced on virtually every account to Henry Kissinger's hard confrontationist stance against the Soviets on the one hand, and to Ted Kennedy's network of "human rights" dissident campaigns on the other.

Kissinger, in a lying interview last week on NBC-TV, used the Zaire "Cuban-USSR" scare stories to challenge the very principle of negotiations with the Soviets. (See *International Report*.)

Interviews with Senator Kennedy's office, Pat Derian,

head of State Department's human rights division, and Kennedy-linked staffers at the Democratic National Committee reveal that the Kennedy side of the Kissinger operation is to limit all Soviet-U.S. relations strictly to SALT accords eliminating any possibility of trade expansion agreements or similar "entente agreements."

At the same time, Carter's National Security advisor, Zbigniew Brzezinski, has scheduled a trip to China, where he will be holding "global strategic discussions" according to a National Security spokesman. But the word around Washington is that Brzezinski has nothing to offer the Chinese, given the policy fight in Washington, since China's one non-negotiable demand is that the United States pursue a policy of world-wide confrontation toward the Soviets. An NSC spokesman cautioned that nothing should be expected as an immediate result of Brzezinski's trip.

With Soviet Foreign Minister Gromyko due in Washington this week for further negotiations, the possibility for real progress on détente is nevertheless wide open.

Acting as mediator, Chancellor Helmut Schmidt has been in constant communication with President Carter concerning the progress of the 25-year trade deal recently signed by Brezhnev and Schmidt. With an estimated \$3.7 trillion market to be generated through the accords, U.S. high-technology exports are seen as vital to the success of the European initiatives.

### *Open to Manipulation*

However, without active public organizing for such a policy, the Carter Administration will quickly find itself on track toward a new Mideast war, "threats to U.S. oil supplies," and confrontation with the Soviets through Kissinger's "breakaway ally" option of an Israeli preemptive strike against Syria.

Indeed, the Israeli government has already released a statement identifying the Senate vote with "a state of

## Once Again... Who's Kissinger Now?

Henry Kissinger has recently lost 30 pounds. Friends say it comes from climbing up the Hill so often to brief GOP Senators on how to link SALT to the fall elections.

An inquiring reporter told us that Fritz Kraemer, Henry's self-confessed mentor thinks Henry may have lost more than fat when he went to China for the first time. "The Chinese are the most intellectually seductive people in the whole world," said the astute Mr. Kraemer. "They simply seduced Henry on his first trip."

Richard Perl, Scoop Jackson's China hand was more satisfied with his own China experience: "I wasn't dealing with the Chinese at that level. I found them more agile than seductive."

At the moment it appeared that the administration would win the vote for its arms sales proposals, Kissinger scurried to give his testimony, offering blackmail and insults rather than open opposition. He promised to deliver the vote if the Administration would offer a large number of additional planes to Israel, and

virtually called the President a liar when the White House claimed sales to Saudi Arabia is a continuation of U.S. policy in the Middle East.

It took no crystal ball to plot Henry's next move. Once the Administration made the concession on 20 additional planes to Israel, Kissinger pulled out the rug and directed the Senate's Israel Lobby to vote against the sales.

Jogging over to the Quadrangle Conference on Energy at Georgetown University Henry simply bleated that the OPEC nations are a threat to the world. Answering the Saudi's proposals to spend billions for U.S. technology with his usual display of feigned omniscience, he lamented, "The interests of all nations are complementary, but that's a platitude and not always so in the short term. The enormous overhang of wealth of the OPEC countries could become a weapon against the world monetary system."

war against Israel," and Israel Lobby spokesmen Sen. Jacob Javits (R-N.Y.), Sen. Pat Moynihan (D-N.Y.) and Sen. Richard Stone (D-Fla.) are already "predicting" Arab "intransigence," "renewed Soviet influence in the Middle East," and so on. "This victory will come back to haunt Carter," one such Senator promised the *New York Post*, a British-owned Israel Lobby mouthpiece.

Moreover, Congress will remain a fertile field for combined operations by the Kissinger-Israel Lobby axis. The coalition put together to defend the plane sales drew more than half its strength from conservative Republicans and Democrats sensible of the lunacy of present Israeli policy. But these same forces are open to

Kissinger's anti-Soviet manipulations if not offered a positive definition of U.S. national interest in the Middle East. And more than half the Senators in Carter's own Democratic Party voted against him on this key issue, including "off-and-running" 1980 Presidential candidate Ted "China Doll" Kennedy and the usually pro-Carter stalwart Herman Talmadge (Ga.).

Israel Lobby spokesmen continue to brag about the campaign funds that will not be flowing into the Democratic treasury in this election year: "If I were working at the Democratic National Committee, I'd worry about not getting paid."

## Hornswoggled Again

### Kissinger Leads His GOP Opponents Against The Soviets

*Much of the debate over the Carter Administration's Middle East arms sales package was shaped by former Secretary of State Henry Kissinger, in conjunction with such organizations as the American-Israel Public Affairs Committee (AIPAC), around the "issue" of a purported growing Soviet "geopolitical strategic threat" to the existence of the United States. Kissinger was especially effective in playing on the anticommunist fears of conservative Republicans. Many of these same conservatives backed former California Governor Ronald Reagan in his unsuccessful 1976 campaign for the Republican presidential nomination in part because of their hatred and mistrust of Kissinger's foreign policy. AIPAC, the Committee for Democratic Majority, the Committee on the Present Danger and other organizations and associations comprising the network popularly known as the Israel Lobby, plug directly into such Democratic Senators as Daniel Patrick Moynihan (D-NY) and Lowell Weicker (R-Conn).*

*The following excerpts from recent statements on Mideast policy by Reagan, Weicker and Moynihan, show a trend now widely in evidence in Congress.*

#### "Reagan Sheds Light On Palestinian Question"

*The following excerpts from Ronald Reagan's April 10 address at a Bonds for Israel dinner in Chicago were printed in the Citizens for the Republic Newsletter, Vol. II, No. 7, May 1, 1978:*

...The best and most helpful thing we can do is to stand by, meanwhile keeping the Middle East free of Soviet influence. That, I'm afraid, will require more will and determination than this administration has displayed in these last several months. It does not reassure our friends nor discourage our enemies when we cancel the B-1 bomber, stop production of our Minuteman missiles, withhold funds for the MX mobile missile and show a lack of resolve about producing and displaying what could be the most effective deterrent weapon yet conceived—the neutron bomb....

#### U.S. Responsibility

The Soviet Union is building the most powerful military machine ever devised. While we are determined to prevent a war, they are preparing to win one. Are we going to close our eyes and minds as we did almost a half century ago when the thunder of hobnailed jackboots echoed on the wind, foretelling the inhumanity, the slaughter of the innocents that followed?...

#### Weicker: Carter Pursues Showdown With Israel

*We reprint a statement released May 8, 1978 from Senator Weicker's office:*

WASHINGTON—Senator Lowell Weicker (R-Conn) said today that "the Carter administration, from its inception had deliberately pursued a policy of confrontation with the government of Israel."

Weicker said the policy began before Prime Minister Menachem Begin took office and is a "blatant effort to divide both the American people and even the people of Israel on the matter of the government of Israel."

On the other hand, Weicker said, "Our relationships with the Arab states carry the unmistakable odor of appeasement, and the arms package is only the latest evidence of it."

The Connecticut Republican noted that Carter's National Security advisor, Zbigniew Brzezinski "has made abundantly clear his view that the world order politics, which he believes will replace balance of power politics, requires that the U.S. disengage from its historic alliance with Israel.

"When people start talking about world order, I have a chilling sense of *deja vu*," he said. "The vision of a world order always seems to require that certain groups be trimmed off in the interest of orderliness and a neat package.

"We know from history that time and time again, when national leaders run into difficulties, they found it convenient to blame their problems on the Jews. And we know the results. If there is a meaningful distinction between those historical proclivities, and the signals

which Brzezinski is sending, I don't know what it is," said Weicker.

Weicker's comments came during a speech before the annual policy conference dinner of the American Israel Public Affairs Committee.

## Moynihan: Soviet Goals "Wholly Contrary" to U.S.

*Below are excerpts from a speech made by Senator Daniel Moynihan at the annual policy dinner of the American-Israel Public Affairs Committee in Washington on May 8, 1978:*

...Even a Congressional rejection of the arms sales proposal will not put things right. And the problem is not the sincerity of the President or the Secretary of State, or the President's Assistant for National Security Affairs.... Nor yet a weakness in their desire to do the right and honorable thing. They are men of transparent honor and integrity.

Who was not moved by the simple humanity of President Carter when he welcomed Prime Minister Begin just a week ago? (May 1). "We will never waver," the President said, "... from our deep friendship and partnership with Israel; our total absolute commitment to Israel's security." And "the establishment of the nation of Israel is a fulfillment of Biblical prophesy. In Jewish tradition, 30 years stands for the age of strength, and Israel, thank God, is strong."

In a recent issue of *Moment* magazine, Dr. Zbigniew Brzezinski had this to say: "The American commitment to Israel is unshakeable. It is deeply engraved in the fabric of our own society. The ties that bind us to Israel are not just political ties; they are not security ties; they are not economic ties. They are deeply binding moral ties. I cannot think of anything stronger."

Now I have known the President but for a relatively brief period, and while I have known the Secretary of State for a long while, I have never known him that well. But I have known Zbigniew Brzezinski as a personal friend, as a fellow academic, and as a fellow Democrat through the administrations of five presidents. His integrity in these matters is as perfect as that of the President and the Secretary of State.

If this is what the men who make our foreign policy believe—and I am certain these statements honestly reflect their deepest feelings—why then the unease among so many about the administrations' Near East policy, and foreign policy in general?

...On April 7, I spoke at Temple Israel in New York, and I said: "For three years now I have been speaking

of the failure of nerve in American foreign policy. I find it more pronounced now than ever. And I do urge the friends of Israel to consider that, now more than in the past, American policy in the Middle East reflects our policy in the world at large, and it is to that larger policy that our concerns must be directed."

Not two weeks later, Secretary Vance, about to leave for Moscow to discuss strategic arms, was asked how President Carter and Mr. Brezhnev might fare if they themselves were to discuss these issues. The Secretary said in an interview in *Time*: "When the two men eventually sit down together, they will get along well. Both of them are strong men who have similar dreams and aspirations about the most fundamental issues..."

### *Similar Dreams And Aspirations?*

This seems to me a profound misreading of reality—of American, Soviet and world reality....

... The Soviet state . . . is the same totalitarian police state that Khrushchev, Stalin, and Lenin directed before (Brezhnev). And the "dreams and aspirations" of that state apparatus are wholly contrary to those of the American democracy.

Instead, the normal objective of the Soviet state is the expansion of communism, and it can be ruthless with any small nation which stands in its way at a time when it is expanding....

The Soviet aspirations for Israel are equally plain. Israel is in the way of current Soviet expansion, for beyond pro-western, democratic Israel lies the Persian Gulf, Egypt, a whole continent, an island sea....

Finding that Israel could not be destroyed militarily, the Soviets thereupon set about seeking the *political* destruction of Israel...

Even as Soviet expansionism is made manifest in Africa, it appears once again in an area of historic Russian imperial ambition, central Asia. On April 27, so-called "insurgents in the military" overthrew the government in Afghanistan. Almost immediately, it became apparent that the military coup was in fact a coup by the Communist Party of Afghanistan....

When on April 7, I urged that we look to "our policy in the world at large," I had an hypothesis in mind. Let me restate it: "I believe that what is happening to American policy, not merely in the Middle East but in the world at large, is a gradual accommodation to the fact that the Soviet Union has not only become the equal to the United States in military power, but seems destined to surpass the United States...."

I believe that much of what the administration has done in foreign affairs can be understood in this context. It is a succession of events, large and small, dramatic and simple, but all pointing in one direction: a quiet accommodation to long-sustained Soviet efforts....

# A U.S. Policy For Peace, Prosperity

## A Report On The Fusion Energy Foundation's Detroit Conference

Bringing the United States into the historic economic accords undertaken recently by West Germany and the Soviet Union was the theme of a conference on "Energy and Jobs in an Expanding Economy" held in Detroit, May 9, sponsored by the FEF. Participants from throughout the U.S. industrial heartland pledged to undertake a massive organizing drive to reverse this nation's no-

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### ENERGY

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growth policies and fulfill what one speaker termed "the American system of morality" through nuclear energy development.

The Detroit event is the third in a series of national conferences including the New York "Conference on Mideast Peace and Development"; the Washington, D.C. "Industrial Development of Southern Africa"; and the Hartford, Connecticut "U.S. Leadership in an Expanding Economy." These economic planning sessions have brought together representatives from every layer of the U.S. population and industry into programmatic discussions of a quality unavailable anywhere in the nation, and most glaring, unattempted by the Carter Administration and Congress.

Present were delegations from Consumers Power Corporation, Michigan Consolidated Gas, Gilbert Commonwealth, the Michigan Farm Bureau and Department of Agriculture, the Cincinnati NAACP, and other corporations and universities. Among the greetings to the conference were remarks by U.S. Labor Party member Joseph Spinola, who spoke as an official representative of the International Brotherhood of Teamsters Local 299; Steelworkers and Building Trades were also represented.

#### *Breaking the News*

Breaking a national press blackout, FEF director Dr. Morris Levitt briefed a large gathering of Detroit area media on the unprecedented 25-year peace and development treaty signed this week by West German Chancellor Helmut Schmidt and Soviet President Leonid Brezhnev. "This conference is taking place at a historic moment, not widely known."

Joining Levitt in the pre-conference press meet was Carol White, U.S. Labor Party National Executive Committee member, who emphasized the necessity for the conference: "The United States is being written out of these accords because of the lack of commitment in the U.S. to moving forward . . . Detroit's capacity for producing trucks, tractors and machine tools for export is the best available."

She contrasted the organizing of Cyrus Vance of the State Department, UN Ambassador Andrew Young for development-based peace solutions in Africa and the Middle East, and the \$30 billion trade offers by the Shah of Iran to the Congressional hedging and the recent,

miserable foreign policy resolution of the GOP Senators supporting the policies of economic contraction imposed by Federal Reserve Chairman G. William Miller and Treasury Secretary Michael Blumenthal.

#### *Constitution for Development*

A reporter from Detroit's WWJ Radio questioned the FEF's proposal for massive funding of fusion energy research, commending President Carter's recent allocation to solar energy development. Dr. Levitt replied that the U.S. Constitution was the binding national law on energy development. "There is a key point of ignorance plaguing the man on the street which has to be cleared up, and that is the question of energy density. Solar power is an extremely diffuse form of energy. Any solar type is 10 times more expensive than its nuclear counterpart.

"The government's constitutional responsibility is to determine the road toward optimum development of energy resources—which is nuclear power. Solar power should be left to any entrepreneur who is willing to risk the capital investment in developing it."

#### **Demand For Leadership**

*The afternoon session of the FEF Detroit May 9 conference unanimously adopted the following resolution, which was forwarded to the May 10 State Department Conference on the Middle East:*

#### *Be It Resolved:*

\*That the "Energy and Jobs in an Expanding Economy" Conference held on May 9th, 1978 at Marygrove College, calls on local, state, and national labor and industry, political and religious organizations to begin a broad-based organizing approach to put the question of a positive nuclear power referendum on the ballot for the November 1978 local, state, and national elections.

\*That given the recent economic trade agreements that have been made between the USSR, Europe, and the Middle East and Africa, this conference affirms that the United States must make nuclear power the backbone of our energy policy and our renewed economic development. *The United States must not be left out of this massive worldwide economic development now taking place.*

\*This conference calls specifically on Governor Miliken of Michigan and Governor Rhodes of Ohio, and President Carter to back this mandate and make this issue the energy policy of this nation.

\*Lastly, that the spirit of this conference serve as the model for a national consensus on a national energy policy.



*Panel I: Energy and the Economy*

*Speakers: O.B. Falls, Carol White, John Gilbertson, Dr. Morris Levitt.*

Fusion Energy Foundation director Levitt opened the session with a detailed account of the international effort to establish expanding trade and development deals throughout Europe, the East bloc, and the Third World; economic development on a global scale which the U.S. leadership so far has failed to recognize. He identified the unprecedented Soviet-West German 25-year trade deal as both in the self-interest of the parties involved, and as an "open door" to U.S. participation, a recognition of the historic leadership role of the United States which the world wants the U.S. to reassert.

He denounced austerity and conservation, which are being offered as "something new, as if our forefathers hadn't fought the Revolutionary War to defeat that same outlook of Malthusianism, balkanization and backwardness."

O.B. Falls, President of NucleDyne Corporation, followed Levitt and outlined the need for nuclear development.

An engineer for 27 years at General Electric, Mr. Falls was also part of an International Energy Study which took him to 45 countries around the world: "My interest is to promote what the Labor Party, NAACP, and many other organizations in this country are pushing for, an energy development policy. I've done studies in 111 countries... we're going down the drain if we don't promote the increase of energy.

"The American people want nuclear power. . . . Our commitment to technology is our greatest asset and our best deterrent to war." He developed the concept of the direct correlation between energy consumption and Gross National Product, by which there exists a direct relationship to democracy and standard of living. "Security is energy density," he confirmed.

Falls demanded the immediate practical application of nuclear energy. "I throw out a challenge to local utilities... I suggest that Detroit Edison build the latest model nuclear power plant on the salt mines in the vicinity of the River Rouge Ford Plant, both as a model for producing nuclear energy, and as a model for producing energy in an urban environment... I propose that a good deal of the 'wasted heat' could be used to produce steam to run River Rouge."

Carol White, author of *Energy Potential, Toward a New Electromagnetic Field Theory*, presented a full grid of the factional battles in the Administration upon which she provided the focus for organizing the U.S. leadership to stand up for the vital interest of the country. She cited some recent proposals within the U.S. for full high technology recovery, including Nelson Rockefeller's call for \$300 billion for investment in foreign trade.

Pointing to the historic role of the British sabotage in U.S. policy decisions, she defined austerity and conservation of energy as intended financial takeover by British agents in power in and around the White House.

Locating energy development as an essential task of political organizing, White called on those present to utilize their corporate resources and the media to openly support the fight for progress: "No one is *speaking* for science.... That is a loss of the American System of

morality. An American *gut sense* of humanity is the development of human creativity embodied in technological know-how."

John Gilbertson of the Fusion Energy Foundation finished the morning session, presenting a rigorous program for a \$1 billion U.S. nuclear energy development project, attacking as a myth the notion of a viable "mix" of energy forms. He detailed the process by which slave labor is the only possible result of an economy not fundamentally and openly committed to expanding levels of energy throughput, that is, nuclear technology.

*Panel II:*

*Energy and Natural Law*

*Speakers: Allan Salisbury, Darrel Lankford, Max Dean*

Allan Salisbury, author of *The Civil War and the American System*, a soon-to-be-released book by University Editions, provided a history of constitutional law from the Revolutionary War to the Civil War, referring to the publishing of Adam Smith's *Wealth of Nations* as a key event concurrent with the Declaration of Independence "which has defined political intelligence operations against the American nation every since it was written."

He described Alexander Hamilton's understanding of credit "as that which directs resources and industrial

## New England Meets To Save High Technology

"U.S. Leadership in an Expanding Economy," a Fusion Energy Foundation conference in Hartford, Connecticut May 17, brought together representatives from five aerospace-defense firms, one utility, a major engineering firm, an oil company, four colleges, area labor unions, and the Connecticut state government to evaluate the means to draw the area's industry and workforce into a program which will reestablish American know-how as the driving force for building a global nuclear economy.

The conference was characterized by lively debate, including a discussion early in the proceedings between Herschel Klein of Combustion Engineering, Peter Stern of Northeast Utilities, and FEF director Dr. Morris Levitt on "free enterprise" versus Hamiltonian economic policies for funding nuclear development.

FEF Director of Physics Eric Lerner summed up the conference in a final panel discussion on "High Technology Educational and Manpower Policy" by posing fusion power as not simply an energy source, but the task-oriented solution to manpower and educational programs which are currently such failures that 20 percent of the U.S. adult population is functionally illiterate, while major plasma physics problems go unsolved.

The conference passed a resolution endorsing an aggressive national nuclear development policy which has been forwarded to President Carter.

development and is in no way 'above' the real economy, but subordinate to it." He reported on Abraham Lincoln's collaborator, Henry Carey's labor theory of value: "the wealth of a nation embodied in its productive capacities, connected to an interpretation of the Constitution as a document identifying an idea of progress as seminal to the development of the nation's political institutions."

Darrel Lankford, a nuclear programs analyst with Consumers Power, provided massive evidence against the unscientific, yet tolerated, restrictions presently hampering development of nuclear energy.

In the case of his own company, Consumers Power was in the process of building a nuclear reactor in Palisades, Michigan, when they were "slapped" with a legal action to force the building of two cooling towers, on the basis of an environmentalist complaint.

The towers were built at a cost of \$25 million, based on the estimate that the company would spend more money fighting delays, of possibly years, through the courts.

Representative of the intense discussion prompted by the second panel were remarks made by Max Dean. Dean was the attorney of record in the U.S. Labor Party's amicus curiae brief in the Midland (Michigan) Consumers Power Case which aided the recent Supreme Court decision that Congress—and not the environmentalists hammering at the lower courts—is supported by the U.S. Constitution in pursuing nuclear energy.

"Article One of the Constitution enumerates the power of the legislature concerning commerce... Schlesinger intends to have Congress divest itself by statute of this constitutionally mandated authority, specifically to stall and prevent the development of nuclear power."

He urged public opposition and defeat of Schlesinger's state's rights licensing bill, reminding the conference that Schlesinger, as Secretary of Defense, called for arming the forward troops of NATO with nuclear

weapons. "This policy was designed precisely to prevent the events announced this morning concerning the (West German-Soviet) trade deal."

Dean introduced the amicus brief as a humanist conception based on the philosophy of the National Caucus of Labor Committees (NCLC). "In a nutshell, there are laws which are independent of man which are discoverable by man and controllable by him. There's no contradiction between man and his environment. Man is a part of his environment and masters it for purposes of his own development. The method of the brief was to elevate the matter of constitutional principles—this natural law concept embodied as a question of energy development—and it poses the assertion that conservation is unconstitutional and antihuman."

#### *Panel III: Advanced Energy Technologies*

*Speakers: Dr. Morris Levitt, Dr. Michael Monsler, John Gilbertson*

The evening panel discussed plasma physics, inertial confinement, and the actual operation of a fusion reactor, and examined how some of the physics problems of current fusion research—including the "nonlinear" behavior of fusion plasmas—are leading toward a fundamental transformation of our conception of the universe. Dr. Michael Monsler from Lawrence Livermore described the work on fusion at the Laboratory and answered the many questions on how nuclear energy operates and why fusion is the optimum development of the technology.

Dr. Levitt and John Gilbertson reviewed the political battle for science. The issue is the need for a scientific cadre committed to solving the most important fundamental questions which confront human development, they claimed. What is needed is political support to rescue U.S. research from "cost-benefit" slashes in basic science.

—Barbara Roberts

## The UAW's Sewer Politics

### FOIA Documents Show 'Get The Labor Party' Policy

FBI documents, released to the U.S. Labor Party under the Freedom of Information Act (FOIA), have disclosed an extraordinary pattern of illegal and unethical activity by certain key officials of the United Auto Workers.

#### THE COURT'S

The method of financial and political warfare waged against the Labor Party, as displayed in the FBI material, should cast light on a number of other, similar UAW operations. Several situations carry the stamp of the kind of private intelligence network activity documented in the FOIA papers: for example, the UAW initiatives, in cooperation with union-buster Joe Rauh,

Jr. and the Washington, D.C.-based Institute for Policy Studies, within the United Mine Workers against its traditionalist leadership; the UAW's fervent collaboration with environmentalists to eliminate nuclear power; and now UAW involvement with the "corporate responsibility" projects targeting Ford Motor Company and General Motors.

In 1974, the UAW filed a \$35 million trademark infringement suit against *New Solidarity*, the newspaper of the U.S. Labor Party and the National Caucus of Labor Committees. The UAW's legal strategy from that point on is revealed, not in the court papers, but rather in the files of the FBI and the Department of Justice, which indicate the following:

° A memo from a private informant written in late 1974 and provided to the FBI by Stephen Schlossberg, the UAW general counsel, in July, 1975 advises, under the

heading "How to Defeat the Labor Committee" that the UAW's lawsuit was intended to bankrupt the Labor Party.

° On June 27, 1975 Schlossberg met with U.S. Attorney General Edward Levi to inform him that "the U.S. Labor Party is composed of a number of dangerous people" who are "foreign-funded" and "Communist-inspired." Schlossberg then claimed that the Labor Party "may do something drastic such as assassinate Vice President Rockefeller or Leonard Woodcock." Schlossberg's allegations were transmitted to regional FBI offices.

° On July 1, 1975 Schlossberg wrote to John Dunlop, then Secretary of Labor, reiterating the charges he had made to Attorney General Levi and complaining that his earlier efforts to seek prosecution of the Labor Party for "failing to register as a labor organization" had gotten "hung up on legal technicalities." Schlossberg then demanded that Dunlop "vigorously investigate" the Labor Party.

° A memo dated September 4, 1975 from Charles Baker, head of the UAW front organization Institute for American Democracy, under the heading "countervailing operation," suggested that the Federal Election Commission might be the appropriate place to begin an investigation to pin down and interdict the Labor Party's finances. Baker circulated this memo to Jacob Clayman of the AFL-CIO, Stephen Schlossberg of the UAW, and a handful of other trade union officials. The Chairman of the Federal Election Commission, Thomas Harris, was formerly the AFL-CIO general counsel who worked with Baker and the AFL-CIO headquarters office in deploying assaults and other harassment against Labor Party organizers and members in the plants.

° The Federal Election Commission subsequently launched a major investigation of the U.S. Labor Party, attempting to subpoena all its financial records, and refusing to release over \$110,000 in presidential campaign matching funds to the Labor Party's 1976 presidential candidate, Lyndon LaRouche, Jr.

° The UAW claims to have recruited former FBI informer and Labor Party infiltrator Gregory Rose in September 1976 as a star witness for their lawsuit. In fact, Rose had been a member of the legal staff preparing the Labor Party's responses to the UAW, and had stolen certain of the Labor Party attorney's legal papers concerning the case, which he furnished to the UAW. Rose's "information," other than the purloined

documents, could only be useful to continue the UAW and Schlossberg's effort to erect a structure of lies and distortions as a further "countervailing" effort. Rose's career as an FBI informant had ended by October 1975 with the following assessment from FBI officials: "Information from this source regarding alleged NCLC espionage operations have been found to be a melange of wishful thinking, creative daydreaming, and unfounded chest thumping..."

The use of Rose and his information and stolen documents led directly to the court-ordered disqualification of the UAW's attorneys in the case — Stephen Schlossberg and the New York firm of Cowan, Liebowitz, and Latman.

° The UAW then hired the major New York law firm of Patterson, Webb, Belknap, and Tyler to represent Schlossberg and the Cowan firm in a review of the disqualification order. The firm has somewhat "special" qualifications for their involvement in this matter. That is, the "Tyler" of the firm is Judge Harold Tyler, Deputy Attorney General of the U.S. during the time that Schlossberg was feeding allegations to the Justice Department and FBI.

In fact, Judge Tyler admits that he may have personally authorized investigations of NCLC members. The Patterson firm's representation in the case began only five days after the time in which Judge Tyler would have been disqualified by a statute preventing former government officials from appearing in matters which were under their official supervision. However, the Patterson firm's involvement in the case is still barred by the Bar Association's code of ethics.

° Finally, Schlossberg hired Joseph Rauh, Jr. to represent him in disciplinary proceedings before the Washington, D.C. Bar Association, stemming from Schlossberg's efforts to force Justice Department Federal Election Commission and Labor Department investigations of the Labor Party as well as his use of informant Rose and the stolen USLP legal documents.

Rauh's involvement, along with Thomas Harris, Jacob Clayman, and the UAW leadership, "closes the circle" of British-allied networks in the labor movement who are engaged in behind-the-scenes political and financial warfare against the Labor Party. They are employing exactly the same tactics and methods against their other "factional" opponents—pro-development, pro-nuclear labor and industrial forces.

# What Cannot Be Kept Confidential

*This statement was issued by Lyndon H. LaRouche, Jr., U.S. Labor Party Chairman, May 14, 1978:*

The FBI's five months of experience with pathological liar Greg Rose, documented in FBI files labeled "Kwarterbak" released under the Freedom of Information Act procedures, illustrates an important principle concerning the limits of efficient confidentiality.

Rose, an agent of certain British-linked private intelli-

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## LAW ENFORCEMENT

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gence networks, was planted upon the FBI on or about May 1975, conveying a wild cock-and-bull story, purporting to have evidence of, among other things, a successful penetration by the National Caucus of Labor Committees of high levels of NATO military security. After five months of transatlantic activities by several agents on this account, in October 1975 the FBI concluded that Rose's wild tales had been "a melange of wishful thinking, creative day-dreaming, and unfounded chest-thumping." The FBI dispensed with Rose's services, at which point Rose passed into the hands of the *New Republic's* British intelligence nest and circles within the United Autoworkers bureaucracy.

The central feature of Rose's fabricated allegations, which prompted FBI officials to five months of extraordinary activities, was the allegation that the NCLC had penetrated to possession of secret documents concerning NATO's Hilex-75 operations and NATO MC14-4 doctrine. Since Rose's falsified tale had a certain verisimilitude to New Solidarity International Press Service's published coverage of the Hilex and MC14-4 matters, the FBI, operating ostensibly on the misguided assumption that the NCLC could not think through facts in the public domain, allowed itself to be led astray by the working assumption that the NCLC's knowledge could only have been derived from possession of secret documents.

According to the FBI documents now available, the FBI closed the case after it had exhaustively shown Rose to be a liar, and apparently did not evaluate those blunders in FBI thinking that had allowed the Bureau to be lured off into a five months-long wild goose chase. It is that latter oversight by FBI officials that ought to be publicly examined, as a matter of refining U.S. national security and counterintelligence policies and practices.

### *The Case Itself*

A summary of the NCLC's interest and work in the Hilex and MC14-4 cases provides the appropriate background to stating the principled points to be made in this connection.

The scenario for Hilex-75, a 1975 NATO simulation, was published in the West German weekly magazine *Der Spiegel* during the preceding summer. As the simulation proceeded, our offices in Wiesbaden, West Germany, and New York noted that a number of the significant items in

the reported scenario were in fact *operational* at the time the operation was in progress. As a matter of check, we completed a computer cross-tabulation of the published scenario with breaking developments that cross-gridded with those elements, and made this report available to relevant persons in the U.S. Department of Defense and responsible congressional bodies, among other such locations.

In this we proceeded on the assumption that the operational status of the key elements of a NATO war game represented a war danger either because of conspiratorial intent to that effect by certain agencies, or because of the reading of possible such intent in the Warsaw Pact command.

For the second variant, it was necessary to consider the fact that such effect on the Warsaw Pact command would be seen in advance, and would be an intentional feature of the deployment — a feature consistent with British-Kissinger psychological-warfare policy.

The imperative, whichever of these variants might be the most correct one, was to forestall any such caper and, at the same time, to uproot an organized "Strange-love"-scenario capability in or around the NATO command.

It was our view that alerting relevant officials to the significance of the factually established pattern of operational elements of the simulation would destabilize any foul bits of conspiracy afoot, and might also, one rightly hoped, alert responsible U.S. officials to the deadly risk of keeping creatures such as Kissinger, Haig, and Schlesinger in positions of influence.

All of this information concerning NCLC sources and deductions was in the public domain.

As we stated in print and in various oral communications to Defense Department and congressional officials at that time, we never had a copy of the classified MC14-4 document in our possession or before our eyes. We did, however, have a copy of the nonclassified version of the doctrine, as issued routinely by an appropriate public information office. What we had was a broad press campaign by personalities linked to the London International Institute of Strategic Studies (IISS), pushing what we perceived to be an insane revision of NATO doctrine. This shift we associated with the name of the policy being publicly pushed, MC14-4, and alerted figures in the Defense Department and in congressional circuits to our view of the implications of this policy shift.

The cases of Hilex and MC14-4 ought to have illustrated once again to the FBI that no policy can be kept secret once public refractions of its attempted implementation occur. Once a policy is pushed, any competent group of persons can reconstruct rather quickly the contents of the secret policy documents used to set such a policy thrust into motion. Although the name of the author of a document might be kept secret even under such conditions, the names of the factional forces authoring the document can be inferred quickly, accurately, and conclusively.

However, if relevant counterintelligence officials of

the Defense Intelligence Agency, the CIA, and the FBI — for example — are not adequately trained on certain relevant points of political intelligence, those officials are unable to judge such matters, and are therefore susceptible to being lured off into various sorts of wild goose chases, even in far more important matters than the disinformation supplied by some would-be Titus Oates.

#### *The Policy Problem*

The gut of this continuing disability in the USA's counterintelligence community is the effect of the myth of the Anglo-American partnership in strategic interests. By accepting the myth that Great Britain is a close ally of the United States, one closes out of one's mind all of those conceptions and knowledge indispensable to competent U.S. counterintelligence professionalism.

For example, in the FBI's Greg Rose case, the FBI was victimized by a knee-jerk reaction to the mythology of "left versus right"; by profiling the NCLC as a "left group," the FBI was trapped into formulation, "We have information that a left group is penetrating NATO secrets." With that credulous equation drawn, the wild goose hunt was on, continuing for a wasteful five months of top-level exertions.

If the FBI officials had been competently educated, they would have known that for the thousands of years of development of Mediterranean-centered civilizations, the fundamental and continuing factional division has been between humanists (city-builders) and oligarchists (zero-growthers). If they had been competently educated

to that effect, they would have known — as they obviously did not — why the United States fought repeatedly against Great Britain, beginning with the American Revolution. They would have understood that the fundamental issues in the world today continue to be between the American Revolution's philosophy, a city-builder commitment, and the oligarchical (Malthusian) policies of the British monarchy. They would have recognized that Henry Kissinger was the epitome of the United States' number one security risk — then and now.

With that background, the FBI officials would have been able to evaluate the significance of the issues involving Hilex-75 and MC14-4, as a matter of a continuing battle within the Atlantic Alliance between vital U.S. strategic interests and the policies of the British monarchy. Once they had competently judged the nature of the issue, they would have easily seen through the lying of Greg Rose.

Because the FBI officials — and, ostensibly, those with whom they consulted—did not understand the nature of the issue, they could not competently judge the kind of knowledge used by the NCLC to evaluate the evidence in the public domain. This ignorance by the FBI officials and others contributed to their delusion that the NCLC could not possibly have done what it obviously did: adduce a judgment from facts in the public domain. So, they spent five months on a wild goose chase. They finally dropped the case because they proved Greg Rose a liar — not because they finally understood the character of their own blunder in judgment.

# Dollar Bubble's End Draws Deadline For Growth Policy

The sudden reversal on May 18 of both the dollar's rise and the U.S. stock market's gains marked a financial correlative of the simultaneous "invasion" of Zaire as a political move to undermine the solution to world depression recently placed on the table by West Germany's Schmidt and Soviet leader Brezhnev. Federal Reserve Chairman G. William Miller and his London-coached international associates made a political decision to prick the monetary bubble they had built up over the past several weeks.

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## FOREIGN EXCHANGE

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This *Review* had predicted such an eventuality since the bubble was launched last month.

The point is not the immediate ups and downs of the markets per se. The point is that Miller has now dumped the dollar problem in the Administration's lap. The next stage is a "package deal" detailed below, which will be directed against growth-bent factions of all national governments. Its purpose is to derail the July economic summit and the surrounding negotiations. The logical agenda of that meeting would instead be U.S. entry into the multibillion-dollar 25-year trade and development agreement reached earlier this month between Moscow and Bonn.

The immediate trigger in a jittery market for the dollar's May 18 two-pfennig drop against both the Swiss and West German currencies was two central bank statements. The head of the Swiss Nationalbank, Fritz Leutwiler, announced that during the April 1-May 17 period a net sale of 850 million U.S. dollars had occurred through the central bank by Swiss public and private entities. It had been clear to the markets for some days already that both the Swiss and West Germans were selling, instead of supporting the dollar.

U.S. Labor Party chairman Lyndon H. LaRouche, Jr., stated from Wiesbaden, West Germany that he has material evidence that Leutwiler was acting under British influence in this matter, not according to Swiss interests. The dollar crisis precipitated by deflating the bubble is intended to force a climate of chaos and anxiety, such that by the July meeting of Western heads of states in Bonn, both West Germany in particular and the U.S. itself will beg to negotiate a "package stabilization deal," trading a final pledge of energy contraction and austerity for West Germany's final agreement to reflate its economy.

The maneuver has every potential to backfire (see TRADE article this section).

The second central bank statement May 18 came from Otmar Emminger, president of the West German Bundesbank, who fed the market unrest by suggesting, first, that "the recent uptrend in the dollar has been exaggerated," and fundamental energy and balance-of-payments problems must be addressed. Emminger went on to announce a \$2 billion-plus expansion in deutschmark liquidity, through a 7 percent reduction in minimum reserve requirements, but he denied that West German inflation would be allowed to increase; specifically refused to foresee an increase in government borrowing requirements (i.e., fiscal stimulation); and predicted a slowdown in the U.S. economy — which, however, he said would not arrest U.S. inflation.

Market elements expecting some progress on the "package stabilization deal," thus saw the West Germans holding back, "smart" international money, including the Middle Eastern, was already pulling out. The African destabilization accelerated a flight into "safe" Swiss francs, pulling up the mark as well. The dollar's slide then hit the stock market with a downturn that was *intensified* (not reversed) May 18-19 by the news that the Federal Reserve Chairman G. William Miller had hiked the Fed funds interbank rate another eighth of a percent and rumors of more to come.

### *The Game Shifts*

The latter event is the most telling of all. The Markets have not just taken a dip; London has switched the game cards on the Monopoly board. The bubble *psychology* has been deliberately destroyed, in the following way.

As it became clear to London that the Schmidt-Brezhnev initiative would go through, the bubble operation was launched in mid-April. Stock-market speculation and tentative dollar recovery were built up in the U.S. and attributed by Miller and the Anglo-American financial press to the Fed's interest-rate tightening — the "Miller miracle." This was not because anyone had rational confidence in the credit squeeze, either as a remedy for the dollar's payments position (as witness 1974) or for inflation (increased borrowing costs in fact multiply inflation). But the market wanted to see some leadership in Washington, and euphorically seized on Miller, despite his history as a Kennedy machine hatchetman. A good deal of U.K.-controlled funds primed the bubble, but London, which traditionally operates not with money but through the press, depended on its number-one semisecret weapon — the media "hype" of public opinion.

Beginning in early May, rumblings against interest-rate euphoria gradually emanated from the financial press and British-oriented institutions like Manufacturers Hanover and the Conference Board. "Miller is great, but he can't do it alone. The U.S. economy needs a total aus-

terity bath" is the line. Businessmen are whipsawed by the menace of inflation — no one, much less corporations, can actually launch a national and international growth policy under the inflation blitz.

This was the message relayed most luridly by *Business Week* May 22: inflation is "ineradicable" and it means "this country could be heading into the worst period of economic and social dislocation since the Civil War."

G. William Miller, the Pied Piper who lured the market's infants to the cliff's edge, has done the same to the White House. As a usually reliable Washington source put it, Miller has told the Administration that — despite criticisms from Stu Eizenstadt, Robert Strauss and others — he was out, not to crunch credit, but to draw in foreign funds. And this he has accomplished. If the Administration wants to keep the funds here and the dollar alive, it will have to impose sweeping, savage, fiscal and energy cutbacks. The clincher came in a May 18 *New York Times* interview where Vice-President Walter Mondale — long noted for pushing the make-work "jobs" programs of his mentor Hubert Humphrey — enunciated his sudden discovery that unemployment no longer matters compared with the urgent need to belt-tighten against inflation.

#### *The International Operation*

Western Europe, too, is being threatened with dollar-depreciation chaos (and resulting trade war) unless it subjugates itself to Miller's "package deal." The first hints of the deal emerged during May 12 as Bundesbank chief Otmar Emminger indicated that, owing to the outflow of West German funds to the U.S., West Germany would need to expand its money supply. More dramatically, Economics Minister Otto Graf von Lambsdorff the erstwhile great "free market" spokesman, has become a persistent advocate of what he openly calls "Keynesian fiscal stimulation" as well.

Lambsdorff, in statements cited by the London *Financial Times* and the *Ruhr Generalanzeiger* journal, has tried to sweeten this for domestic listeners by promising that in exchange for reflation, West Germany would be allowed to overrule the other European Community members' efforts toward the kind of trade protectionism the Federal Republic detests. Having appointed himself liason with the National Security Advisor group around Brzezinski and the Brookings Institution planners for the U.S. side of the Bonn summit in July, Lambsdorff wants to make a brawl over protectionism one key aspect of wrecking the meeting.

The West German Chamber of Commerce executive secretary, Paul Broicher, stumbled into Lambsdorff's trap, or perpetuated it, by urging the July summit to concentrate on protectionism, since West Germany, he said, in a May 17 speech, cannot expand its 1978 exports enough for real growth.

The reward for West German reflation, from this side of the Atlantic, according to Fed Governor Henry Wallich in a May 17 *Die Welt* interview, will be Congressional approval of the U.S. energy consumption restriction program for which West Germans have been allegedly — and to a dangerous degree actually — screaming. Otherwise, the President will impose oil import taxes by fiat, Wallich threatened. His counterpart at the Bundesbank, vice-president Karl-Otto Poehl,

rounded out the package. Poehl told a Bankers Association for Foreign Trade conference in Hot Springs, Arkansas that, given an anti-inflation program in the U.S., West German firms will be happy to provide more capital inflow, since mark exports and West German labor are "overpriced."

The philanthropic efforts of these underlings — operating under the orders of no one but Miller, Blumenthal and the Brookings Institution in the U.S. — were complemented by a babble of antidollar warnings and blandishments from direct London circles. Robert Triffin told the Forex research gathering in New York City May 15-16 that the dollar's role must be reduced, and a new international currency substituted. West German Finance Undersecretary Manfred Lahnstein elsewhere expressed great enthusiasm for a European Monetary Unit reserve system to diminish the dollar's role. Belgian central bank chief de Struyker proposed a "dual snake" European joint currency float to the same effect. Finally, Hamish McRae of the London *Guardian* thumped on the fragility of the dollar recovery and the inability of the Fed to deal with the situation May 16. Such sideshows amount to a foil to persuade certain Americans, West Germans, and others that they would prefer a "dollar stabilization package" to the formed demotion of the dollar to these sorts of polymorphous little "zones," "pegs," "tiers" and "snakes."

In this climate, the joint announcement by Swiss, West German, and Japanese monetary authorities that they will attempt to ease the foreign-exchange controls which served as a brake against antidollar speculation can be used by Miller as another sort of blackmail. They could lead the imposition of hyperinflationary oil import taxes, accept a "recession," and thus "deal with the fundamentals." Or, our international partners will simply let the dollar strip its gears.

—Susan Johnson

### Accept Inflation or Face Civil War

*Business Week*, special report on inflation May 22:

The most pernicious inflation in U.S. history is destroying the nation's effort to achieve solid economic growth. Government policies are largely to blame, and government measures to alleviate the impact of price increases only make the inflation more virulent. Indeed, inflation seems so embedded in U.S. society as to appear ineradicable....

...In the event of wage increases, the government will be forced to take more stringent action, either by imposing mandatory controls or restrictive economic policy, which would temporarily slow the pace of inflation... "The most realistic threat the country faces is not controls but another recession," says (Council of Wage and Price Stability chief Barry) Bosworth. "We can see the signs already... A recession is likely because that has always been government's anti-inflation policy."

...The U.S. is still a long way from open class warfare, but many people worry about what could happen if inflation remains at anything approaching recent levels... the economic outlook is clouded, inflation is no longer waning, and this country could be heading into the worst period of economic and social dislocation since the Civil War.

# London Has 'Back-Door' Plan To Replace Dollar With SDR

London and its allies in the International Monetary Fund have focused on the Third World in their attempt to have the dollar replaced by the SDR as the world's major trading currency.

As is widely known by now, British Chancellor of the Exchequer Denis Healey's big push at the April 29-30 Mexico City IMF meeting to have the industrialized

that like so many other IMF proposals was passed with the understanding that it will now be kicked around for months by members governments, and that only a major fight would get the proposal into the implementation phase.

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## BANKING

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nations substitute their central bank holdings of excess dollars with the SDR funny-money was soundly rejected by countries who knew what devastation that would mean for the dollar and the global economy.

High-level sources confirm that London is now taking a back-door approach to the same operation. The plan is as follows: the Fund will soon offer a new round of SDR-denominated loans to select Third World countries. These loans would allow the debtor nations to artificially hike their "book" accounting currency reserves; the SDRs could then, according to London, be exchanged with other central banks for hard currencies to finance trade.

The same sources stress that Treasury Secretary W. Michael Blumenthal fully supports this plan despite the fact that it clearly represents a "foot-in-the-door" for implementation of London's full, anti-dollar SDR strategy.

The sources also warned, in this context, of the future implementation of a compromise proposal pushed by England at the Mexico City meeting to simply increase all countries' book accounts of SDR holdings at the IMF (i.e., without exchanging them for dollars). This proposal, which was passed by the meeting in principle, would give the IMF the needed SDR funds to go ahead with the cited Third World lending push. (U.S. Treasury officials estimate current "liquid" IMF holdings of SDRs at a low 9 billion.)

However, U.S. Treasury officials pointed out in interviews May 17 that the compromise book accounting formula was not very popular among IMF members, and

### *Target U.S. Banks*

At the same time, the IMF Third World lending push is intentionally targeting U.S. and European commercial banks, the traditional "hard-currency" lenders to the Third World. The commercial banking system is acutely aware that unless some form of debt reorganization is undertaken in the Third World, they face the prospect of massive defaults at virtually any time.

British forces at the IMF are desperate to cut off certain commercial banks, New York's Citibank being one example, which are responding to this crisis by organizing limited debt rescheduling and new loans to Third World countries independently. Similarly, meetings were recently held in Bonn, West Germany between European bankers and representatives of the Turkish government to discuss freezing of Turkey's \$14 billion in West Germany-held debt, to allow for a new series of loans.

These same commercial banks, however, are still operating wholly within the framework of the IMF — the institution which is bent toward their destruction. One New York commercial banking spokesman, for example, reported that a private debt rescheduling scheme is currently being considered for a major Latin-American country — but that the IMF will be brought in as a participant to any future loans.

London is, in part, taking advantage of the panic in the commercial banking community in Europe and the U.S. over their past lending operations into the developing sector. This is a panic for which the IMF is largely responsible: As a direct result of the brutal austerity conditions which the Fund has imposed on most developing nations, those nations' industries and working populations have collapsed — making these impoverished countries incapable of paying the commercial bank debts. Now ironically the IMF is willing to issue "no-austerity-conditions" loans...but only in SDRs.



# Israeli Official Calls For Mideast 'Common Market'

*Yohann Meroz, Israel's Ambassador to West Germany has stated that his country would welcome the establishment of a development-based "Common Market" encompassing the entire Mideast region. Meroz's callechoes that of A. Robert Abboud, Chairman of the First National Bank of Chicago, who said at a meeting of the American-Israeli Chamber of Commerce and Industry on May 10 in Chicago that the only way to Mideast peace is through a "Common Market" — development and trade integrating the entire region (see Executive Intelligence Review, Vol. V No. 19, May 16). The interview with Mr. Meroz, which is excerpted below, appeared in the West German daily Die Welt:*

*Q: How do you evaluate the present political situation?*

*A: Certain emphases have shifted since the Federal Republic of Germany's entry into the United Nations, and also through membership in the European Community. Much that was previously dealt with on a purely bilateral basis is now more often pursued multilaterally. Nevertheless, the Federal Republic remains, after the United States, one of our most important partners, and in many areas is the most important. To put it very concretely, this relates to economic relations, youth exchanges, scientific relations and numerous other questions.*

*Q: Could these ties contribute to the relaxation of tensions in the Middle East?*

*A: I believe so. The Federal Republic, like the European Community, has signed parallel economic treaties with Israel and with some Arab countries, such as Jordan and Egypt. These could be utilized to create the effects which would promote peace.*

*Q: Do you mean in the sense of a future "Common Market" in the Mideast?*

*A: When Robert Schumann presented his plan for the European Coal and Steel Community on May 9, 1950, he said: "The solidarity created in this way will be a proclamation that any future war between France and Germany is not only unthinkable, but is also materially impossible." Something similar could hold true for the Middle East. We would welcome this.*

*Q: Wouldn't a German contribution of this nature to peace in the Middle East also have to take into account its "special relations" with Israel?*

*A: In my experience, these are now generally recognized as axiomatic, with only a few exceptions, by all democratic forces in Germany. It would be tragic if this were to change because these special relations somehow turned into a point of dispute.*

*Q: How do you judge the prospects for peace?*

*A: In his government declaration, Federal Chancellor Helmut Schmidt correctly pointed out that, after thirty years of division, peace cannot be made overnight. But an important bridgehead has been created — by the meeting and the talks. In spite of all differences in viewpoint these can and must turn into real negotiations, and that is an encouraging change.*

*We regret that, up to now, the discussion has been conducted with only one Arab country, even though it's with such an important one as Egypt. It is to be hoped that others will join in. In any event, the Egyptian-Israeli talk already represents a good omen.*

## The Policy Framework For A National Export Program

### Draft Proposal For The Weil Task Force On Exports

#### *Introduction: A Revealing History*

*The document printed below was prepared on May 14 by Warren Hamerman of the National Executive Committee of the U.S. Labor Party at the request of a major*

### TRADE

*international trade organization in the United States. Last week, one corporate official walked into a meeting of the organization with mimeographed copies of the proposal which were distributed to the assembled executives. He motivated its adoption as the organization's policy input into the task force on exports headed by*

*Frank Weil of the U.S. Department of Commerce. The proposal was the only agenda item at the meeting.*

*Nonetheless, after a lengthy debate, the trade club in question adopted the formal position that they had had "insufficient time" to pull together a comprehensive trade policy as input into the Weil task force, although "individual companies" might of course state their individual positions on the matter. Meanwhile a liaison committee would be set up within the trade club to study the "feasibility" of the proposal printed here.*

*It should be noted that members of this very same trade organization have been among the most vocal in complaining of the interminable red tape and lack of decisiveness of the Washington bureaucracy.*

Our nation now stands at the threshold of an "open door" to the greatest sustained economic boom in human history. The recent pattern of massive economic development agreements internationally sets the preconditions for the United States *this summer* to firmly adopt a policy of economic growth.

The historic early-May 25-year economic and scientific cooperation treaty between West Germany and the USSR, the simultaneous proposal of Japanese Prime Minister Fukuda to President Carter for the mutual commercial development of fusion energy and the policy initiatives of Lopez Portillo of Mexico and other statesmen from the developing sector have created the unique, favorable overall international framework in which the United States ought instantly to commit herself to a policy course of *world leadership* for unprecedented real economic expansion.

For the full-throttle utilization of the United States' enormous scientific, productive, technological, and skilled labor potential for capital-intensive exports we need to define a national economic policy which *begins* with an export level of \$200-\$300 billion per annum, and is specified to the benefit of energizing the world economy through the proven source of nuclear energy combined with the maximization of exhaustible fossil fuel production.

The productive, skilled and creative capacities of our population can be fully employed in the manufacture and transport of such export volumes with the commensurate levels of unprecedented domestic capital-formation and modernization.

A true United States exports policy predicated upon global economic growth and the attainment of nuclear energy power sources is a three-fold process:

1. The principal market for absorption of high-technology U.S. exports is recognized to be large-scale development projects in the 'third world.' Comprehensive development projects for the Middle East as a whole or the sub-equatorial area of southern Africa or other areas of the developing sector must reject the World Bank and International Monetary Fund labor-intensive programs which exploit raw materials without the transfer of industrial infrastructure or the development of skilled labor populations in the area. Programs modeled on the most successful development project in human history — the United States itself — must prioritize capital-intensive development of skilled-labor and advanced manufacturing methods for both industry and agriculture. The recent program for the Middle East as a whole advanced by Robert Abboud of First National of Chicago and the similar earlier proposals advanced by the U.S. Labor Party and Fusion Energy Foundation provide useful working prototypes.

2. Around the common task of realizing industrialization and technology transfers in the developing sector, the other nations of the advanced sector (OECD) as well as the economies of the East (CMEA) desire and need enormous increases in trade imports from the United States. Expansion of advanced sector trade to the advantage of the United States as well as greatly increased U.S.-East trading levels is a practical political-economic necessity. For example, the recent 25-year accord between the West Germans and the Soviets calls for the economic development of a region of Siberia larger than

the nation of France. Only by the United States' expansion of exports in capital-goods and new technologies to West Germany, Japan and France can those economies expand to sufficient levels. Furthermore, the West Germans, Soviets, Japanese and French have all indicated that they are counting upon the United States industrial capacity to play a principal, leading role in the Siberian development projects.

3. The centerpiece for American exports both for developing sector industrialization and enhanced East-West trading levels is vastly expanded world energy production. The policy theme of international nuclear energy development is best modeled on the second Eisenhower Administration's 'Atoms for Peace' program. As Fukuda recently stressed, the Soviets have repeatedly emphasized and our own nation's leading scientists have urged, the core of energy needs as we approach the 21st century is most favorably addressed through the commercial utilization of fusion power. In the transition to fusion, the full utilization of nuclear fission, breeder technologies and fission-fusion hybrids combined with the maximized exhaustion of fossil-fuel sources provides a balanced program capable of powering world economic growth. Overall, the United States through its exports and domestic gearing up of economic output, must lead the European Economic Community, Japan, and the CMEA to cooperatively upgrade their national economies to reach a common production goal of 250 GW (gigawatts) annually by the year 1985. About two-thirds of these plants are intended for domestic installation and about one-third for export into developing-sector nations. Such a program, which reflects approximately a tripling of existing advanced sector production capacity over a seven-year period, would lay the basis — in new capital formation, research and development capacity, and, most importantly, in the generation of sufficient skilled labor, engineering and scientific manpower worldwide — to allow for the transition to fusion energy as a commercial energy source.

#### *Financing*

The financing of such a global economic development plan must feature long-term credits of 18-20 years' duration at extremely low interest if we are to seriously ensure that return on investment is tangible expansion in the productive and skilled-manpower capacities of future economic activity, as opposed to the short-duration loans currently favored by the World Bank and IMF which force sovereign nations to the very borderline of intolerable austerity, on the one side, or virtual foreclosure on the other.

We would recognize that the nation's private sector and government capacities (especially a greatly expanded Export-Import Bank) for financing the desired long-term low interest credit approach would be an appropriate vehicle through which this nation may interface the similar desired policies of other advanced sector nations and the OPEC countries for currently existing surplus liquidity utilization.

In other memoranda we have elaborated that enhanced world trade flows to the great advantage of the United States economy are immediately realizable provided that three fundamentals of a "post-Bretton Woods" world monetary order are realized: (1) The non-per-

forming foreign debt balances of developing sector nations — especially LDCs — owed on account to the IMF and World Bank must be “frozen” to allow for sufficient real economic output; (2) The remaining private sector debt as well as new debt for expanded imports to the developing sector must be reorganized around “Hamiltonian” national banking procedures, similar to those pursued for “home improvements” by our first Secretary of the Treasury and recently stressed in Robert Abboud’s proposal for a comprehensive Middle East development program; (3) To stabilize the U.S. dollar at a much higher value, allowing the dollar to function effectively as a world reserve trading currency, a gold reserve monetary arrangement is a *sine qua non* for mutual transactions.

To ensure that our nation this summer marches through the “Open Door” to economic prosperity, the Carter Administration must be politically strengthened through a visible policy commitment among trading, industrial, labor, agricultural, banking and political groupings to the policy framework outlined above. Such an economic growth policy ‘groundswell’ in the United States will allow Carter to avoid the traps of both G.W. Miller’s recessionary policy and W.M. Blumenthal’s hyperinflationary program.

In summation, America’s strategic economic interests are defined by fostering of prosperous economic development and thereby world peace and not the adversary “scenarios” of Henry Kissinger, Henry Jackson, Jacob Javits, Ted Kennedy, James Schlesinger and others advocating policies inimical to our historic purpose as the world’s leaders in scientific excellence and economic development through the development of skilled and cultured manpower.

We have the unique correlation of international forces prepared to accept U.S. leadership for sustained real economic development. We must act and act swiftly, to assume that leadership to the lasting benefit and profit of our population, industry and nation.

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# The 'Incomes Policy' Swindle

## The Fraud And The Reality Of The Crisis In U.S. Labor Productivity

Treasury Secretary Michael Blumenthal, Council on Wage and Price Stability director Barry Bosworth, and other "British School" economists both in and outside the Carter Administration have pounced on recently released Labor Department data as proof that wages are a primary culprit in the present upsurge of inflation. The Labor Department figures show a sharp plunge in U.S. labor productivity and a marked rise in unit labor costs during the first quarter of 1978.

No Administration official dares openly to espouse mandatory wage-price controls at present, but the Blumenthal-Mondale faction is quietly banking on herding a frightened business community into virtually demanding an "incomes policy" swindle once the inflationary recession engineered by Fed Chairman William Miller's credit-tightening gets underway.

Clearly, the Mondalites believe that, in a period of declining corporate profits, the temptation to "make labor pay" will prove overwhelming. Even Arthur Burns, who was pressured into retiring as Federal Reserve head to make way for Mondale's choice, Miller, and who ought to know the Mondale group's game,

recently blathered about the "high cost of labor and a fall in worker productivity relative to wages."

Yet the cited Labor Department figures—3.3 percent annual rate of decline in labor productivity (defined as output per man-hour) in the manufacturing sector, and a 3.6 percent decline in the private business sector as a whole—are *statistically meaningless*. This is because output in the private business sector also fell 1.8 percent during the first quarter, reflecting the coal strike and the severe winter weather.

As any business economist worth his salt knows, any recession or "pause" in industrial production will result in declining labor productivity, since output tends to fall faster than employment. Employers are reluctant to lay off workers they may have to hire again shortly. Subsequently, industrial production surged 1.1 percent in April over the depressed March level, and now improvement in labor productivity is undoubtedly also underway.

Burns and other conservative business leaders know better. But whether through political spinelessness or sheer cupidity, they are allowing themselves to be set up for major confrontations with labor unions, confrontations that will only damage the U.S. economy.

### The Investment

There is a real question involved here—rate of increase of productivity of American manufacturing workers has slackened noticeably since the early 1960s and has fallen well below that of the other leading industrial nations in Western Europe and Japan. This is not a problem of "lazy American workers," but reflects chronic underinvestment in basic plant and equipment in the U.S. since the 1958 recession, as well as declining emphasis on the development and application of new labor-saving technologies.

The three tables presented here drive home the point. *Table I* compares fixed investment (excluding residential construction) as a percentage of Gross National Product in the U.S., Japan, West Germany, and five other leading European industrialized economies. *Table II* shows annual rates of growth of manufacturing output, productivity, hourly compensation (in national currency), and unit labor costs (in national currency) in each country during the period 1960-1977. The third table compares the growth of average *real* wages of manufacturing workers, after

I. Capital Investment, Excluding Residential Construction, As A Percent Of Total Domestic Output 1960-1975 (1)

(Current Prices)

Year	U.S.A.	Japan	Belgium	France	West Germany	Italy	Netherlands	United Kingdom
1960	14.4	28.3	15.3	17.7	21.2	18.4	21.4	15.4
1961	14.1	31.4	16.4	19.2	22.4	19.1	22.1	16.2
1962	14.2	31.3	17.9	19.6	23.1	18.9	22.1	15.7
1963	14.3	29.3	17.7	19.8	22.8	18.8	21.7	15.3
1964	14.7	28.9	17.2	20.4	23.6	16.0	22.4	16.5
1965	15.5	26.3	16.9	20.4	23.1	13.8	21.6	16.7
1966	16.0	26.5	18.5	21.0	22.2	13.9	22.7	16.7
1967	15.7	27.3	18.7	21.3	19.8	14.8	22.4	17.2
1968	15.4	28.6	17.6	20.7	20.0	15.1	23.0	17.4
1969	15.4	29.5	17.5	21.5	21.9	15.0	20.7	17.6
1970	14.9	28.7	19.0	20.2	23.8	16.0	22.8	18.0
1971	14.6	29.1	19.6	20.3	23.6	16.0	22.4	17.6
1972	14.5	28.7	18.6	20.4	22.2	15.4	19.2	17.1
1973	14.8	29.7	17.6	20.2	20.7	16.4	18.3	18.0
1974	15.3	27.7	18.1	20.4	19.3	18.0	18.1	18.3
1975	14.3	24.3	17.6	18.4	18.8	16.1	17.9	17.6

(1) Fixed investment at market prices as a percent of domestic output at factor cost  
Source: U.S. Department of Labor

**II. a International Comparison Of  
Output Per Man-Hour, Output, Hourly Compensation  
And Unit Labor Costs In Manufacturing, 1960-1965**

(Average Annual Percent Change)

	Output Per Man-Hour	Output	Hourly (1) Compensation	Unit Labor Costs (1)
U.S.A.	4.9%	6.9%	3.5%	(1.3)%
Belgium	4.8	6.3	9.6	4.6
France	5.2	6.8	9.2	3.8
Germany	6.0	5.7	9.4	3.2
Italy	6.8	6.6	13.6	6.3
Japan	8.5	11.9	13.2	4.3
Netherlands	5.3	5.8	11.5	5.9
United Kingdom	4.1	3.5	6.4	2.2

(1) In national currency.

**II. b International Comparison Of  
Output Per Man-Hour, Output, Hourly Compensation  
And Unit Labor Costs In Manufacturing, 1965-1970**

(Average Annual Percent Change)

	Output Per Man-Hour	Output	Hourly (1) Compensation	Unit Labor Costs (1)
U.S.A.	1.4%	2.4%	6.1%	4.6%
Belgium	8.2	7.0	9.3	1.0
France	6.7	6.8	9.3	2.4
Germany	5.5	6.0	8.5	2.9
Italy	5.3	8.6	9.4	3.8
Japan	13.4	16.1	15.3	1.7
Netherlands	9.1	7.4	12.4	3.1
United Kingdom	3.6	3.1	7.5	3.7

(1) In national currency.

Note: Percent changes computed from the least squares trend of the logarithms of the index numbers. Data relate to all employees in manufacturing.

Source: U.S. Department of Labor. Bureau of Labor Statistics. Office of Productivity and Technology. Division of Foreign Labor Statistics and Trade.

adjustments for changes in purchasing power, in each country during the same period.

(A word of caution: official estimates of "real" wages have proved increasingly inaccurate, due to failure to adequately account for rising taxation and other "hidden" factors contributing to the erosion of purchasing power. Thus, real wages in the U.S. have probably been flat-to-declining since 1969. The chart indicates, at least, how U.S. performance stacks up relative to that of other economies.)

Japan, the "miracle" economy of the postwar period, stands out as by far the leading high-investment economy. Fixed investment generally accounts for 28 to 31 percent of Japan's total Gross National Product. But the U.S., with only 14 to 16 percent, ranks lower even than stagnant Britain.

During 1960-77, Japan managed to combine the highest rates of growth of manufacturing output and the highest rates of growth of labor productivity, with the highest growth in real wages.

Britain and the U.S. are at the very bottom of the list on all counts. Up until 1975, when the British economy finally collapsed completely under the weight of its turn-of-the-century industrial equipment, the U.S. record was even worse than that of the U.K.!

*The Role of Dirigism*

Japan's relative success reflects not the arbitrary workings of the "free market" but years of close, "dirigistic" collaboration between its government and private banking and industrial leaders to ensure high levels of capital formation, industrial exports, technological progress. (For details see the ECONOMIC SURVEY in *Executive Intelligence Review*, Vol. V., No.

13). At the same time, Japanese leaders understood that a rapid rise in living standards was required in order to transform a war-ravaged population into a skilled, modern workforce. Otherwise, Japan was doomed to remain a low-wage Hong Kong, exporting textiles and other light manufactured goods to the more advanced economies.

Table II shows that during 1965-70, the productivity of Japanese workers grew at the astounding rate of 13.4 percent per year, much higher than in the other seven countries, and compared with an increase of only 1.4 percent in the U.S. Total manufacturing output in Japan also grew fastest, running at a 16.1 percent annual rate. And hourly compensation rose at a 15.3 percent rate.

Yet unit labor costs rose by only 1.7 percent during this period, reflecting the offsetting effect of rising productivity. During the same period, the period of the Vietnam War, the hourly compensation of U.S. workers grew slowest (6.1 percent), while unit labor costs grew fastest (4.6 percent).

The simple-minded Wall Street view that higher rates of capital formation and rising real wages are two mutually exclusive categories was hereby disproven with a vengeance.

*Why the U.S. Stagnated*

The U.S. economy emerged from World War II as by far the world's leading industrial power, and possessed a long and proud record of technological achievement. How could it lapse into stagnation as early as 1958? The answer, which can be indicated only summarily here, is that the British oligarchy convinced U.S. policy-makers to accept the British Empire as the model for the postwar "Pax Americana."

The overvaluation of the U.S. dollar relative to

**II. c International Comparison of  
Output Per Man-Hour, Output, Hourly Compensation  
And Unit Labor Costs In Manufacturing, 1970-1975**

(Average Annual Percent Change)

	Output Per Man-Hour	Output	Hourly (1) Compensation	Unit Labor Costs (1)
U.S.A.	1.8%	1.8%	7.9%	6.0%
Belgium	7.6	4.3	18.0	9.7
France	4.6	4.1	15.0	9.9
Germany	5.5	1.6	13.5	7.5
Italy	5.9	3.6	22.2	15.4
Japan	4.3	3.5	20.3	15.4
Netherlands	7.0	2.9	16.9	9.2
United Kingdom	3.2	1.4	17.8	14.2

(1) In national currency.

Note: Percent changes computed from the least squares trend of the logarithms of the index numbers. Data relate to all employees in manufacturing.

**II. d International Comparison Of Output Per Man-Hour,  
Output, Hourly Compensation And  
Unit Labor Costs In Manufacturing, 1976**

(Average Annual Percent Change)

	Output Per Man-Hour	Output	Hourly (1) Compensation	Unit Labor Costs (1)
U.S.A.	6.8%	5.1%	8.6%	1.7%
Belgium	11.1	9.2	11.5	0.4
France	9.4	8.0	15.3	5.4
Germany	8.2	7.4	6.0	(2.0)
Italy	7.5	12.4	18.4	10.2
Japan	13.0	13.8	8.8	(3.7)
Netherlands	9.9	5.4	11.6	1.6
United Kingdom	3.5	1.0	18.1	14.2

(1) In national currency.

Source: U.S. Department of Labor. Bureau of Labor Statistics, Office of Productivity and Technology, Division of Foreign Labor Statistics and Trade.

European currencies, insisted on by the British at Bretton Woods, encouraged U.S. multinational corporations to invest in European assets at bargain-basement prices while neglecting investment at home. This was by no means a necessary or "natural" development. In real economic terms, given the devastation of Europe and the higher productivity of American labor, it would have made much more sense to export capital goods produced in the U.S. to Europe and Japan. This would have allowed a much faster pace of industrialization in Europe and Japan, and these countries could then have assisted in the development of Third World regions as well.

With the emergence of a U.S. balance of payments deficit in 1959-60, and the beginning of John F. Kennedy's presidency, Robert Triffin and other "British System" economists spread the myth that the real source of the problem was a "dollar glut"; the dollar's international lending role would have to be reduced. Kennedy Administration "technicians," including Henry Fowler and Robert Roosa (now partners at the British-oriented investment banking firms of Goldman Sachs and Brown, Brothers Harriman, respectively) pushed through capital outflow control measures to "solve" the dollar crisis. In 1963, an Interest Equalization Tax was imposed, effectively shutting off the New York capital market to foreign borrowers. This merely accelerated the growth of an "offshore market" in dollars in London, a speculator's paradise outside the control of U.S. monetary authorities. In January 1968, Lyndon Johnson imposed an emergency ceiling on U.S. multinational investment abroad, invoking the authority of the Trading with the Enemy Act of 1917!

All these measures merely hastened the decline of the dollar. The flow of dollars abroad was never the problem.

**II. e International Comparison of  
Output Per Man-Hour, Output, Hourly Compensation,  
And Unit Labor Costs In Manufacturing, 1977**

(Average Annual Percent Changes)

	Output Per Man-Hour	Output	Hourly (1) Compensation	Unit Labor Costs(1)
U.S.A.	2.2%	3.1%	8.8%	6.5%
Belgium	N.A.	N.A.	N.A.	N.A.
France	3.8	2.0	12.6	8.5
Germany	4.2	3.2	9.2	4.9
Italy (2)	0.5	2.5	22.6	22.0
Japan	6.1	4.5	9.6	3.3
Netherlands	N.A.	N.A.	N.A.	N.A.
United Kingdom	(1.6)	0.4	10.0	11.8

(1) In national currency.

(2) Estimates for 1977 based on partial year data.

N.A. Not Available.

The problem was how the dollars were used: short-term profit-making based on "buying Europe cheap" rather than the generation of U.S. capital goods exports, which would have easily eliminated the U.S. payments gap.

*Bootstrapping*

The result was that Japan was forced to "bootstrap" its way into the modern industrial era. The country developed only by assuming huge debts, both external and internal, relative to Gross National Product. The dollar crises of the early 1970s, the sharp rise in the prices of oil and other basic raw materials (most of which Japan must import), a worldwide depression in 1975, combined with the high degree of financial leverage of the Japanese economy, took the wind out of the sails of the Japanese "miracle."

When Japanese output fell to an annual rate of 3.5 percent during 1970-75, its productivity growth fell below that of the other economies while Japanese hourly compensation and unit labor costs grew faster. Although Japanese productivity again showed large gains in 1976 and 1977, the 1977-78 dollar crisis may have tipped the export-based Japanese economy into another major recession.

By contrast to Japan, West Germany, with a lower rate of investment as percentage of GNP and a relatively unenlightened labor policy (a slower rate of increase of real wages and a backward educational system) has hardly had a chance to develop. During 1960-1977, West Germany showed a slower rate of increase of labor productivity and slower growth of overall manufacturing output than Japan.

It is now up to the U.S., still the largest industrial economy, with higher living standards (in absolute terms) than Japan and most of the European economies, to take the appropriately "dirigistic" steps which will lead the way to world economic recovery — but most certainly not the "incomes policy" poison being peddled by the Mondale crowd.

—Alice Shepard

### III. Average Real Hourly Earnings (1) Of Production Workers In Manufacturing, 1960-1976

(1967=100)

Year	U.S.A.	Belgium	France	West Germany	Italy	Japan	Netherlands	United Kingdom
1960	90.1	70.0	79.1	68.7	70.4	67.2	64.7	84.5
1961	91.5	72.7	82.5	74.3	73.2	71.0	72.9	87.4
1962	93.2	76.4	85.4	80.3	80.3	75.3	78.2	87.0
1963	94.7	81.4	88.5	83.5	87.2	78.3	80.8	88.9
1964	96.2	87.3	90.8	88.3	91.4	83.8	87.9	92.8
1965	97.6	91.3	92.9	94.0	94.3	87.0	93.0	95.1
1966	98.8	96.2	96.0	97.5	96.0	92.6	95.7	98.6
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	102.1	102.4	105.9	102.8	103.1	111.3	104.5	101.9
1969	102.6	107.6	112.1	111.0	110.3	126.2	108.2	104.7
1970	102.1	114.9	120.0	121.1	130.3	137.2	117.2	113.5
1971	104.0	125.0	126.8	128.6	144.2	149.2	125.1	115.8
1972	107.4	134.7	132.0	132.4	152.9	165.5	129.7	123.4
1973	108.3	144.9	140.2	137.7	169.3	184.8	137.1	127.8
1974	105.5	155.2	146.8	143.2	177.7	199.2	147.3	132.5
1975	105.5	163.2	152.8	146.5	192.4	206.5	153.0	133.7
1976 (2)	107.6	167.7	158.7	149.5	203.0	214.0	154.0	127.7
<b>% Change:</b>								
1965 vs. 1960	8.3%	30.4%	17.4%	36.8%	33.9%	29.5%	43.7%	12.5%
1970 vs. 1965	4.6	25.8	29.2	28.8	38.2	57.7	26.0	19.3
1975 vs. 1970	3.3	42.0	27.3	21.0	47.7	50.5	30.5	17.8
1976 vs. 1975	2.0	2.8	3.9	2.0	5.5	3.6	0.7	(4.5)

(1) Average hourly earnings adjusted for changes in purchasing power since the base period.

(2) Preliminary.

Source: U.S. Department of Labor.

# U.S. Energy Policy Fight

## *Rockefeller Foundation Calls For Sharp Turn In Carter Breeder Policy*

The Rockefeller Foundation has just released a major policy study which sharply differs with the no-growth premise of the Carter Administration's energy policy of halting development of the nuclear fast breeder reactor.

The study has been issued in the midst of ongoing Senate debate over the future of the largest United States breeder effort, the Clinch River Breeder Reactor demonstration project, and recommends that the U.S. revive its lagging breeder effort by cooperation with Japan to develop a joint breeder technology which can be rapidly commercialized.

The report, titled, "International Cooperation on Breeder Reactors," appeared just one week after the dramatic offer by Japanese Prime Minister Takeo Fukuda for a joint Japanese-U.S. fusion energy project, with initial funding proposed at the level of \$1 billion.

This latest Rockefeller study, which is a comprehensive review of global breeder efforts, is a follow-up to an earlier Rockefeller Foundation report, released in late March of this year, which recommended high-technology export expansion from the industrial countries to meet world energy needs.

### *The Rockefeller Report*

The report has been received with major national and international media attention, focusing on its critique of the Carter Administration's antibreeder policy. The day of its release, the *Washington Star* carried a front-page article calling the report a major attack on Carter's breeder policy. *Baltimore Sun* news analyst Henry Trewhitt took up the report to point out that the Carter Administration policy on breeder development "means both technological decline and a loss of political influence" for the United States throughout the world. The consequence of this, quite opposite to President Carter's stated intent, he notes, "could be reduced ability to discourage the spread of nuclear weapons."

Prepared under the direction of Rockefeller Foundation specialist Dr. Mason Willrich, a former official with the U.S. Arms Control and Disarmament Agency, and in collaboration with a Washington, D.C. consultant group, International Energy Associates Limited, the report enlisted the cooperation and participation of leading energy authorities from every major nuclear country in the world with the exception of the Soviet Union.

Citing rapidly expanding world energy needs, commitment by more than 40 different nations to nuclear power sources, and finite limits of conventional light water reactor fuel, the report concludes that "the development and eventual deployment of such advanced reactors appears necessary if nuclear fission is to meet a major

part of the world's energy needs in the long run." Further, the Rockefeller group adds, "despite continuing controversy, breeder reactors will remain a conceptual centerpiece of the energy research and development programs of most... of the major industrial countries."

In reviewing the entire range of international breeder development programs, the report reaches several important conclusions:

- \* Although the United States had the early lead in developing experimental breeders, it has put no new breeders in place for some time; and has at present no firm plans to do so.

- \* In terms of successful reactors, the French and Soviets have the clear lead now and both nations have formed plans for continued demonstration of scaled-up reactors.

- \* Japan and West Germany have begun programs more recently than France. Japan built its first reactor, JOYO, in a relatively short time and its second effort is expected to progress rapidly.

- \* Although in technology the British are not far behind the French and Soviets, they do not currently have a reactor in construction and are therefore not expected to keep the pace.

The report takes on Carter's justification for aborting fast breeder development, the so-called proliferation issue: "Breeder reactors need not significantly increase the risk of nuclear proliferation," it stresses. "Nuclear weapon proliferation is possible as a consequence of deployment of any nuclear power technology. The effectiveness of non-proliferation depends mainly on the nature and efficacy of political and institutional arrangements to safeguard fissile materials — not singularly on the choice of nuclear technology."

Contrary to Carter Administration insistence, "deferral of the breeder is not viewed by France, West Germany, Britain or Japan as simplifying proliferation problems. On the contrary, efforts by one nation to seriously inhibit breeder development may, in another, be viewed as threatening to national security and energy planning."

If, furthermore, the United States "withholds U.S. technology and resources from effective influence and use in resolving the related proliferation problems," this may further aggravate international tensions and frictions.

The study stresses after such a review of all considerations of breeder development, the United States should develop commercial sized breeders and "take steps to move back into a position of technological leadership on the breeder reactor."



### *The Political Fight*

The Rockefeller study appears at a critical juncture in the ongoing fight to turn around the Carter Administration breeder policy. The focus of the fight to keep Clinch River alive has now shifted to Congress where the Schlesinger budget proposal for next fiscal year is being reviewed and marked up.

Last month after a heated attempt by Energy Secretary Schlesinger failed to "compromise" the Clinch River project to death, the House Science and Technology Committee voted to add more than \$140 million to insure continued construction of the project.

The fight has now shifted into the Senate where the Energy Committee is planning to vote on the future budget next week. Senator Frank Church has been attempting, so far unsuccessfully, to undercut the strong pro-breeder mandate by Congress, offering another compromise, using the rationale that since the President is determined to veto the Clinch River, Congress should back off in some way that will avoid a showdown with Carter. The issue will depend to a significant extent on the influence of reports such as the Rockefeller study combined with the strength of a national pressure from key sectors of industry and organized labor, particularly Teamsters, building trades and steel unions.

—William Engdahl

### Japanese-U.S. Joint Project Proposed

*Following are excerpts from the Rockefeller Foundation International Policy Studies, International Cooperation on Breeder Reactors, issued May, 1978:*

The U.S. should continue to develop breeders as insurance against possible future resource depletion. For such an approach to be credible, breeders should be proven as an option through the demonstration of commercial-size units. The present LMFBR reactor and fuel cycle technology should be further developed in its most proliferation-resistant form as the technology of choice, taking account of results of the INFCE process.

The U.S. should take steps to move back into a position of technological leadership on the breeder reactor and particularly on the breeder fuel cycle and nonproliferation measures....

The U.S. government should recognize that continued international exchange and cooperation on R&D, demonstration, and safety and licensing may make nonproliferation-related agreements easier to achieve....

... deferral of the breeder is not viewed by France, the F.R.G. the U.K. or Japan as simplifying proliferation problems. On the contrary, efforts by one nation to

seriously inhibit breeder development may, in another, be viewed as threatening to national security and energy planning.... By increasing friction and thereby reducing chances for an international accord on plutonium control, policies of denial may aggravate the risk... Further, the consequences of failure on the part of the U.S. to moderate its demand for oil from foreign sources may well have the effect of increasing the demand for breeder development in other nations, especially if, at the same time, the United States withholds U.S. technology and resources from effective influence and use in resolving the related proliferation problems.

Breeder reactors need not significantly increase the risk of nuclear proliferation. Nuclear weapon proliferation is possible as a consequence of deployment of any nuclear power technology. The effectiveness of nonproliferation depends mainly on the nature and efficacy of political and institutional arrangements to safeguard fissile material — not singularly on the choice of nuclear technology. While alternative fuel cycles should be carefully explored, proliferation resistance may derive more from careful control of the fuel cycle than from choosing an alternative reactor system....

Based on analysis of European and Japanese breeder policies, it seems clear that European nations and Japan have faced the same issues which are identified as confronting the U.S., and they have opted for breeder reactors as key elements of their national energy policies, leading towards a long-term non-fossil energy option. Neither the European nations nor Japan is likely to significantly alter their own breeder programs based on what the U.S. decides....

Such a cooperative arrangement between the U.S. and Japan could provide certain tangible benefits to the U.S. system including:

- \* Providing a positive impetus to the U.S. breeder program;
- \* Creating a basis for close cooperation with additional nations on breeders, with the intent to provide strong technological as well as organizational leadership internationally in developing and demonstrating proliferation-resistant technology and institutions, as well as in later deployment decisions;
- \* Providing a carrot which may be used in negotiating agreements not to reprocess or recycle plutonium in LWRs, and in seeking agreement on proliferation-resistant fuel cycles which avoid separated plutonium under national control;
- \* Helping to add significantly to the time available to put in place proliferation-resistant technology and institutions.

# Is The U.S. Serious About E-W Trade?

*East Germany's First Major Trade Tour Here Raises The Policy Issue*

*Exclusive to the Executive Intelligence Review*

The German Democratic Republic's first Economic-Technological Congress in the United States, held in the second week of May in three major U.S. cities, aimed to market GDR industrial products and processes, to spark the growth of East German-American trade from its tiny 1977 volume of \$52.9 million. But both in the sessions and in high-level private meetings held on the trade congress's periphery, the central question was what kind of East-West trade policy the United States is going to pursue.

In successive sessions in New York, Los Angeles, and Chicago from May 9 to May 16, an East German delegation led by State Secretary and First Deputy Foreign Trade Minister Dr. Gerhard Beil met with U.S. industry and banking officials. The Congress sessions were organized through the efforts of the U.S.-GDR Trade and Economic Council, a business-promotion group based in Providence, R.I. and chaired by Jerome Ottmar, the head of Amtel, Inc.

What emerged in and around the trade congress meetings were central issues for American foreign trade policy. Will the United States make a commitment to financing an expansion of trade in industrial goods, particularly East-West trade in technologies? Is U.S. industry serious about mustering the political clout to get rid of the Jackson-Vanik amendment and other legislative obstacles to trade with the East, or will it continue to try to "end-run" the problem by dealing through foreign subsidiaries? Will the U.S. seize the opportunity for world economic recovery created by the 25-year economic cooperation pact signed May 6 between the Soviet Union and West Germany? Or will that political challenge be ignored, in favor of jockeying by U.S. firms to get "cut in" through their own individual connections and subsidiaries?

As the three-city tour came to a close in Chicago, one member of the GDR group expressed his surprise that the Bonn-Moscow accord was barely mentioned in American newspapers; in his view, it was an agreement that would be "changing all of Western Europe."

The coherence of the GDR group's purpose with that of Soviet President Brezhnev and West German Chancellor Schmidt came across dramatically in the Chicago address by the GDR Ambassador to the United States, Herr Sieber, who sounded one of the same themes that West German Chancellor Schmidt had stressed in speaking to Soviet President Brezhnev. Parallel with trade expansion, he said, there should be a cultural exchange featuring the best in Germany's heritage and eliminating the "clichéd" views that have hampered collaboration in the cultural and economic fields alike.

Contract signings to emerge from the week of lectures and discussions have not been announced, but Rudolf Murgott, president of the GDR's Chamber of Foreign Trade, told reporters in New York that 40 projects were under negotiation with American partners, all in a "sensitive stage" where details would not yet be made public. Commercial Counselor Werner Lange reminded his listeners in all three cities that in 1977 the GDR had invited U.S. firms to bid on 24 so-called "compensation" deals — arrangements for credit repayment through sale or deliveries of goods produced in the plant financed by that credit.

While in New York, Dr. Beil met privately with David Rockefeller, president of Chase Manhattan Bank. According to East German radio reports of their talks, they touched on not only possible U.S. investment in East Germany's domestic industrial projects, for which Dr. Beil said the potential was very high, but also cooperation in third countries.

The question of joint East-West projects in third markets, especially in the developing sector, came up repeatedly during the Congress sessions. It was put to the East German delegates at a discussion with reporters in New York, and again from the business audience in Chicago.

There exist no such deals between GDR organizations and U.S. firms at this time, replied Herr Nietzsche, Chairman of the GDR Foreign Trade Organization (FTO) Chemie, but the GDR is involved as a subcontractor in a number of Western European firms' projects in the Third World.

Asked whether this area of cooperation was not a priority because of its stabilizing political effects, in Africa for example, Nietzsche affirmed, "Our political influence is to help these countries. If we find partners for this in Western countries, then we welcome it. It is in our mutual interest and benefit. We help these countries with high quality goods, and we hope to benefit by buying their products."

## *How U.S.-GDR Trade Is Hampered*

Despite the interest on both sides in strategically important breakthroughs such as joint developing sector projects, the primary concern of the GDR delegation was clearly the normalization of bilateral trade. A review of how this sector of East-West business runs now reveals ample reason for this priority.

The GDR is excluded from Most Favored Nation status and from all government financing and credit guarantees (including Eximbank credits and guarantees, Commodity Credit Corporation lines, and so

on) under the Jackson-Vanik amendment to the Trade Act of 1974 and other restrictions on lending to most Eastern European countries imposed by Congress. This is what holds the trade turnover figures down.

But the \$52.9 million trade registered in 1977 conceals the *real* interface between the U.S. and GDR economies.

In fact, as Department of Commerce representative Mishell George reported to the New York gathering, U.S. companies did \$1,120 million in business with East Germany last year (including a high portion of grain exports). Most of the deals were "transshipments" through European subsidiaries of the U.S.-based corporations.

Thus, according to a businessman with years of experience in East-West trade, at the spring 1978 Leipzig Fair in the GDR new deals amounting to \$360 million were consummated by U.S. firms. Every dollar's worth was routed through a European subsidiary.

A second aspect of bilateral "normalization" is the structure of U.S.-GDR trade, which Foreign Trade Bank President Werner Polze emphasized in his presentation. "In addition to a relatively low sales volume," he noted, "the structure of commodity exchange between the GDR and the USA still does not conform to that of the other developed industrialized nations."

The basis for Polze's complaint is well documented in a recent survey prepared by the U.S. Department of Commerce. The United States accounts for 1 percent of exports from the industrialized West to the GDR, and for 0.3 percent of manufactured goods exports. Of imports to the industrialized Western countries from the GDR, the U.S. is on the receiving end of just over one-half of 1 percent both of the total and of manufactured goods. (All of these figures ignore the "transshipment" factor.)

The trade balance likewise reflects the underdevelopment of the U.S. market for Eastern European

industrial goods, such as the industrial processes featured during the GDR delegation's tour. U.S. imports were 32 percent of the total bilateral trade in 1977.

#### *Financing Trade*

The question period following Dr. Polze's lecture in New York evidenced a lively interest in the need for innovative ways of financing East-west trade.

Polze was asked to comment on the prospects for the socialist sector's transferable ruble to play a role in clearing international trade transactions, a procedure allowed by the Eastern European regional banks. (It is not a form of currency convertibility.) "From the practical point of view this is a little bit difficult," answered Polze. "There are some business deals in transferable rubles, but only when other problems have been solved. Given this, it will take some time for the transferable ruble to be widely used in international trade."

Unfortunately, many of the questions also bore the mark of the bogus explanations for East-West trade's supposedly dim prospects being promulgated by some International Monetary Fund, New York, and London banking circles. They included: Why doesn't the GDR float its currency? How can competitive trade proceed if prices are government-controlled? Why should we have clearing agreements when your currency doesn't float?

Polze, who had presented a detailed account of how the GDR foreign trade system functions at present through the combined offices of the Foreign Trade Ministry and the country's national trade banks, promised that the nonconvertibility of the East German mark is not likely to change. But the GDR has payments agreements, he said, functioning with every major Western industrial country—except the United States.

—Rachel Berthoff

## GDR Offers A New Steel-Making Process

*The GDR's Economic-Technological Congress offered not only trading opportunities to the U.S., but a range of very advanced industrial processes. Here, a report from the Congress meeting in New York of one of the technologies presented there:*

The second day of the Economic-Technological Congress in New York centered on seminars on advanced machine-tool, welding, and steel-making technology being developed in the GDR. One of the most important presentations described the unique plasma beam steel-smelting furnaces now being developed in the GDR through joint research and development with Soviet scientists.

Dr. Franz Mueller, department chief at the GDR's Ministry of Ore Mining, Metallurgy, and Potash presented the plasma smelting process in what proved to be the meeting's most exciting seminar, with over 30 U.S. and international steel specialists participating.

The process, which will be offered to U.S. firms later this year, has been developed for application to steel scrap for the production of high-alloy steel. Krupp of West Germany has already inspected the two operational

plasma furnaces in the GDR, and Nippon Steel and others have requested invitations. U.S. companies at the seminar, particularly Bethlehem Steel, expressed a keen interest in the new process, but were uncertain about the U.S. economy's demand for steel in the future.

In the conventional production of high-alloy steel from scrap, the energy source is either a fossil fuel or electricity. The plasma process provides heat through a set of (relatively) low-temperature argon plasma torches which are inserted into the vessel at an angle. This direct current arc plasma torch can produce temperatures up to 15,000 degrees Centigrade, as compared to maximum temperatures of 3,600 degrees for conventional furnaces. This higher temperature allows the recovery of almost 100 percent of the alloying materials from the scrap, decreased iron loss, high melting efficiency, and low heat and dust exposure for the operators.

According to GDR specialists, these benefits have led to a reduction of up to \$400 per ton in cost of production over high-temperature electric arc furnaces. An important economic factor is the fact that the plasma furnace runs at about 40 decibels, whereas a comparable

Krupp furnace reaches about 140 decibels. There is, therefore, a 30 percent savings in environmental expenditures for noise reduction.

#### *Finding the Solutions*

The first experimental plasma furnace was developed in the GDR in 1969 and had a three-ton capacity. A five-ton experimental plasma furnace, equipped with a vertical torch, has been in operation in the Soviet Union since 1972. In 1973 a 10-ton plasma furnace was built in the GDR in Henningsdorf and has produced more than 120,000 tons of steel ingots. From the experience with the 10-ton furnace, the currently operating 30-ton plasma furnace was planned and designed by specialists from the GDR and the Soviet institute at Novosibirsk and put into operation in 1977. Currently under joint GDR-USSR design is a 100-ton plasma furnace.

According to a steel specialist from Bethlehem Steel, U.S. Steel Corporation did attempt experimental work in this technology in the early 1970s, but failed to complete the solutions of the technological problems involved and bring the process to commercialization. The six young inventors of the GDR process faced the same problems,

but were able to obtain government backing to carry the programs through.

Because the operation of the plasma furnace does not require special skills, the new technology is especially well-suited for developing countries. The GDR representatives also emphasized that the GDR itself does not produce enough scrap steel for a self-feeding high-volume plasma steel industry. It is clear that the lack of natural deposits of iron ore and coking coal and lack of scrap makes the GDR an ideal place for reprocessing scrap from various advanced sector countries. The high-alloy steel products could then be available for export to both the advanced and developing sector countries.

Although a number of U.S. steel experts approached the new plasma technology with varying degrees of suspicion and hesitation, more forward-looking foreign steel producers are seriously considering purchasing licenses for plasma steel smelting technology. The U.S. companies will have to seriously examine this advancement and weigh the consequences of being left behind as the GDR and other countries lead the way into a range of plasma processes, eventually including the near-limitless energy source of thermonuclear fusion.

—Marsha Freeman

# Italy Takes On The Terrorists

*An International Cleanup Is Launched Following The Moro Murder*

Former Italian Premier Aldo Moro's murder at the hands of Red Brigades terrorists has failed in its declared aim of disrupting Italy's governing alliance of Christian Democrats and Communists. Instead of the anarchy and civil war hopefully predicted for Italy by Henry Kissinger, the *London Times*, and other spokesmen for the City of London "crisis managers," the ruling coalition is more solid than ever before. Moreover, it is moving against the networks that run terror in Italy with unprecedented thoroughness and the full support of the Italian population.

The antiterror measures being taken by the Italian government and its allies demonstrate for the first time the sort of applied knowledge of how terrorism really works (as opposed to the "left-right," "sociological phenomena" fictions routinely presented in the press) that is required to successfully combat not just the Red Brigades, but their highest-level controllers.

Important to Italian Premier Giulio Andreotti's success in taking on the terrorist networks in his own government, which includes the dismissal of over 500 members of military intelligence and related services, are the simultaneous, internationally coordinated counterterror operations involving the Soviets, the French, the West Germans, and the Arabs.

On May 17, the Italian Parliament voted approval of an antiterrorist policy jointly proposed by the ruling Christian Democracy and its Communist Party allies. This policy, known as Plan 3, was originally blocked last week in the first voting session by a coalition of the Socialist Party, the neofascist MSI party, and the British-spawned Radical party, prompting a scathing attack by the Communists against the Socialists whom they correctly labeled as saboteurs of national self-interest and as fascist collaborators.

The parliamentary vote for a strong antiterrorist policy followed local elections this past weekend which showed a net gain for the Christian Democratic Party and a slight loss for the Communist Party. "The election results, while a victory for the DC, are not a catastrophe for the Communist Party," said DC leader Flaminio Piccoli on West German television yesterday. "The Communist Party has taken an important step on the road to democracy, and the electors and party must realize this. The election results give strong support for the current government."

## *Andreotti's Cleanup*

*As part of Plan 3, which includes total reform of the secret services and police, the Andreotti government is cleaning its own house.*

*First, Interior Minister Francesco Cossiga resigned his post on May 10, reportedly at Andreotti's insistence.*

*On May 15, the Italian government announced the dismissal of some 500 agents, including high-level*

*officials from the Italian secret services.*

*The official Communist Party daily, L'Unita, commented on May 16:*

A communique from the Ministry of Defense . . . states that the measures adopted derive from . . . "the necessity for a scrupulous actuation of the norms and the spirit of the law" . . .

...Some hundreds of officials and sub-officials . . . are being reintegrated into the ranks of the three armed forces and the Carabinieri. One part of these . . . because of specific activities they engaged in in the old secret service—have been, or will be fired.

The "movement of personnel" . . . regards principally the much discussed "D" Service (internal defense) . . . on which the various counter-espionage centers depended . . .

A large part of the activity up to now performed by the "D" Service will be transferred to the SISDE.... The functions attributed to the "D" service... include personnel selection, civilian and military, and must be able to give—as the reform law requires—absolute assurance of scrupulous loyalty to the values of the republican and antifascist Constitution.

*The Milan daily Corriere della Sera said on May 16:*

On May 22, within a week, the SISMI and the SISDE "must become functional"...because the law will take effect. But will they "be able to function"?

"The killing of Moro has shown that the police are blind without the intelligence services," said Communist Senator Ugo Pecchioli, vice president of the Control Commission....A high official stated, "The reconstitution of the forces will bring tranquility behind the front lines. One cannot ask the Red Brigades to lay low for several months. The Red Brigades have profited by the collapse of the services."

At CESIS, control center for the SISMI and SISDE, there was an "underground earthquake" provoked by the resignation of the secretary, Gaetano Napolitano... "Napolitano knew he was unprepared, and resigned as an act of conscience."

...A high official (of the SISMI) said, "Whoever leaves, sub-official or general, will not leave a vacuum. He will be replaced....We are talking about a transfusion. The oldest, the least efficient, and anyone suffering from judicial boredom will leave."...

A SISDE spokesman observed, "If one can actuate a reform, giving room for young personnel, a war is won. Up to now, we have only taken up the issue of terrorists..."

## **Communists Target London's Cuccia**

*Simultaneous to the Middle East crackdowns, attacks have surfaced from the Italian Communist Party pointing to the role of the financier center of Mediobanca*

and its Lazard Freres link to London in running terrorism in Italy.

On May 4, the Communist daily L'Unita ran a front-page article by PCI Central Committee member Luigi Macaluso that all but openly identified the British-linked banker Enrico Cuccia and his Mediobanca as the principal roadblock to cracking the Red Brigades. What makes the point is the article's title: "The Sanctuaries." "Sanctuary" is the widely known code name for Mediobanca.

Here, excerpts from Macaluso's article:

Why aren't the investigations into Moro's kidnapping making any progress? Why is it that after a month and a half since the Via Fani assault, the investigation passes on to the Attorney General of the Republic under the title of not only massacre and kidnapping but of political conspiracy attempts against the Constitution?

We need to go over these questions. Every day that passes adds new alarming elements which make us think how the undertaking of the so-called Red Brigades overlaps with something different, quite different....

There is indeed a problem of efficiency, capabilities, and material and psychological preparedness of the police apparatus.... But—let's face it—this is not the only problem....

There is a sensation which is becoming increasingly concrete and we want to spell it out: the sensation that what paralyzes the investigations is not located only in the technical insufficiencies, but that the investigations are blocked because they come up against obscure and protected "sanctuaries." Let it be clear, we are not referring only to the restraint which could be represented by embarrassment, a reverential fear for the family. No, we are talking about other "sanctuaries"; we are referring to the fact that after March 16.... certain forces have gone into motion, forces which in order to prevent (the investigations) are ready for any adventure. They are ready to give a fatal blow to the first Republic. We are facing a subversive design maybe more dangerous than the one of 1969, which mobilizes various and different forces: from anti-communism and "left" subversion to old centers of power (in the financial and state apparatus fields) which were hegemonic until some

## Who Is Francesco Cossiga?

Francesco Cossiga would have been better called Italy's Minister of Terror.

His political career has been marked by his cover up of the many destabilization operations launched against the Italian state since the 1964 coup attempt by General De Lorenzo. But the latest operation—the kidnapping and assassination of former Premier Aldo Moro—backfired into his forced resignation May 10.

The irony is that it was Moro who promoted Cossiga to Interior Minister in 1976, precisely because Cossiga, from his post in the Defense Ministry, had proven more than competent in covering up not only the Lorenzo case, but all the events and important investigations which lead to the origins of the "strategy of tension" which has gripped Italy since 1969.

In 1974, Moro and Cossiga found a common enemy in Andreotti, then the Defense Minister, who was about to make public the cover-up scandal. Andreotti was demoted, and Moro made Cossiga Interior Minister in 1976. But when Moro became instrumental in the formation of the present Andreotti government, Moro became expendable, a tool to further destabilize the Italian state, because Cossiga's loyalties are not to Moro or Italy, but to his creators, the British intelligence services.

The Italian magazine Tempo Illustrato published a biographical note on Oct. 10, 1976, outlining Cossiga's meteoric rise to the Italian Interior Ministry.

Having been elected DC deputy in 1963, 1968, and 1972, the magazine notes, Cossiga became "a pupil and advisor for special affairs and secret services to Antonio Segni," president of the republic. For Segni, he did special jobs such as being the "liason between the president, the army's chief of staff, and the head of the SIFAR" (the old secret services dismantled after their involvement in the 1964 coup attempt by General De

Lorenzo-ed). During this period, Cossiga worked closely with General De Lorenzo, head of the SIFAR and also leading organizer of the coup. Protected by Segni, who was "above suspicions," Cossiga was made Undersecretary of Defense in the third Moro government "and was personally in charge of the famous 'omissions' which blocked the investigations" into Lorenzo's coup attempt. The "omissions" were information suddenly classified by Premier Aldo Moro for "state security reasons."

Cossiga remained at the Defense Department throughout the Leone and Rumor governments, in charge of "establishing more omissions to censor as much as possible the work of the parliamentary inquiry commission. A personal friend of De Lorenzo and General Miceli (head of the terrorist wing of the new secret services—the SID—indicted for participation in a 1974 coup attempt — ed.), Cossiga deepened his specialization in the secret services and the strategy of tension." In 1974, he saw a "dangerous enemy in that Andreotti" who had taken over as Defense Minister and who "was ruining the practice of the omissions and about to destroy Cossiga's career."

Andreotti was forced out of the Defense ministry, and in 1976 Moro appointed Cossiga Interior Minister. Tempo summarized Cossiga's work as Interior Minister in the following way: "His project has been to centralize all intelligence activities in the Interior Ministry, . . . to marginalize the Carabinieri . . . and destroy all the competence of military intelligence and counterintelligence in order to centralize it to a new OVRA (Mussolini's gestapo)."

Cossiga's resignation has killed this project, as well as the "omission" policy which has been Cossiga's expertise throughout his career and which he used to cover up every single subversive operation in Italy.

years ago, but who feel they are in danger of perishing and who still hold a blackmail capability.

Everyone has realized that... the terrorists' political design has undergone a profound modification. From the attempt to plunge the country's life into a wave of attempts that could provoke reactionary countercoups, it has developed into a more subtle and insidious maneuver which aims at destabilization by taking advantage of Moro's dramatic human condition as an instrument to break the DC and the democratic forces...

Everyone has become aware of this new strategy by the Red Brigades. What has not been said yet is that this new twist has occurred because forces much more powerful than the terrorist organization have hooked up with the maneuver. Forces which, by the way, are not very difficult to locate in the realm of the interests hit by the new political framework, between men and groups who have seen themselves pulled away from the leverage of financial and economic power; who fear that they might be called upon to answer for their wrongdoing. Forces who oppose any prospective of recovery and renovation, who are not resigned to the idea of the country coming out of the crisis under the guidance of a coalition with Communist participation...

### The International War on Terror

At the very moment that Moro's body was discovered, U.S. Armed Forces Radio was reporting that a Red Brigades-linked terrorist, arrested May 9 in Beirut, had confessed to being an agent of Israeli intelligence. The woman was identified as a member of the Zurich-based "Palestinian Solidarity Committee" — a group recently described by the Egyptian government as a control point between the Wadi Haddad-led terrorist Popular Front for the Liberation of Palestine (including "Carlos"), the Red Brigades, and the West German Baader-Meinhof gang. A 30-member terrorist cell, including several Zurich-based terrorists, was rounded up last month in Cairo where it was plotting a series of bombings and assassinations of Egyptian and Western European political leaders.

#### *German-Egyptian Cooperation*

Immediately following the historic Schmidt-Brezhnev meeting in Bonn the weekend of May 6, West German Justice Minister Vogel visited Cairo, Egypt for a series of meetings with his Egyptian counterpart on collaboration against the international terrorists. Out of that meeting came a joint communiqué that stated in part: "Both nations agree that the threat of terrorism to the civilized democracies has to be met with the utmost decisiveness, and that there should be no giving in to terrorist blackmail."

Vogel's Bonn office announced that an official of the West German Embassy in Ethiopia had been recalled and charged with conspiring with a British Embassy official to run drugs and guns into Ethiopia.

All of these developments paint an unmistakable

picture of highly coordinated counterterror actions — based on the kind of sophisticated understanding of "how terrorism works" that has been previously shown only in the U.S. and European Labor Parties' approach and in the virtually buried 1974 "Dossier San Marco" (authored by French intelligence agent Giannettini and recently published in the *Executive Intelligence Review* April 25 and May 2, 1978, Vol. V, Nos. 16 and 17). That "dossier" established a chain of evidence linking Willy Brandt's Second International faction, and British and Israeli intelligence to the deployment of both "left" and "right" terrorist gangs in the Mediterranean region during the 1969-73 period, as a direct political deployment against the Nixon Administration's "Rogers Plan" for Mideast peace.

The "dossier" has, in fact, been significantly updated as a result of the recent terrorist crackdown in Egypt and the subsequent interrogations of the 30 jailed terrorists. A Cairo-Beirut-Zurich-Rome terrorist "underground railroad" has been exposed by Egyptian Prosecutor General Ibrahim Kaliubi and documented, in part, in the Milan daily *Corriere della Sera* of April 29.

In an interview in *Corriere*, Egyptian Attorney General Ibrahim Kaliubi gave details of the arrest of one Sergio Mantovani, a student at Cairo American University, one of four European students apprehended for complicity with the Red Brigades and with Palestinian terrorists connected to the late Wadi Haddad.

According to Kaliubi, Mantovani was a Swiss journalist up to 1975, when he met Doris and Gianni Bachetta, also Swiss, and Elvira Guenther, a West German. He came to Egypt as a result of his interest in the "Palestinian cause," through contacts with Al Fatah.

In July 1977, Mantovani met Giorgio Bellini from Zurich, a "Marxist" who proposed collaboration with the Red Brigades to Mantovani. The Red Brigades were to furnish money and arms for a plot to undermine the Egyptian government and to overthrow President Sadat, in retaliation against his Mideast peace initiative.

At the same time, Wadi Haddad, according to Egyptian security officials sent \$80,000 to Mantovani who admitted receiving part of the sum.

The European students reportedly maintained contact with the Red Brigades through a post office box in Rome, and acted as couriers to Palestinians in Aswan, Khartoum, and Baghdad.

Bellini and a companion, Elena Egli, who has since disappeared, reportedly planned to blow up a hotel near the Tahra palace where the Begin-Sadat peace talks took place, but did not carry out their plans.

The four Europeans and 19 Palestinians arrested with them face trial by a special Egyptian security tribunal, and possible death sentences.

The woman arrested two days ago in Beirut—the woman now identified as a confessed agent of Israeli intelligence—was part of the same Zurich organization as Bellini.

# The Time For Justice Has Come

## LaRouche Calls For Justice In The Moro Case

On May 9 the chairman of the U.S. Labor Party, Lyndon H. LaRouche, issued a statement on the death of Aldo Moro at the hands of Red Brigade terrorists. The full text of LaRouche's statement appeared in the Labor Party's newspaper, *New Solidarity* (Vol. IX, Nos. 21 and 22, May 12 and 16, 1978); we reprint portions of it here:

It is the task of judges that justice shall be done both to the murdered Aldo Moro and to the living of Europe. The tortured captivity and death of Signor Moro must be transformed into a sacrifice that gives Signor Moro's having lived and suffered greater meaning for society than had his life continued without this trauma. It is not retribution, but some appropriate great work that weakens the cause of evil in favor of the good.

We must consider the wisdom that must guide the justices, and then we shall turn our attention to the wisdom required for the investigation.

Henry A. Kissinger, Bettino Craxi, and other sly apologists for the criminals have insisted publicly that the terrorists are essentially misguided zealots, engaged in regrettable acts in the pursuit of the legitimate protest. We shall examine Messrs. Kissinger and Craxi appropriately under the heading of the work of criminal investigations. For this moment, consider the argument of Kissinger and Craxi as that of the two miserable creatures pleading *amicus curiae* in aid of the criminals.

History did not begin yesterday morning, and no magistrate or court can be permitted to judge this case otherwise than from the standpoint of the thousands of years of history, which history instructs us that in persons of the Red Brigades and their sympathizers we have nothing but the crazed beast-worshippers of the Phrygian cult of Dionysus. This evil pagan cult has been constituted repeatedly over the millenia, as the pagan cult of Bacchus, the Ptolemaic Isis-Osiris cult, and as the British-created Odin cult to which Adolph Hitler belonged. . . .

### *Wisdom and Investigation*

Although key elements of European intelligence and security services largely agree with my own published analysis of terrorism, at least in respect to the facts about the terrorists and their creators, no government, including the government of Italy, has yet adopted that policy or given its intelligence and security forces the directive and mandate for the correspondingly appropriate antiterrorist measures.

The root of this problem is not the government's reluctance to deal with the terrorists themselves. Governments are not to be blamed casually for this reluctance. Behind terrorism stands the British monarchy, U.S.A. forces associated with both Henry Kissinger and Senator Edward Kennedy, influential circles in Switzerland, and, of course, the government of Israel. In addition to state forces behind the terrorists, there are powerful financial forces, such as those City of

London networks associated with Cuccia of Mediobanca in Italy and the oligarchist Agnelli family. To attack the financier forces behind terrorism is to engage in an open confrontation with financial forces which threaten to bring down national credit and national economies. This is aggravated by British secret-intelligence networks within each principal European parliamentary party.

Although Prime Minister Andreotti has checked the Agnelli-centered British influenced faction in the DC, not to the credit of Cossiga or Marcora, and Berlinguer, Lama and others have checked British agents Napolitano, Amendola and others within the PCI, the honest PSI forces were reduced to a minority during 1976 through a British-intelligence-rigged "cold coup d'état" within that party. Outside the DC and PCI, there is predominantly political rubble or worse. This is aggravated by certain nasty elements within the DC which have sabotaged its efficient connection to leading forces within the church.

If one criticizes what appears to be error and weakness on the terrorism issue among honest heads of governments in Europe, one must advance that criticism with accompanying awareness of the difficulties involved.

Frightened governments have delimited antiterrorist measures to those which do not risk diplomatic or financial reprisals, and which do not rupture the integument of major political parties. In this circumstance, the inadequacies of intelligence and security services' investigative and counter-measures capabilities are aggravated by governmental policies which prevent agencies from pursuing effective measures of which they are presently capable and from developing improvements in investigative and counter-measures technologies. . . .

As long as intelligence and security agencies are limited by instructions and mandate to methods which presume that terrorists are "an independent, indigenous force," the security actions are the labor of Sisyphus: terrorist forces and actions will increase more rapidly than death and capture depletes their forces. What intelligence and security forces are permitted to do — chiefly chasing the lowest rank terrorist expendables from one safe-house and safe-conduit to another — is at best a massive exertion which does not scratch the essential problem.

Only on condition that governments direct and mandate their security forces to deal with the problem of Phrygian Dionysian murder cults, an instrument of a supranational oligarchical faction centered in the British monarchy, can the problem be controlled.

### *Computer Aids*

Once the problem is properly defined in that way, the investigation lends itself to computer-assisted supervision. Start, for example, with *British anti-terrorist forces*, including emphatically Special Air Services: this and Lord Wingate's networks in Israel put one on the



main lines for tracing networks of professional training of terrorists. The highly trained terrorists are trained in techniques developed by SAS and other antiterrorist professionals, and trained in significant part by professional antiterrorist instructors from SAS and similar institutions. Start, for example, with Henry A. Kissinger, the Harvard University Mazzini Society, coordinated by the same British Special Intelligence Services operative, William Yandell Elliott, who guided Kissinger into SIS training and service. This procedure produces a network grid of utmost relevance for Italy.

In Italy, trace out the interface among the fascist MSI, Israeli intelligence, Agnelli-linked elements of the "Black Nobility," the British "White Resistance" network, and the Action Party-Justice and Liberty network. The interfacing and overlaps of these, including Cuccia's Mediobanca-Lazard elements, identify the hard-core of the privileged terrorist infrastructure in Italy.

Within the Socialist International trace out first those networks of personalities which fall into the 1930s and war-time networks of the Amsterdam and London "Socialist-anarchosyndicalist internationals" overlapping the Independent Labour Party in Britain between the wars. Grid these elements of the Socialist International with their networks in communist organizations — notably typified by the connection among Israeli intelligence, Bettino Craxi, Spain's Santiago Carrillo, and Amendola and Napolitano of the Italian Communist Party (PCI). This aids in locating the interfaces involving Feltrinelli into Hamburg, the PCI, the Italian Socialist Party (PSI), the black nobility circuits through which the Red Brigades were developed under the patronage of Alberoni.

Interface this with the international networks of the Kennedy family's creation, the Institute for Policy Studies (IPS). This includes the British-Dutch-IPS center for international terrorism spanning from the London Institute for Race Relations to the Transnational Institute.

Interface these with the members and spin-off organizations of the London Institute for the Study of Conflict, the Royal Institute of International Affairs, the International Institute for Strategic Studies, Tavistock Institute, and the all important Bertrand Russell networks.

Add the U.S.-Berlin Aspen Institute and the World Watch Institute. Add the Club of Rome. Add Oxford University's Balliol College, the London School of Economics, and intelligence-linked other sections of Oxford, Cambridge and Sussex universities.

Add, now, the factional divisions within Freemasonry. Grid Rothschild, Lazard, Oppenheimer, Barings, Schroeder, Hambros, Lloyds, and other British and Anglo-German banking networks.

Add British Sunni and Shi'ite networks in the Islamic sector, using such figures as Witteveen as useful points of reference. Include Sicco Mansholt as an important element, as well as Denis Healey, Roy Jenkins, Winston Churchill III, Robert Moss, Christopher Mayhew, Robert Swann, and so forth as key British SIS executives. Recognize that both the World Federalists and Amnesty International are British intelligence organization-covers, and grid them and their influential members and cells as key elements of the tracing. Trace

out the element of British MI-5 in Interpol, and British networks within NATO.

This is by no means complete, but it is an adequate basic beginning.

Having prescribed the approach for building a computer data-base, we are now prepared and obliged to prescribe the crucial point of methodology which study of these networks requires. Apart from the fact that the appearance of an individual name in the network does signify a channel of influence, the point is not to round up each and every individual whose name appears. The issue of method is that of knowing how to trace out what is important from what is otherwise less important or downright misleading.

For first approximation, count the number of lines of intersection impinging upon each organization and individual. Those of prominence because of the great number of intersections now have heavier lines drawn from them to each of their associations. Now, study the whole a second time, weighting the evaluation from combined factions of heavy ordinary lines converging upon any point. This determines double-heavy lines.

That done, now reexamine the whole array *not in terms of individuals, but of patterns*. This gives a good first approximation of the main patterns defining networks and principal nodes...

Such a computer technique is not a substitute for thinking. It is a device for quickly abstracting the information processed constantly from many persons in the form required by a single group of individuals...

I most strongly urge every key European security officer to study the following writings of Poe, as one of the most efficient presentations of the methods properly governing sophisticated problems of criminal investigations. The distinction of Poe's work is that he, an able Neoplatonist master, used poems, short stories and satires as a way of bringing the principles of the Neoplatonic method of reason within the grasp of the more sensitive minds among typical sorts of his educated American readers. His detective stories, notably those around the fictional character C. Auguste Dupin, are among the most useful primers for teaching this method available in any language...

Poe distinguishes three levels of method, each corresponding to the appropriate one of the three levels of knowledge in Plato. The lowest is Baconian inductive method. Poe in one location makes a pun on Bacon and hog, terming Baconian inductive method as hoggishness. He also describes this hoggish method as one of crawling, of sniffing and collecting objects on the surface of the earth, one's snout so close to the object that the reality of the object is not seen. The next highest, second level, the deductive method, Poe terms "creeping." Then, there is the highest level, reason in the sense of Plato's definition of Socratic reason...

That is precisely the case confronting Italy's intelligence and security agencies. The inductive method — collecting individual facts in the vicinity of terrorists and terrorist activities as such — will lead to irreparable failure. The deductive method will yield better results than the inductive, but will also fail irreparably, in respect to the required result. Only the method of reason can lead to the desired solutions.

Two notable elements are required.

First, one must look at the crucial features of the terrorist problem which distinguish terrorist acts from the kinds of operations which might have been performed by indigenous criminal groups working independently. One must identify who in the entire society benefits from *probable* response of governments and security forces to such patterns of terrorist acts.

For example, Ugo La Malfa and Riccardo Lombardi are both members of approximately the same rank in the same section of the Italian division of British secret intelligence. Yet, La Malfa demands police-state measures in response to terrorism, whereas Lombardi's subaltern, Craxi, demands a soft, concessional approach to the terrorists. The common master of La Malfa and Lombardi is speaking with two, apparently opposite, voices. The master is for neither policy; the master is seeking the effect of the government attempting to choose between those alternatives under conditions of escalated terrorism.

The common master of British agent La Malfa and Lombardi is working in behalf of Kissinger's modified Chile scenario for Italy: clear to anyone who has studied Kissinger's operation in Chile.

Secondly, as Dupin emphasizes, and as most of Poe's writing emphasizes, one must know how to use one's own mind to look into the mind of the adversary. One must, in particular, understand the world outlook and way of thinking of the antitechnology oligarchist behind the terrorists and also the Dionysian way of thinking associated with the expendable rubbish...

That is the key to defeating the British. Their commitment to the oligarchical cause obliges them, as a kind of species-commitment, not to employ any higher order of method than the deductive method. If one employs the method of reason, *one has the kind of advantage over them that a 180-pound man has over a 600-pound gorilla*. If you play according to their rules of the game, they will defeat you.... Their international terrorism will defeat you.

If you will not take this advice from me alone, there are those within the Church who also understand this method.

#### *Two Levels of Mystery*

There are two levels of mystery to be considered in dealing with the problem of international terrorism.

The British advantage is that you live and think as if history did not exist. You are governed by what you imagine to be the lessons of your experience, by your prejudices. To the extent you imagine you have been informed on history, what you believe you know is foolish-

ness, the lies which have been taught increasingly in Italy's schools since Horatio Nelson gained control over the University of Naples. Although sections of Italy's press are more honest than most U.S.A. press or West Germany's major press, you do not know even the important points of contemporary reality, but only selected and twisted version of reality.

Most of you believe, for example, that politics is determined along lines of right-center-left. Even leading politicians believe that childish fairy-tale. Just because you act out that sort of fairy-tale, most of you imagine that the fairy-tale is real.

The British inner circles, who invented these lies and fairy-tales for you to believe, snicker contentedly at your foolish beliefs. On that level, they know the reality of the arrangements, and to you that reality is a mystery.

Otherwise, Ugo La Malfa, little, small-minded La Malfa, could not have continued his standing as a public figure from the Mussolini period to the present date. He would be standing pathetically uninfluential on a street corner saying his silly things, and somewhat cruel little groups from among passersby would pause for a moment to ridicule so miserably useless a creature. The British loot you because you permit yourself to be mystified, the British even induce you to treat so ridiculous a figure as La Malfa as a public personage!

However, there is a higher reality, which the British are incapable of comprehending — since it exists beyond the domain of deduction. From that vantage-point, you can render the British helpless in short order.

If I have sometimes seemed too tough to you, it is because I have the advantage of seeing the world from the standpoint of reason, and see possibilities which are efficiently beyond British comprehension. As long as you permit yourselves to be befuddled by the British, naturally, such possibilities will not be clear to you.

It would have been better if the correct advice of myself and my associates had been heeded. Numerous persons now dead would be alive today. If you will not act on my advice, the remedy is that you discover the solution for yourself, by the method I have recommended.

If the death of Aldo Moro provokes you, at last, to turn to the effective methods you have generally avoided heretofore, not only will you solve the mystery, but you will have qualitatively improved your own capabilities and those of leading forces within the nation. If you do that in response to the crime we have witnessed, then the better nation you will contribute to developing by this means will be the result which provides justice for Aldo Moro — the justification that his death has not been in vain.

An Exclusive Interview With India's Former Prime Minister

## Indira Gandhi Calls For Defense Of Indian Science And Industry

Mrs. Indira Gandhi, the former Prime Minister of India, in an exclusive interview in New Delhi May 10, called for a defense of Indian science and industry to save her nation from destruction.

Mrs. Gandhi, who was a disgraced and defeated leader following the March 1977 elections which swept her Congress Party from power, is now holding the center of attention in Indian politics. While the currently ruling Janata Party is embroiled in factional warfare and losing the support in the population gained a year ago, Mrs. Gandhi, the president of her faction of the Congress Party—known as the Congress (I)—has gained tremendous ground. The Congress (I) is now the recognized leader of the opposition in India and has won significant electoral victories in recent months, including a nationally important parliamentary by-election from the key north Indian state of Uttar Pradesh two days ago.

Mrs. Gandhi, speaking at her home in New Delhi after that victory, displayed a determination to overcome the odds against her political comeback. Despite the continued strong antipathy to her among certain sections of the population, stemming from the disastrous State of Emergency period from 1975-1977, Mrs. Gandhi has managed to recapture a large degree of popular support. For months she has constantly been on the move, speaking around the country to huge rallies of peasants, workers, and the Indian middle class, where she has pounded away at the Janata government of Prime Minister Desai.

Her speeches have stressed the deteriorating conditions of the past year, marked by economic collapse, inflation, increasing domestic violence and disorder, and has scored the government's emphasis on "rural development" over industry, and its drift away from the non-aligned foreign policy of her rule and that of her father, Jawaharlal Nehru, before her.

**Q:** You have just won a great victory, that is, your party has, in the Azamgarh by-elections. What is your perspective or where do you go now in terms of what you see your interests are in the political situation?

**A:** Obviously, it's good to win an election, especially when we lost so badly in the last parliamentary elections, but we don't look at perspectives from the point of view of elections. We are concerned as to what direction the country takes and if this government were to give a good direction, we have said that we would support it.

Unfortunately, they are bent on undoing whatever has been done in 30 years, and there can be no doubt that in these 30 years this country has been built up, almost from nothing. It's not that I did more, but, somehow, the process does get accelerated as you go on. The very momentum that was created earlier, this is what helped us—helps us now.

The base that we did have in industry and in science and technology, this is *essential* to fight poverty. It is ridiculous to say that you can solve rural problems without science and without industry; you simply can't. You cannot ignore defense, for instance, especially a country like India which has experienced aggression so many times. In our scheme of things, there is no conflict between agriculture and industry; they complement one another. This is seen when there is a bad agricultural year; (at such times) industry has always suffered.

We feel this government is saying a lot of things without going into the depths of it. There is a general impression now, not only among us who are opposed to their policies but even to those who supported them, that the country is being ruined. No matter who comes afterwards, they will find it an almost impossible task to resurrect what has been broken up.

So, elections help but, with or without elections, the aim is to see how we can retrieve the situation, increase public consciousness about what is happening, and try and create public opinion which will not allow them to do these things.

**Q:** Since I've been here, there has been almost every day, a newspaper report of a riot, or communal clash or a caste clash of some kind, or police firing on striking workers. There seems to be a tremendous amount of violence and disintegration of the cohesiveness of Indian society built up over the past 30 years. What do you attribute that to and how can that problem be dealt with?

**A:** It is sort of complex, but, you remember that before the Emergency in 1974, the then-opposition parties encouraged violence of every kind. They encouraged students to leave studies and go out on the streets, they encouraged the police and army... not to obey orders.... There were strikes all over and the strikes were not on purely labor questions and on the demands of the workers; they always had a political aspect also, antigovernment and so on. But the major thing was this attitude toward violence and the encouragement of violence. This has come to the fore again today.

We do have parties that are actively encouraging this sort of situation. I think they believe that they will get the advantage out of it. Now, added to this are the frustrations of different sections ... I mean those people do not want to help these parties, but they are frustrated because prices are rising. Middle class people are saying that we have to cut down on milk consumption because we just can't afford it.... A very average family which lived very moderately is saying that their milk costs have gone up 50 rupees a month, which is quite a lot. It is the same with... essential articles such as salt, cooking oil, bus fares....

So, these two things have combined. I think there is a definite move for violence and instability, a conscious political move, combined with people that are frustrated.... Similar to the past, feelings are being very deliberately aroused.

And for everything, I'm being blamed.

Q: I've heard that...

A: Even though in the police report there's no question, our party is not there at all. Specifically in Benares—they named two members of the (paramilitary Hindu organization) RSS involved. And even in Agra, I believe something like that happened. But Jan Sangh (the RSS political arm—ed.) people and Janata party have gone out of their way to put the blame on us.

Q: I'm aware of that and I'm also aware of people who feel that the RSS and the Jan Sangh represent a serious threat of an *actual* fascist order in India which would be based on severe communalist theories and ideology, and that such a fascist order in India would be complemented by what seems to be the process towards installation of very reactionary Islamic regimes on either side of you (i.e., Pakistan and Bangladesh). Do you see that threat in India yourself?

A: There is a very great threat because in all the quarrels within the Janata party—and most places where there is trouble, the trouble is within the party; it is not the Janata and another party—in all of this the Jan Sangh seems to be gaining and coming up on top.

Q: You referred in the beginning to the government's policy of discouraging industrialization, downplaying the role of science and technology, in favor of this so-called rural emphasis. Taking off from what you said—that is, without industry, without science, there can be no development in any sector of the economy—it seems that this government has gone beyond the point of even simply putting forward those ideas which the World Bank has circulated for some time, to actually dismantling institutions which have existed for a long time. I refer to the Center for Scientific and Industrial Research and to the scientific establishment in general. What do you think can be done in defense of science and particularly in terms of questions like the necessity of development of nuclear energy in India?

A: We as a party can only educate the people and hope that they will make their voice felt. I don't think there's much else that can be done. Just this morning I heard that many of our doctors are trying to migrate...

Q: For lack of employment?

A: No. They just feel that the atmosphere is not one in which they can do any effective work. A lot of them were going previously, but, in my regime, we were bringing them back.... They were coming back and at lesser pay.... because they felt they could do something for the nation. That atmosphere is gone.

Q: On the question of nuclear energy: there is, as you know, an antinuclear movement throughout the world. There are also people who feel that the development of nuclear energy, of advanced fission technologies going into fusion, is essential to the survival of humanity itself. How do you feel about this?

A: Firstly, we are against any type of nuclear war, and of course we are against any type of war if it can possibly be avoided. We have worked for total disarmament and we are committed to total disarmament, but what we feel is, why should only the developing countries be discriminated against? Here the developed countries, the powerful countries, are accumulating nuclear arms, and refining them, making them more and more sophisticated whereas they don't want us to use it (nuclear devices—ed.) even for development purposes, which is all that we want. This is our attitude. If it can be clearly used for development purposes, then it should be used. Of course, there are dangers of radiation but our own experiment (in 1974—ed.) was a very clean one fortunately.

Q: The question of nuclear nonproliferation however seems to have been used as an instrumentality for blocking nuclear energy development?

A: Yes, it has. This is what we objected to and tremendous pressure has been brought to bear on us as you know.

Q: Let me ask one last question. You've spoken out about the threat to execute Mr. Bhutto (deposed Premier of Pakistan—ed.) and at previous times you've spoken about what you view as a connection between the assassination of Shiek Mujib, the President of Bangladesh, efforts to undermine your government, and now, we have the events in Pakistan and the overthrow of Mr. Bhutto. Could you amplify on your understanding of this and how you view the situation regarding Pakistan and India today?

A: Well, it's very difficult to amplify this. I am basically for good relations between all the countries in the neighborhood, especially on our subcontinent, but it seemed to me that what has happened in different countries, all more or less at the same time, is too neat to be a mere coincidence. This is all I can say about it.

Q: The result of that however, rather than an increase in good relations, has been an increase in tensions. Do you see that as being the intended result?

A: In some things relations have improved. I mean with Pakistan, for instance, there have been visits and so forth. I don't know whether this is a basic improvement or a superficial improvement, but I think one has to wait and see. I don't think one can say very much about it.

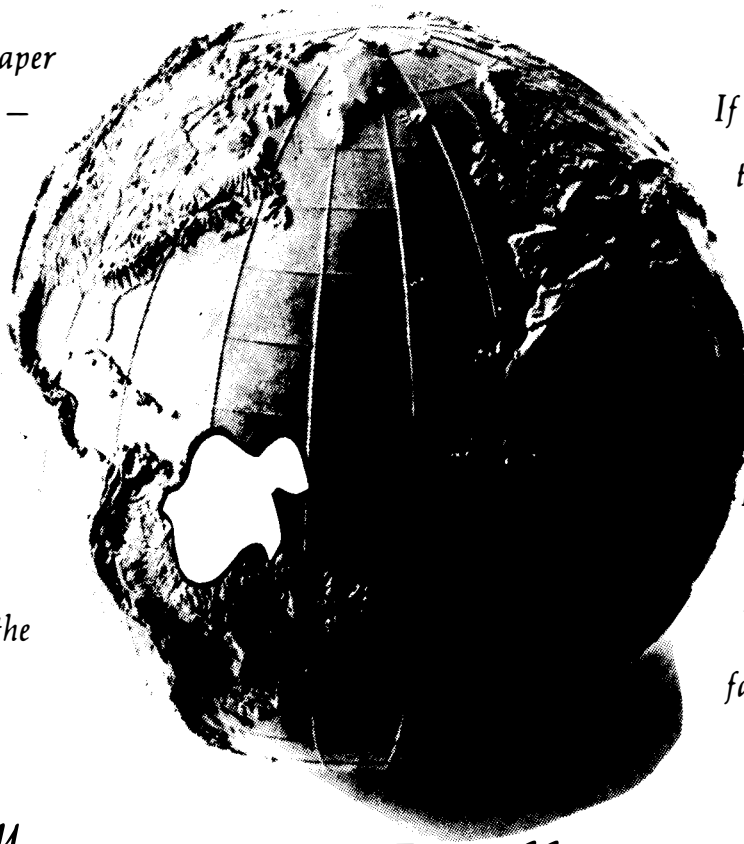
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**THURSDAY, JANUARY 11, 1978**

**LEADING U.S. BUSINESS DAILY CALLS FOR CUTOFF OF NUCLEAR COOPERATION WITH INDIA**

JAN. 11 - THE WALL STREET JOURNAL, A LEADING U.S. BUSINESS DAILY, RAN A MAJOR EDITORIAL TODAY CALLING ON THE CARTER ADMINISTRATION TO CUTOFF NUCLEAR COOPERATION WITH INDIA. IN A SCATHING DENUNCIATION OF THE CARTER VISIT TO INDIA, THE "OPEN MIKE" INCIDENT AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD AUTHORIZE SUPPLY OF ONE SHIPMENT OF ENRICHED URANIUM TO INDIA, THE JOURNAL STATES, "SO WHILE THERE ARE AT LEAST SOME ARGUMENTS FOR ENDING NUCLEAR COOPERATION, COLDLY AND BLUNTLY AS THE CANADIANS DID AFTER THE INDIAN EXPLOSION, THE JOURNAL CONCLUDES, 'IT IS EASY ENOUGH TO BELIEVE THAT MR. CARTER DOESN'T NOTICE MIKES AND DID AFTER THE INDIAN EXPLOSION.' THE JOURNAL WILL KEEP HIS HAND IN CONTACT SO CONFUSED HE THINKS A LETTER WILL KEEP THE POLICY INTACT DESPITE THE HEAVY WATER SHIPMENT. BUT ON THE OTHER HAND, PERHAPS IT WAS NOT THE INDIANS WHO WERE INTERDED TO OVERHEAR TO TELL US A LIE. PERHAPS THE CANDIDATE CARTER WHO PROMISED NEVER TO TELL US A LIE WAS USING THE PLOT TO MISLEAD THE AMERICAN PEOPLE."

**WHAT IS REALLY GOING ON?**

WHILE THE DUST HAS NOT YET SETTLED ON THE CARTER TRIP, BRITISH PRIME MINISTER JAMES CALLAGHAN HAS ARRIVED IN INDIA TO SUPPOSEDLY EVOLVE THE COMPROMISE FORMULA TO BRING INDIA INTO AN ACCEPTABLE STATUS ON THE NON-PROLIFERATION QUESTION. WHILE THE U.S. STATE DEPARTMENT TODAY ADAMANTLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN "HAS SUCCEEDED WHERE CARTER HAS FAILED" AS PRESENTED BY THE LONDON TIMES, THE CALLAGHAN TRIP HAS OBTAINABLE GOALS. ONE IS TO ARRIVE AT A COMPROMISE AGREEMENT WITHOUT TOTALLY DIS- LOSING DETAILS AT THIS TIME. TODAY'S LONDON DAILY TELEGRAPH ADDS THAT CALLAGHAN HOPES TO TAKE DESAI'S SECRET PROMISES AND PLEDGES TO PAKISTAN WHERE HE WOULD USE THESE ASSURANCES TO PRESS THAT COUNTRY TO AGREE TO NEW RESTRICTIONS AND SAFEGUARDS ON ITS CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED THAT FRANCE HAS REQUESTED THE PAKISTANIS CONSIDER ALTERATIONS IN CURRENT CONTRACTS.

**MIDWEST COLD FREEZES OHIO COAL STOCKPILES**

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINER AND COAL-HANDLING MACHINERY, A SPOKESMAN FOR THE ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT THE CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT INT THAT THEY IN SHIPPINGPORT, PA. HAS BEEN SHUT. THE UTILITY AFFECTED ALL EXPECT TO HAVE IT A DAY. HOWEVER THE ONGOING SITUATION AS "CRITICAL" WEEKEND. HOWEVER A SECOND COLD FREEZE IS PRE ALTERNATIVE USED LAST WINTER DURING STRIKE IN FRESH COAL TO REPLACE FROZEN COAL. THE OHIO STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS

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A SPOKESMAN FOR THE U.S. DEPT. WILL DO NOTHING IN THE PRESENT SITUATION. HE ADDED THAT THE PRODUCED BY THE ONGOING STRIKE AND UNTIL THEN THE GOVERNMENT CONSERVATIVE BRITISH TOM KING, BRIT FIRMING OPPOSITION OF GOVERNMENT OF