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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE

An intensified replay of 1973's **Mideast war, oil embargo, and worldwide economic chaos** will be the result of the Carter Administration's decision to **knuckle under** to the British-led circles opposing peace in the Middle East... unless the U.S. and international forces committed to the **emerging new world monetary system** and its program of peace through development are able to outflank and defeat the British attack....

* * *

In **THIS WEEK**, reports on the two main battlefronts... First, the disastrous plans for a **Camp David Carter-Begin-Sadat summit**, and why President Carter's blundering agreement to go along with it was intended to be a **triumph for Walter Mondale, Zbigniew Brzezinski**, and the rest of the White House "Anglophiles"... and what Carter can **still do** to make the summit a **real contribution to peace**... Second, the battle to the death **between the new world economic order and the pound** on the world currency markets has taken a new turn... as **public attacks** on the City of London and its policies from the European press make the war on the pound sterling a public fact... Our coverage explains why that war is **not yet being fought to win**... what must be done to bring the U.S. into an **active stand** against the pound... and what London is doing to try to **stop that possibility at all cost**... Also featured: the full text of a South African report on U.S. Labor Party chairman Lyndon H. LaRouche's role in bringing into being the new world

monetary system kicked off at last month's Bremen and Bonn summits...

* * *

Our coverage of the Mideast powderkeg is filled out in **INTERNATIONAL**... where we document how and why the **Zionist Lobby** in the United States and the warhawks in Israel **pushed Carter into the Camp David meeting**... We also offer a positive solution: a proposal from the **Labor Party's LaRouche** for a **humanist peace settlement of the Lebanon question**... that includes a proposed **draft constitution** for Lebanon laying out the basis for enduring region-wide peace...

* * *

In **U.S. REPORT**, an evaluation of some of the **other pressures** London is applying to the President... and of the **countervailing factional influences** inside his Administration... including new information on how Carter is viewing the new European Monetary System... and how **Ted Kennedy** in particular is working to **undercut Carter** and any possible U.S. cooperation in the plans for world development and trade expansion... We also have an **on-the-spot report from the American Bar Association** convention, where Kennedy, Ralph Nader and others... to the strains of "Rule Britannia"... spelled out with **shocking candor** the role for lawyers in a new Naderite police state... Plus **excerpts from UN Ambassador Andrew Young's speech** to the ABA

convention . . . in which he called for **high-technology exports** as essential to guaranteeing **human rights** around the world . . .

* * *

Unreported in this nation's daily press, even the financial newspapers, is the full story on the coalescence of implementation-phase moves to get the Bonn-Bremen design underway . . . Our **ECONOMICS** coverage tells how **Arab and European financial institutions** are mounting a credit strategy to do just that . . . An **even darker secret** is the **identity of the "invisible hand"** controlling world finances . . . but we **provide the answer** this issue . . . (Hint: it wears an **eight-pointed cross**) . . .

* * *

The single greatest violator of human rights on the planet is now being brought to public account . . . Our **SPECIAL REPORT** puts together the material for a full bill of indictment against the **International Monetary Fund** . . . and explains why the new European Monetary Fund and its Arab counterpart are emerging as the **viable alternative** for Third World nations now trapped in the IMF's clutches . . . **Included:** the horrifying details of how the IMF wins effective **total sovereignty** over its victims . . . how it bleeds their economies . . . and how **mass murder** is already a **well-established fact** as a result . . . with **case studies** of Peru, the Caribbean, Bangladesh, the African Sahel, and more . . . and an analysis of **what the**

European Monetary Fund formation can do to get rid of the IMF and institute a **real development policy** for the so-called developing nations . . .

* * *

Our **THIRD WORLD** section this week features **three exclusive stories** . . . that together give a unique, in-depth picture of the development issue . . . A careful study of the Non-Aligned Movement's recent Belgrade summit **evaluates the movement's progress** toward its goal of a **new world economic order** . . . and its **prospects** in the wake of Bremen and Bonn . . . Then we feature an **exclusive interview** with a **top Taiwan trade official** . . . who explains why capital-intensive, "**knowledge-intensive**" policies are what is required to develop his country and the rest of the developing sector . . . And, our **on-the-scene-report from Washington** on the just-concluded **ASEAN summit** there . . . that tells what the ASEAN delegates were hoping for from the United States . . . and how the U.S. responded . . . All in **THIRD WORLD** this issue

* * *

Other highlights: In **MILITARY STRATEGY**, a biting analysis of the newly formed Peace Through Strength Committee by Labor Party head **Lyndon LaRouche** . . . that compares the Committee's London-scripted goals to the **real imperatives of a sound defense policy** . . . And in **COUNTERINTELLIGENCE**, the story of the "**right-left**" scenario that British intelligence is using to prime a **wave of terror** in the United States . . .

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What Carter Must Tell Begin

There is one simple way for President Carter to win a major political victory at his meeting with Prime Minister Begin and President Sadat and to secure American interests in a Middle East peace.

The President must tell Mr. Begin that in the American view Israel has two options. First, it must announce its willingness to make the necessary concessions, including the withdrawal from the occupied territories and the establishment of a homeland for the Palestinians on the West Bank and Gaza, and to halt its support for the fascist Christian forces in Lebanon.

Second, if Israel refuses that proposal, then it must be prepared to face American calls for the immediate resumption of a Geneva conference with the presence of the Soviet Union and the Palestinians, along with all the Arab countries involved.

If the Israelis choose not to accept either option, then the United States must tell Israel that it will lose American support, including military and economic support. It is bitter medicine, but it is for Israel's own good. The eventual result of such diplomacy will not only be the establishment of peace in the region, but a renaissance of the Near East in a flourishing economic community in which Israel, finally will play an important role.

—Lyndon H. LaRouche, Jr.

Zionist Lobby Plans Rerun Of 1973 Arab-Israeli War, Oil Embargo

Political chaos to follow Carter Camp David decision

President Carter has capitulated to political blackmail from U.S.-based Zionists and their British controllers and, in his Middle East diplomacy, set the stage for a rerun of the 1973-74 scenario for an Arab-Israeli war, an oil embargo, and worldwide political and economic chaos.

The decision to call for a tripartite summit meeting on Sept. 5 at Camp David among Carter, Menachem Begin and Anwar Sadat represents a virtual cold coup by the Mondale-Brzezinski faction of the Administration. It follows an unprecedented wave of political warfare by the Zionist Lobby against the Administration, led by the Senate Foreign Relations Committee "Zionist mafia" of Senators Javits, Case, Stone, and Church.

The Camp David summit tactic was decided upon during a July 31 meeting among Carter, Mondale Brzezinski, and Vance. There, Carter wrote out by hand two letters, one for Begin and one for Sadat. Vance, who probably had deep reservations about the idea, had no choice but to deliver the letters on his Middle East tour.

The battle is now on for the control of the U.S. Administration Middle East policy. The Zionists have set into motion all their forces behind an attempt to prevent the Administration from demanding, at Camp David, that Israel accept the principle of a Palestinian homeland on the West Bank. Meanwhile, the Egyptians and Saudis, along with the State Department, are portraying the Camp David summit as Israel's "last chance" to rise to the quality of the Sadat initiative and make peace.

An enormous amount is at stake. A peace settlement in the Middle East is an essential precondition for the successful implementation of the plan put forward by French President Giscard and West German Chancellor Schmidt at the Bremen EEC Summit last month for the worldwide economic development and financial stability. A peaceful Middle East is the cornerstone for stable energy and financial arrangements à la Bremen, which aims to replace the International Monetary Fund and the City of London speculators and financial vultures associated with the British-centered branch of the Knights of Malta.

Zionists Defend IMF

The Zionist mobilization around the Middle East is aimed primarily at defending the IMF and the old world monetary order. Specifically, it is directed at the Saudis, who hold the key to the success of the Bremen plan.

In 1973, the eruption of war in the Middle East, the work of Henry Kissinger and General Dayan, touched off international chaos: the 400 percent rise in oil prices, the toppling of half a dozen European governments, and the acceleration of President Nixon's downfall. Several brushfire wars, like the civil war in Lebanon that left 50,000 dead, also were part of the hideous results of the war.

That is the scenario that Great Britain wants to repeat.

The options for Carter now that the Camp David meeting has been announced are stark indeed.

The preferable option would have been to go along with the momentum of ongoing Saudi and West German-French policy in supporting the convention of a pre-Geneva conference of Arabs and Israelis, including the PLO, at the United Nations in New York. UN Secretary General Waldheim had made initial contacts in that direction. Saudi Arabia, putting its prestige on the line, made efforts to pull together an Arab summit meeting to reconcile Egypt, Syria, and Iraq, leaders of three major Arab factions. Prince Fahd of Saudi Arabia visited all three earlier this month, and according to French sources his efforts were successful.

Those efforts have now been overturned by the Carter initiative. In addition, the Soviet Union has been excluded from Middle East diplomacy again, Kissinger style. The USSR has bitterly criticized the Camp David meeting and warned that it is an attempt to "disrupt the Geneva conference." Pravda, the Soviet Communist daily, today attacked the Zionists in the U.S., "architects of a U.S.-Israel alliance," as the chief opponents of detente and peace.

Prince Fahd of Saudi Arabia, according to an official announcement read today by the White House, has endorsed the Camp David meeting, indicating that

the Saudis expect the United States to come through with a plan for a peace settlement.

being waged against the Administration by the British-Zionist forces. Outside the Administration the Zionist organizations, the Senate mafia, and the Kennedy-Brown wing of the Democratic Party are preparing a political onslaught. Meanwhile, on the inside Walter Mondale and his allies are trying to win hegemony over the President. As is well known, Mondale is a close collaborator of the Anti-Defamation League of B'nai B'rith.

The Georgia boys in the White House, and Carter himself, have lost sight of the international forces who are prepared to join the United States in implementing the Bremen accords, and are narrowly focused instead on the political opposition to Carter.

The attack on Saudi Arabia is particularly intense. Coinciding with the visit of the Saudi Foreign Minister to Bonn two weeks ago and the ongoing Saudi diplomacy to mend Arab fences and heal the rift between Egypt and Syria, the Zionists began a Big Lie Goebbels-style to accuse the Saudis of promoting war in the Middle East. The Senate's Zionist mafia, led by Javits, passed a resolution hitting Saudi Arabia for its "hardline" position, and the *New York Times* and *Washington Post* issued propaganda that the Saudi effort was undercutting American peace efforts.

In Egypt, the talks between Vance and Sadat were reportedly tense. Sadat, exasperated by the unyielding Israeli refusal to negotiate in good faith, is under extreme internal and Arab pressure not to capitulate in signing a separate peace, and he has given no sign that he will do so. But Israel's insulting behavior and the unconscionable refusal by Washington to support Egypt's position has embarrassed and endangered his political position.

Sadat agreed to the summit at Camp David only after two long meetings with the American delegation, indicating heavy arm-twisting of Sadat. The *Washington Star* quoted Egyptian foreign ministry officials opposed to the summit, but they were overruled by Sadat.

— Robert Dreyfuss

Currency Warfare Puts Sterling On The Precipice

But London stakes all to save spot rate on pound

The run-up in the rate for overnight Eurosterling to 22 percent on Aug. 10, marking one of the most serious liquidity crunches in the City of London since World War II, may soon become the signal for a mass selling wave of overvalued sterling, which will send that currency to a well-deserved 50 percent devaluation.

The bloom came off the sterling as a loose consensus built among leading government, press, banking and industry circles in Western Europe, Japan and Saudi Arabia, that collapsing the British currency would be the only means of preserving the U.S. dollar and hence the financing of world trade and development.

But the Bank of England has made an all-out commitment to "sit like a spider," in the words of a trader for a major Swiss bank, atop its international currency spot market — even to the point of letting its internal economy be destroyed. The key is Britain's well-known hostility to the European Monetary Fund which was launched a month ago, under French-West German initiative, at the Bremen European Community summit as the seed-crystal for a new world monetary system supplanting the British-controlled International Monetary Fund.

Now, as a heightened media campaign portraying the Bremen accords as "antidollar" pours out of London, the City has also mobilized the funds to short the dollar, drawing on illicit banking networks as well as the traditional banking system (see *ECONOMICS* for details.)

There are two potentially devastating flaws in the effort to end Britain's sabotage of a new gold-backed monetary system emerging around the European Monetary Fund. One is that thus far, the forces involved in this effort are not centrally coordinated. A common "military" effort is required for leading banks and international corporations to intensify the collapse pressures on the pound itself, pulling out of stocks, gilts, industrial investment in the pound and British interests.

Secondly, uncertainties around the United States situation are making the West Europeans and their allies hold back from a fullscale attack on the pound. They fear that the U.S. government may follow the script of the Brookings Institution and intervene on behalf of the pound.

But already some have perceived that the key to shifting the American elite in a pro-Bremen direction is through giving public recognition to the American economist whose International Development Bank proposal largely shaped the Bremen accords, U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.

This week's issue of *To the Point International*, a South African weekly which circulates throughout Western Europe, singled out LaRouche's central role in the future gold-backed system in an article (reprinted below).

Sterling Forward Rates Leap

The unprecedented leap in the sterling overnight rate, which doubled in one day, came in the midst of a panicked demand for funds by British banks and corporations forced to cover their market positions. This pushed the Bank of England to release Aug. 10 an emergency 200 million pounds sterling into the banking system in an attempt to relieve the acute funds pressure.

Ironically, the Old Lady of Threadneedle Street had to reverse its announcement of just the week before that it would resist all attempts to use its specially-created 900 million pound sterling emergency defense fund because of fears of rekindling the inflationary upsurge of the preceding months.

The Aug. 9 edition of the Italian daily *Il Tempo*, told what's behind the attack on sterling in an article headlined "Fall of Dollar Maneuvered by London." The paper quoted Arab sources stating that London has been triggering the dollar collapse by springing an immense bear raid against the dollar in the world's currency markets. *Il Tempo* added that by September, the Saudis, West Germans and Japanese will have fully operational a highly coordinated strategy to "bull" the dollar, which will permanently cripple the British bear operation.

Backing up *Il Tempo*, the director of one top level French bank stated Aug. 10 that "at all costs, the pound must be devalued as a countermeasure against the dollar fall. Our preoccupation now is to push the dollar up." Another French banker added, "sterling will crack in any case, they're rotten and a bunch of saboteurs." Elaborating on this point he added, "the British are trying to break the EMF."

As the anti-British mood became more and more public, sterling remained stable on the *spot market* against most continental currencies and the dollar, but on the *forward markets*, it began to collapse.

The three-month forward discount on sterling widened on Aug. 9 to 2.50 cents from 1.45 cents the day before. Meanwhile, seven-day Eurosterling money rates took off to an Aug. 10 level of 15.5 percent and call money went through the ceiling, peaking at 50 percent on Aug. 8. As the number of pound short-positions grew and the credit crunch in the City of London

hardened, the Aug. 8 *Financial Times* warned that pressures could force a liquidation of the artificially bloated British gilt market.

The British Strike Back

Behind the pound's survival thus far — and actual appreciation in the last few weeks — lies a massive mobilization of funds within London's political reach. At the head of the alleged "respectable," pro-British networks is Fritz Leutwiler, head of the Bank of Switzerland. On Aug. 7, central banker Leutwiler created several million new Swiss francs for the purchase of spot marks, in an attempt to push up the Deutschmark-Swiss franc cross-rate.

This immediately triggered a realignment of DM rates, pushing the dollar into a plunge which took the DM-dollar rate from 2.04 on Aug. 7 to 1.9755 on Aug. 10.

Political back-up came from the parliamentary fraction of the neofascist German Christian Socialist Union (CSU) headed by Franz Josef Strauss. The CSU submitted a parliamentary question to the West German government on the legality of the newly launched EMF, stating that its operations should be disbanded. The pretext is that the EMF was created

without prior approval of the German Bundesbank and violated its constitution.

At the same time, British policy channels churned out misinformation and outright lies to foster a dollar collapse. The Aug. 9 *Journal of Commerce* headlined its coverage, "New Currency Crisis Feared By Bankers" and proceeded to blame the dollar's fall on the alleged "indifference" of President Carter. The *Wall Street Journal* of the same day ran a front-page article retailing the British Petroleum-sponsored line that a sudden surge of U.S. oil imports in the second half of this year will wipe out the world oil glut and undermine the dollar.

According to a source close to Banque Brussels, Lambert, "The Saudis are blistering mad," over Sadat's agreement to meet Begin at Camp David and may decide to go along with an oil price hike at the Special OPEC meeting that the Kuwaitis want to hold in September. But the wire services reported Aug. 9 that OPEC officials (obviously acting under Saudi pressure) had stated that no such special meeting is scheduled to take place.

—Richard Freeman

LaRouche An 'Architect Of Gold-Backed Monetary System'

The emergence of a new world economic order was the topic of an article appearing in the August 10 issue of To The Point International, sometimes referred to as the "Time Magazine" of South Africa. The analysis, reprinted here in full, defines the momentum towards a gold-backed monetary system as a result of the economic policies of Lyndon H. LaRouche, Jr., outlined in his 1975 International Development Bank proposal.

Bullion at 240 Dollars an Ounce and A "Gold Backed Monetary System?"

It is an open secret that the world is moving towards a "gold backed monetary system." The price of gold must be brought rapidly to 230 or 240 dollars an ounce. That is how one of the architects of the concepts discussed at one of the recent economic summits in Europe interprets the post-Bonn and Bremen thinking. Can the U.S. gold demonetarists resist the metal's comeback? Managing Editor Stephen Orpen weighs the odds.

"We're agreed that the price of gold must be rapidly brought to the range of 230-240 dollars an ounce, and

stabilized in that range through central bank operations in the open market, and that the U.S. dollar must be brought up to the valuation of 3 West German marks." Lyndon LaRouche is the first announced candidate for the 1980 presidential elections, and author of the International Development Bank proposals, on which the outline of the recent Bonn and Bremen economic summits were modelled.

After speaking to LaRouche and others involved in the Bonn and Bremen summits, the *Executive Intelligence Review* (EIR) reported that with the introduction of the Schmidt-Giscard European Monetary System, it is now an "open secret among informed financial circles that the world is moving rapidly towards a gold backed monetary system." According to European gold traders, says EIR, central banks have been shaping gold markets for several months and are now important net buyers. EIR says this dovetails with recent statements by the South African Chamber of Mines, which have pointed out that with the changes in the IMF statutes now permitting central banks to trade in gold at free market prices, these institutions will be playing an increasing role in stabilizing and running gold markets.

It is also reported that the French, West German and other central bankers have been quietly stocking up on gold, with full cooperation from the main producers, the Soviet Union and South Africa.

How credible is this? One must start by cautioning that LaRouche, who is also chairman of the United States Labor Party, is a long way from current White House and Washington policy formation. He may have influence in certain areas but he's far from the mainstream of official U.S. Treasury strategy, and presumably an anathema to those Treasury men who have been implacably opposed to an important role for gold in the monetary system. He is plainly closer to those grassroots U.S. gold bugs who are inclined to make up in energy what they lack in finesse in their arguments. Yet, his access to the thinking and plans of transatlantic policy makers at the highest level gives his observations, if not his personal views, a certain authority.

Clearly, he is echoing European sentiments in his gold-dollar arguments. His semantics may be off-target but his method runs true. What lies behind it may be summarized as follows.

— There is still an important bloc in Washington that hope to see gold relegated to commodity status. But there are troubles brewing in the U.S. economy which are working against this. The U.S. has little hope of finding a durable solution to its problems without major shifts in style, span and courage of its economic and monetary policy making. Gradually the welfare-wedge (and, if you like, the "problems of prosperity") is eroding Washington's powers to do the things it must if the vicious circle with inflation, declining increments in productivity, the energy squeeze, the balance of payments deficit, the loss of investment confidence, and hobbled economic growth is to be broken. Until this breakthrough comes, the dollar will remain fundamentally weak, even if the price is not as depressed as in recent months.

— World foreign exchange reserves have climbed from 35,600 million dollars in 1970 to 173,100 million dollars last year. In 1970, some 80.9 percent of paper reserves were held in dollars, 9 percent in pound ster-

ling, and 2.1 percent in Deutschmarks. In 1977, 81.2 percent dollars, only 1.5 percent pound sterling, but 6.9 percent deutschmarks, making the DM the world's second most important reserve currency. Members of the European snake have 95 percent of their reserves in dollars, whereas gold comprises 13.5 percent of the world's total official currency reserves — and the proportion in gold could become higher if the central banks based it on market prices for the metal.

— The fallen U.S. dollar has given the U.S. an edge in world trade which remains distasteful in European and Japanese export sectors.

— It is a truism that the dollar's slide has undermined confidence in currencies and in the West's economic health to the benefit of gold. It may be old fashioned to repeat that metal has an intrinsic value which everyone understands, because gold is scarce and costly to produce. For all that, events keep underlining this fact.

— Taking all the above into account, it would not be surprising if the European central banks were keen to have more gold and fewer dollars in their reserves, even if they also wanted a somewhat stronger dollar to help their trading positions and to restore basic confidence in the basis for world growth and monetary order.

— To get more gold now costs more dollars. But these are devalued and over plentiful dollars. Europeans (and others) are not unhappy to part with such greenbacks. If this implies a rising price for gold and a more important role for the metal in monetary arrangements, so be it — within reason.

Of course, there are many other factors at work — gold speculators, industrial demand for gold, over-reaction to the rise of the yen, the proposed new European Monetary Union, the supersnake proposals, contradictions in the economic cycles in different countries, the cost of getting the Third World viable, changes in political risks around the world.

But the feeling keeps growing that, in the medium and long term, the gold price will keep rising and the metal will prove extremely difficult to expel from a central role in the monetary system.

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Toward A Mideast Catastrophe?

Carter must turn to Geneva to avoid war and oil embargo

The Carter Administration's decision to call a Camp David summit next month between Israeli Prime Minister Begin and Egyptian President Sadat has been explained by high-level Washington sources as a move necessary to head off a Middle East crisis and to lend Egyptian President Sadat crucial support to bolster his sagging peace initiative. In their rationalizations of Carter's moves, these same policy makers have even gone so far as to hope that Carter will have the opportunity at Camp David to "pressure" Sadat into concessions with Israel.

What is being ignored in these justifications is that the President is reacting to massive pressure from the Israel Lobby in Washington. Last week in the Senate, Secretary of State Cyrus Vance was put under enormous armtwisting pressure by Senators Javits, Church, Case, and Stone to publicly attack Saudi Arabian "obstruction" of Egypt-Israel bilateral talks.

Thirteen Senators sent a letter to Carter on Aug. 4, attacking the Administration for having promised Saudi "moderation" in peace talks after Carter won the arms-sale-to-the-Saudis battle earlier this year. By Aug. 8, Carter, so besieged by the Zionist Lobby, was privately telling Senators that he was "concerned" about Saudi attempts to keep Sadat within the Arab diplomatic and political fold.

Other pressure tactics during the past week have included Israel's hysterical threats of war in the Middle East and warnings of an outbreak of terrorism in the Mideast.

Despite the various explanations in Washington, Carter has acted more out of fear of a domestic political confrontation with the Zionist Lobby than out of a courageous determination to push a comprehensive Middle East peace settlement through the obstacle course.

How Israel Pressured Carter Into The Camp David Summit

"Concern about the risk of new hostilities in the Middle East was an important element in persuading President Carter to take the bold initiative of inviting Prime Minister Menachem Begin of Israel and President Anwar Sadat of Egypt here next month to seek a breakthrough," the *New York Times* reported August 9.

This remarkable assertion by the *Times* that the Middle East is heading toward general Arab-Israeli war was followed by previously unrevealed intelligence leaks from "western intelligence agencies" that Egypt has "put some of its units on higher alert status recently and has stepped up war games and preparedness...as a possible cover for a buildup toward some military action on Sinai."

"Foreign Minister Moshe Dayan is reported to have expressed his concern about the Egyptian moves to top Carter Administration officials," the *Times* notes.

Back off from pressuring Israel or there will be war. This is the message that President Carter was

delivered by the Israelis directly, and through such pro-Israel Administration officials as Vice President Mondale over the past few weeks. This threat, the *Times* and related sources make clear, is what "convinced" the President to break with Saudi diplomacy for a Geneva conference and to instead initiate his defensive and desperate summit initiative.

Lebanon Flashpoint

The conditioning of Carter on the general Arab-Israeli war threat has been accompanied by overt Israeli war threats over Lebanon. In fact, the *Times* noted in a separate article, "there is deep concern" in the State Department that an Israel-Syria war over Lebanon "between now and Sept.5" could torpedo the summit meeting.

On Aug. 8, Israeli jets went careening over Beirut as a signal to the Syrians that Israel would in the future militarily back up "the Christians" against Syrian efforts to dismantle the extremist Falangist and National Liberal Party militias.

Israel has for days been systematically obstructing the deployment of Lebanese Army battalions in the southern regions of the country. Under Israeli encouragement, renegade forces along the southern

border under the command of Saad Haddad have been shelling the Army forces, preventing their deployment into areas of Falangist control. Haddad's actions are being closely tied to the anti-Syrian actions of the Falangists and NLP-Chamounists in Beirut, and Haddad has threatened to exchange "blow for blow" in retaliation for Syrian actions in Beirut. This situation has made the south a tinderbox that could explode into Israeli-Syrian conflict.

According to Lebanon's *An-Nahar* newspaper this week, the Falangists across Lebanon are threatening "all-out war" if Syria does not withdraw immediately from Lebanon. This has renewed fears of a general civil war in the country, especially as the Falangists have recently provocatively extended the fighting into western Beirut, the strongholds of the Moslem communities and the left, likely forcing a retaliation within the next days. This could provide the pretext for an Israeli strike north, in accord with Israeli Prime Minister Begin's repeated threats to "defend the Christians from annihilation."

The U.S. State Department is publicly and privately pointing the finger at the Falangists as responsible for the unrest in Lebanon, and has criticized Israeli gun-running to ultra-rightists. But holding back from more decisive action in this regard has left Israel's hands free to keep the Lebanese situation very unstable.

Internally in Israel moves toward war are being

consolidated. First, the notorious 1950's anti-Arab Brigade 101 terror units have been reconstituted, under the control of a protégé of 101 founder Ariel Sharon, current Israeli Agricultural Minister.

Secondly, the land forces of Israel have been put under the command of General Yisrael Tal, an advocate of preemptive strike mode military deployments and of attacks against Arab oilfields in times of war.

Third, press attacks have mounted in the Israeli press against the Saudis for "organizing Arab unity." Begin has denounced the Saudis as obstructions to peace, helping to set the atmosphere for direct Israel-Saudi confrontation.

These tendencies in Israel have, through the Brigade 101 reactivation and related moves, catalyzed the recent "intra-Palestinian" terror war provoked by the extremist followers of the Baghdad-based Abu Nidal, a man whom Defense Department insiders consider to be "an Israeli agent." Several key Palestine Liberation Organization centrist and moderate leaders close to PLO chief Yasser Arafat have been murdered in the past weeks by Abu Nidal's agents. Now, with the Carter summit announced, intelligence agencies linked to the Israelis are predicting "an outbreak of terrorism throughout the Middle East aimed against those leaders identified as responsible for 'capitulation' to the U.S. and the Zionists."

A Humanist Solution To The Lebanon Crisis

U.S. Labor Party proposes new Lebanese constitution

The following proposal by Lyndon H. LaRouche, Jr., was first published by New Solidarity, the U.S. Labor Party's newspaper.

A variety of relevant governments and other agencies have inquired to the purpose of learning our proposals for solutions to problems of the Middle East and Eastern Mediterranean region. These inquiries include the subject of Lebanon in particular.

It is in the general interest that our proposals be published, especially to inform key sections of the U.S. electorate as well as responsible U.S. official institutions.

1. LABOR PARTY MIDDLE EAST POLICY

It has been continuing U.S. Labor Party Middle East policy since our published proposals of mid-1975 that a

package solution be offered to Israel and its Arab neighbors. The central feature of this proposal of 1975, to which we presently adhere, is that the occupied territories be made the territory of a sovereign Arab Palestinian state, and that durable peace between the state of Israel and that Arab state be secured by aid of an adequate development fund.

But for interventions by Henry Kissinger, City of London forces, and Black Guelph-controlled elements of the U.S. Zionist Lobby, our proposal would have succeeded.

During the spring of 1976, the leadership of the U.S. Labor Party was directly approached by an official of the government of Israel. This official stated two points in the main. First, that key forces within Israel wished to realize the U.S. Labor Party's proposal for durable Middle East peace, and wished the Labor Party to inform all its Arab friends of this willingness

within Israel. Second, that the relevant forces in and around the Israeli government trusted the U.S. Labor Party's manifest sincerity and competence in this matter.

The difficulties of "bringing off" such informal meetings as were proposed were monstrously aggravated by London and London-controlled U.S. Zionist forces. The Israel-Arab policies of the Rabin government deteriorated, contacts with the U.S. Labor Party were formally broken off, and the Israeli official who had been in contact with us suffered a suspicious accident, eliminating him from the scene of activity.

We continued with our policy, pursuing this with Israelis, Arab circles, and others. With the election of Prime Minister Menachem Begin, we launched a new effort. We denounced Dayan's effort to arrive at a "separate" settlement with Egypt, but encouraged Egypt's role in seeking to open negotiations for a general Arab-Israeli settlement. This effort collapsed with the Israeli invasion of Lebanon and the deterioration of Prime Minister Begin's manifest mental state.

2. U.S. LABOR PARTY LEBANON POLICY

During this writer's April 1975 visit to Baghdad, he warned leaders of the Baath Party and other influential Arabs present there of the danger of an impending Israeli invasion of Lebanon, prelude to an Israeli sweep through the Jordan desert into Damascus. He outlined the *breakaway-ally* scenario variant for this adventure, warned that Henry A. Kissinger was complicit in the operation, that President Gerald A. Ford had a defective perception of Kissinger, and that Senator Edward Kennedy was by no means a friend of Middle East peace. He warned that the indicated scenario could be set into initial phases of operation at will, and proposed that Arabs take initiatives to secure a comprehensive Middle East peace based on regional development programs.

It was during the last days of this writer's sojourn in Baghdad that the Falange attacks escalated to the point of originating the bloodbath which has continued in Lebanon to date. Unfortunately, too many influential Arabs had a defective perception of the nature of the Falange operation and organization. Effective response to the Lebanon destabilization signal was not suitably forthcoming.

Nonetheless, this writer informed key Arab representatives of his commitment to publicize an open proposal to Israel for a development-cooperation Middle East peace effort, and requested Arabs to respond promptly to any favorable signals from Israeli circles. The writer stressed the importance that Arabs drop the simplistic ideology concerning the "Zionist adversary" and develop an accurate, differentiated perception of the Israeli people and nation. Although those recommendations were not accepted at that time, the conceptions were registered, and have won cumulative credibility among both Arab and Israeli circles

over the intervening years' experience.

One of the most poignant experiences this writer has had in connection with the continuing bloodbath in Lebanon occurred during a meeting with the exiled Raymond Edde. Mr. Edde's aide stressed to us, following our meeting, that Mr. Edde was passionately concerned that the U.S. Congress, in particular, awaken itself to a perception of the hideous crimes to which Mr. Henry A. Kissinger and others had lent their complicity in the Lebanese bloodbath. With shame and pain, this writer advised the aide to Mr. Edde that the majority of the U.S. Congress would not respond efficiently to such moral issues in the face of the powerful "Zionist Lobby." This writer assured Mr. Edde and his friends of his own and his party's dedication to the welfare of Lebanon, but cautioned against excessive confidence in the conscience of the majority of the U.S. Congress.

This painful characterization of the U.S. Congress was not unfair. Apart from the visible reflection of the "Zionist Lobby" in Senators Kennedy, Javits, Church, Jackson, et al., those Republican Congressmen who refuse to denounce Henry A. Kissinger and exclude him from their counsels will certainly not remedy Kissinger's crimes in Lebanon or elsewhere. When Senator Henry Jackson issues panegyrics to "human rights," a stink of hypocrisy pervades the halls of Congress. A Congress that tolerates flagrant economic genocide, by supporting the IMF Witteveen facility policy, is not of such strict conscience that it will fight the "Zionist Lobby" over a mere few hundred thousand victims of London-Israeli-Kissinger horrors in Lebanon.

The U.S. Labor Party remains dedicated to the rehabilitation of a sovereign, undivided nation of Lebanon, and pursues this urgent purpose until the Administration's and Congress's perception of "human rights" in that quarter of the Middle East comes into efficient correspondence with reality. Perhaps the fact that Israeli intelligence networks politically associated with the Jerusalem Foundation are witting coordinators of international terrorism — including Abu Nidal's terrorist operations — will help the Congress to awaken to the realities of the matter.

3. THE VULNERABILITY OF LEBANON

The vulnerability of Lebanon to Israel-linked internal destabilization is rooted in the institutionalization of "particularist" divisions within the Lebanese state. The London-centered operation against Lebanon exploited that particularist compartmentalization through the following instruments. The Falange, reorganized and re-equipped for this destabilization operation, is a relic of the Nazi *Abwehr's* Second Division operations in the Middle East, complementing Admiral Canaris's parallel, Iraq-centered Arab-nationalist fascist organization. London took control of these organizations during the war and continued to control these networks during the postwar period. The

Arab side of the destabilization centered around the Bahai cult's Shi'ite operations and such "right-wing" Arab formations under London's control as the Muslim Brotherhood. Additionally, there were direct operations of the Knights of St. John of Jerusalem in Lebanon, of which the Chamoun factor is immediately representative. It was through Rothschild intersection with the Round Table organizations and the Knights that the closest link was made between Jerusalem and the fascist "Christian" element of internal Lebanese destabilization.

The recent role of the Syrian government and forces in Lebanon has been wholesome. Syria is dedicated by stated policy and practice to the reestablishment of Lebanon as a sovereign state without partition, and is acting to develop the Lebanese national army as the ruling military force in that nation in fact as well as in name. The situation has been complicated by extreme provocations against Syrian forces by Chamounist elements directly clients of Israel, catching the Syrians in the difficult position of selecting a course between minimally necessary military action and over-reaction.

The placing of U.N. forces in Lebanon was a useful act, but was not backed by adequate means and political directives to push the Israelis and their puppets back to a sealed Israel-Lebanon border. Effective means would provide for shooting down a credible percentage of Israeli military aircraft invading Lebanon for purposes of assault, and would be supplemented by efficient penalties against Israel for continued cross-border bombardment of Lebanese territory.

For the short term, the urgent task is to stabilize the government of Lebanon and to make that government efficient in its rule over both its borders and the territory within its borders. These measures will not root out the potential for future destabilizations, but will create the conditions under which Lebanon can act to remedy those problems.

4. A NEW LEBANESE CONSTITUTION

I strongly urge that Lebanon requires a new constitution. At the very minimum, the new constitution must make the state blind to particularist distinctions among citizens, outlawing religious or other particularist political parties or parties which function as religious-political electoral bodies under disguise. Respecting religion as such, the Lebanese constitution ought not to prescribe a purely secular state, but rather adopt an *ecumenical* policy, embodying in the constitution those inalterable precepts of national purpose and outlook which represent the common, Neoplatonic — ecumenical — foundations of all viable currents of Christianity, Islam and Judaism.

I propose that the new constitution should be modelled on the Grand Design conceptions associated with such exemplary figures as Cardinal Nicholas of Cusa and Gottfried Wilhelm Leibniz. It should not err in the direction of the Weimar Constitution or present

constitution of the Federal Republic of Germany; it should not be a long document detailing what are often mutually contradictory statutes. It should be composed of three parts, each intended to be made clearly understood by all adult citizens, as follows:

A. Declaration of National Purpose

"The Republic of Lebanon is dedicated to the perfection of humanity in accordance with those principles of natural law which govern infinitely the ordering of the universe. This perfection consists of uplifting men and women to the condition known as Reason, which is not only bringing their judgment and knowledge into conformity with knowable natural law, but is also awakening and developing in them those creative powers of thought which absolutely distinguish the human spirit from the quality of plants and animals. This creative power is the developable power to discover, communicate and to govern one's actions according to ever-more accurate knowledge of natural law.

"To accomplish this purpose, the Republic is dedicated to the limit of its powers to fostering those conditions of life in which adult men and women value themselves for the creative-mental potential they embody for knowledge and practice, and in which they value other persons for reason of the same potentials within them.

"This is to be accomplished by many, mutually coherent means. The central emphasis is to be placed on providing those forms of employment and other daily activity for citizens in which a premium is placed upon the development and application of their creative-mental powers. This centers in day-to-day secular practice, upon fostering progress in the technology of production and things produced, in industry, in research and development, in the development of a prosperous agriculture, and in the circumstances of community life.

"To accomplish this same purpose, the Republic is dedicated to relations of entente with other nations dedicated to the same global purpose respecting humanity as a whole, with special emphasis upon the region of the Middle East and Eastern Mediterranean."

B. The Organization of the State

"The government of the Republic of Lebanon is the instrument of the entire Lebanese citizenry and its posterity. It acts in behalf of the individual citizen or group of citizens according to its dedication to the whole citizenry and its posterity, and according to the national purpose which defines the self-interest of the nation as a whole.

"The formal organization of the government is modelled upon the example of the founding of the United States of America as a constitutional democratic republic by Benjamin Franklin and Franklin's

collaborators. The state is divided among an Executive, headed by an elected President, a Legislature of two branches, and a system of National Courts under a Supreme Court which is the guardian of the principles of the Constitution. The election of the President and members of the national legislature is by general election of a majority of the electors in each district designated as the area which that official shall represent.

"Electors — those authorized to vote — shall be each and any adult citizen who applies for registration as a voter, who is not disqualified for reason of impaired mental functioning or conviction for commission of a felony.

"The national military forces of the government shall consist of a professional military force combined with a general militia of citizens. The adult citizens shall be adequately trained and equipped for military service in case of war or other national emergency. The military shall be under the command of the President of the Republic, and shall obtain its material means by authorization of the national legislature."

And, so forth. . . .

C. Rights of Citizens

"Through the loving care and moral guidance of the family and the society the newborn infant is transformed from an ignorant and greedy creature of human potentials, through the period of adolescence, into a rational adult. Where this process is not successfully accomplished, where the ignorance and greediness of infantile life persist through adolescence into adulthood, the quality of the citizen is impaired accordingly, causing, in the worst cases, mental disorders and criminal dispositions.

"The rights of the citizen do not, therefore, reside in his or her being a biological individual, but in *his or her right to become a rational adult human being, and in the rights to be secured on behalf of each and every rational adult human being*. Accordingly, the rights of the citizen apply primarily to rational adults, and by derivation to providing children and others the efficient means to develop themselves into rational adults. Even the evil citizen has, therefore, the right to seek and gain redemption from evil habits and manners of thought.

"The focal point of the notion of the rights of the rational adult citizen is that principle of *freedom* which flows from the principles of natural law. The function of the government is to maintain the Republic according to adopted constitutional principles, and to promote those undertakings which correspond as tasks and opportunities for action to the national purpose. The successful implementation of such governmental policies depends upon the creative-mental contributions for practice of the many individual citizens. This creative-mental power within the individual citizen is the essence of *freedom* according to principles of natural law. The Republic, through its government, must promote the fruitful expression of

individual freedom of this sort wherever that serves the general good, and must tolerate error as much as the general good will allow, in the interest of affording breadth and depth to the individual citizen's efforts to discover improved knowledge and practice."

In the statement of the principle of freedom according to Neoplatonic ecumenical principles embracing Christianity, Islam and Judaism, the creative power within the human individual is the instrument of God's continuing work of creation, for which sacred purpose the individual properly exists.

To those among us who have progressed in their mental development no higher than the mere understanding, the principle of man's creative powers as the instrument of God's continuing work of creation is unavoidably a point of apparent theology, or, if you insist, mystification or mythification. To those among us who have attained the state of Reason, there is no mystification attached. Yet, because the ordinary person has not yet attained Reason as Plato defines it, for example, most persons are properly compelled on rational grounds of evidence of practice to agree with the principles involved without the developed capacity to comprehend the deeper principles of natural law involved. Hence, down through the ages, the truth so reflected has been shrouded in the sort of mystification the laymen associate with the term "theology." We are not propitiating theology, therefore, if, in addressing persons with "silver" or "bronze" souls, we state principles in terms of reference accessible to "silver" or "bronze" souls.

"The first principles of freedom are the individual's right to *information* and to *proper education*."

"Freedom of the Press" has proven itself to be a defective principle. For, if the control of the press shall fall into the hands of a dominant few who willfully suppress important news and falsify news, as does the Reuters news agency, or the U.S.A.'s *Washington Post*, the average individual citizen is deprived of accurate knowledge and his or her judgment is impaired to his or her disadvantage.

"The freedom of the press to report news and opinion uncomfortable to incumbent governing parties must be defended, but the state has the obligation to ensure that the citizens have authoritative channels of news and opinion dissemination despite bias in other news media."

"Freedom is an empty word unless a proper education is provided to the general citizenry, so that their minds are properly informed and developed.

"The general, further principle of freedom is the sacredness of the mind of the rational adult citizen and stranger within our midst, and provision to others, not rational adults, to gain access to the processes by which they too may become rational adults. Under this is subsumed the right of the citizen to be free of penalties or harassment without due process of law to determine what penalties and constraints he or she ought to endure.

"The principle of retributive justice in law is fore-sworn according to the same principles. A person who perpetrates an unlawful injury upon another ought to be obliged to remedy the injury, wherever that is possible. Persons duly judged to be governed in their acts by criminal dispositions or dangerous expressions of mental disorder ought to be restrained for their own protection and the general good.

"The practice of prescribed terms of fine and imprisonment for unlawful practices need not be abandoned, provided that the governing purpose behind such laws and their judicial implementation is not retributive justice, but rather deterrence of crime and pursuit of redemption of the personality of the offender.

"From the same principles of freedom we derive the concern to maintain domains of privacy for individuals and households. The individual must have lati-

tude for his or her own self-development, for experimentation with knowledge and practice, and for related expressions of the development of the powers for creative and creatively informed practice.

The foregoing paragraphs are not intended, of course, to be a draft constitution in full, but merely to identify those conceptions which are viewed as essential to the drafting of a suitable constitution. More specifically, these are intended to provoke the kind of discussion indispensable to developing an elaborated conception of a suitable constitution and also developing the constituency needed to adopt such a constitution.

It is, more broadly, the duty of those nations which have tolerated the London-Jerusalem rape of Lebanon to afford that victimized nation the opportunity to recover from the crimes to which it has been subjected since April 1975.

There Are No Human Rights Under The IMF

Why the IMF must be replaced with a new world monetary system

This statement was released on Aug. 10 in New York City by the U.S. Labor Party and its cothinker organizations, the European Labor Party and the Mexican Labor Party.

We hereby call on the leaders of the developing countries to immediately avert the genocide which threatens their nations. The International Monetary Fund has in recent weeks begun a campaign, more brutal than ever before, to commit open genocide. The IMF's infamous conditions for debt-refinancing credits are threatening to turn numerous countries in the Caribbean, Latin America, Asia, and Africa into regions where hundreds of thousands of human beings will be exterminated through famine, epidemics, and catastrophes.

Whenever an IMF delegation speaks of "currency devaluations" and "halting imports," the correct phrase ought to be substituted: "mass murder."

If President Carter is really serious about his fight for human rights he must immediately break with the IMF, because this institution's so-called conditions can be met only by dictatorial regimes modeled on that of Chile. The IMF's conditions are destroying the sovereignty of every nation forced to submit to them; they are destroying not only the right to economic development and technological progress, but are also destroying these countries' political sovereignty. How many governments of developing countries have in recent years been forced to "reconstruct" their governments and throw out their best leaders, because IMF delegations have made this into a "condition"?

The developing countries must *immediately* break with the IMF (and the World Bank, and the "Brandt commission"), because this institution represents the most exposed flank of those forces which want to eternally maintain the world in a state of backward feudalism in which they, a small elite, can rule the world. The IMF is only one of the financial instruments wielded by the international Black Guelph conspiracy, all of whose members belong to one or more of the following organizations: The Venerable Military and Hospitaler Knights of St. John

of Jerusalem (based in London); the Sovereign Military and Hospitaler Knights of St. John of Jerusalem (its "black nobility" faction based in Rome); the Knights of St. John of Jerusalem (based in the U.S. and Canada), the Jerusalem Foundation (the alliance's Jewish branch).

Members of these secret organizations control not only the majority of the banks involved in the Euromarket — especially in Great Britain, Switzerland, and Canada — but also control international organized crime, the drug trade, part of the alcohol market, and prostitution. They are the kind of people who are willing to turn the youth of entire nations into drug addicts if this will maintain their power. They are the people who not only created the Nazi ideology for use in a Nazified Germany, but who also consider themselves to be a "master race."

For them, the over 2 billion people inhabiting the developing countries are not human beings, but so many superfluous eaters, who are useful only so long as they remain physically capable of being exploited. They are the people who drew up the special study "Europe 2000," in which they openly demand that by the turn of this century the world's population must be reduced to 1 billion people.

It is these same criminals who are spreading the rumor among the developing countries that nothing has changed in the industrialized countries since the 1976 conference of Nonaligned countries in Colombo.

Contrary to the situation in August 1976, today all the conditions exist for a full break with the IMF.

On the initiative of West German Chancellor Helmut Schmidt and French President Giscard d'Estaing at the Bremen European Community Summit meeting, the European Monetary Fund was launched — an institution whose concept can be traced back to a proposal made by Lyndon LaRouche, chairman of the U.S. Labor Party. Just as LaRouche had proposed in 1975 with his concept of the International Development Bank, the initial \$50 billion allotted to the EMF will not be used for debt refinancing programs, but rather will be exclusively used towards the export of advanced technology into the developing countries.

When the Arab Monetary Fund is integrated this

September with the EMF (with the Japanese pulled in as well), this new monetary system will have at its disposal capital deposits of about \$350 billion, and can completely replace the IMF. The stated policy of Japan, France, and West Germany is to pursue a Grand Design policy — which means using their own countries' technological and economic potential for the development of the world as a whole, in the tradition of the Ionian citybuilders, Plato, and Leibniz.

The countries of Europe, with the exception of Great Britain, will act along with Japan to use the new monetary system's capital to finance long-term, low-interest credits, so as to realize giant development projects on the basis of nuclear technology in Africa, Asia and Latin America.

The next phase of the Grand Design will be the export of "nuplex cities." This means that by using the developed countries' technology, completely new cities and industrial complexes supplied by nuclear plants — nuplexes — can be built in any desired location in the developing countries. Even with the currently existing technologies it is easily possible to transform entire deserts into rich and productive farmland through irrigation and desalination systems.

Once the East bloc countries are integrated into these development projects — and the groundwork for this has already been laid by the historic May 1978 treaty between Soviet President Brezhnev and Chancellor Schmidt — the world will also have a solid basis for a real detente policy, whose foundation is worldwide development. Relations between the nations of this world will then no longer be dominated by the discredited ideas of Henry Kissinger and of similar spheres of influence. The world will be founded upon a system of independent, sovereign humanist republics.

Once the obligation to provide for technological and cultural progress becomes not only an internal criterion for each country, but also the criterion for relations between countries, then the continuous improvement which progress brings with it will very quickly teach human beings to esteem their fellow man for that which makes him uniquely human: his ability repeatedly to contribute, through creative labor, to the improvement of the situation of society as a whole. Technological progress is the sole guarantee that all forms of discrimination can cease to exist in the near future.

If those leaders of the developing countries who are conscious of their responsibility act now to initiate decisive steps towards integration into the European Monetary Fund, then the world will be led out of its greatest crisis and we will enter into an age of the actual realization of human rights.

If at that point the Knights of St. John of Jerusalem and their IMF apostles still wish to cling to their own policies, we will generously provide them with a little homeland — Liechtenstein, perhaps — which can then be subjected to IMF conditions.

1. The IMF takes over in the Caribbean

Both Guyana and Jamaica have been forced to adopt severe austerity measures which threaten economic activity as a whole, and the very lives of the populations. Through final agreements reached this summer, both nations have effectively turned their economies over to the IMF.

Since Jamaica and Guyana both have relatively small economies with little industrial activity, the focus of the IMF agreements has been to force these countries to "generate funds" primarily by direct cuts in the consumption levels of the population. In fact, the official IMF press release announcing the Jamaican agreement, issued on June 12, stated that the government must make "a major effort to reduce consumption as a proportion of gross domestic product."

Jamaica

In the first week of June 1978 the International Monetary Fund assumed day-to-day control of the Jamaican economy. The Jamaican Finance Ministry must submit a daily report on "the basis of four performance criteria" to an IMF monitoring unit in the Bank of Jamaica and send a full weekly report to IMF headquarters in Washington, D.C.

This violation of the principle of national sovereignty was only one IMF condition for a three-year, \$200 million loan to Jamaica. Jamaica's Finance Minister Bell called the overall IMF package "a shock to society . . . living standards will fall."

Food and Labor Policy. The IMF demands a 47 percent devaluation of Jamaica's currency. As a result, prices of basic items, including oil and food, which are nearly all imported, rose by 50 percent immediately. The currency will be devalued throughout 1978 by another 15 percent, while wage increases are limited to 15 percent, including benefits — not even one-third of the immediate jump in prices — for a two-year period.

Guyana

On Aug. 5, Guyana's Prime Minister Forbes Burnham announced that similar austerity conditions were required, in return for a loan of only \$18.75 million.

Along with the economic conditions, the IMF has demanded further government purges in Guyana. A major cabinet shuffle and dumping of secondary level

ministerial posts was announced simultaneously with the IMF package, in the second phase of government shake-up this year.

The first phase occurred in February when Foreign Minister Frederick Wills, a key international figure in the Non-Aligned Movement's battle for development, was forced to resign.

Food Policy. The latest round of cutbacks comes on top of an already devastated economy. 1977 was *already* officially dubbed the "Year of Austerity" by the U.S. Commerce Department. Last year, the budget was slashed by 30 percent, a planned development program stalled with capital expenditures cut by 60 percent, government subsidies of basic items halved, wage limits imposed, and all "non-essential" imports prohibited or severely limited — in order to "save" foreign exchange. Those measures have already created severe shortages of basic commodities — eggs, chicken, milk, margarine, soap, etc. — throughout this past spring.

Now Prime Minister Burnham is forced to announce to the population that the Fund is demanding Guyana cut imports by a minimum of 10 percent more this year — even though nothing but the most vital items are still imported — in order to cut its trade deficit by more than half. A 17 percent increase in exports has been stipulated. The government monetary reserves must rise by a specified amount, but credit for the public sector, which comprises 80 percent of the Guyanese economy, is severely restricted, and ceilings on foreign borrowing precisely detailed. State companies, without the money for new investment, must nearly double their profits within the year — through price rises, wage slashing, and "productivity" gains. The price of sugar was immediately *doubled* as part of this plan.

Agriculture. At the same time Guyana is being forced to become a Maoist agricultural nightmare. The World Bank is moving in tandem with the IMF to direct Guyana to meet its debt through the export of food. A "Redeployment Program," financed by the World Bank, has already begun to force thousands of "unproductive" government bureaucrats out into the fields to boost the agricultural drive. At the same time, the government has launched a "backyard production" campaign to get everyone to grow food on any available spot of land to replace the food once imported or now exported.

Services. Ecological holocaust is threatened as the nation's electrical supply promises to completely collapse if worn-out generating equipment is not replaced. Periodic power shortages and blackouts of several days' length began in April in the capital of Guyana, which in turn caused severe water shortages as electrical pumps failed in the midst of a drought. Hospital equipment failed, food spoiled, and transport was paralyzed as electrically-run gas pumps stopped. An engineering error in the attempt to rapidly return water service to the population resulted in salt water flowing through the taps.

2. How the Fund is destroying Peru

After almost three years of off-and-on negotiations and steadily intensifying levels of austerity, Peru reached a settlement with the IMF last month, subject to IMF final approval in mid-September.

To receive the IMF's promised \$230 million in standby credit, to be dispersed over a period of 30 months, the Peruvian government has agreed to:

- cut its budget deficit by one third;
- increase interest rates by 12 percent;
- further cut credit to the private sector;
- "gradually" devalue the Peruvian currency, the sol, by 80 percent by year's end;
- and limit government employee wage increases to \$10 to \$15 per month, far short of the current 100 percent annual rate of inflation.

This latest austerity package is a death warrant for the Peruvian population.

Living Standards. In the last few months, as the IMF has forced Peru to implement more and more genocidal policies, living standards have been cut in half again. The state marketing board reported that IMF-imposed austerity measures had resulted in a 57 percent drop in food imports in the first quarter from the depressed levels of the same period in 1977. Wheat imports were cut by 40 percent; meat imports by 80 percent; milk imports by 98 percent; and chicken-feed imports entirely. When local production is taken into account (only about 1 percent of Peru's territory is considered arable), the import cuts translate to reductions of about one-third in overall bread, meat, and milk consumption, and the virtual elimination of animal protein from the diet of the poorer half of the population.

The biggest fall in consumption occurred in the mid-May "Mother's Day Massacre," when the bankrupted government yielded to IMF demands to eliminate subsidies on basic food and fuel products that provided a slight cushion against the effects of inflation for the poorest. General price levels shot up by 60 percent overnight following price increases of up to 130 percent on edible oils, wheat flour, and milk. Wage increases above 10 to 15 percent were outlawed.

It surprised no one that the population responded to these measures first with shock, then with food riots, then with a disciplined national general strike that was harshly suppressed, leaving 28 dead and hundreds jailed. As President Morales Bermudez warned President Carter, the stage has been set for an unending cycle of austerity, resistance, and repression.

Health. The impact of what the IMF has done to Peru with full cooperation from the U.S. Treasury

Department and Henry Kissinger's networks in the State Department, may eventually be felt in the U.S. itself in the form of pandemics now germinating in the ravaged population. Peruvian health officials reported two months ago that 55 people had recently died from yellow fever in the Peruvian interior. An expert at the Center for Disease Control in Atlanta reports that the disease is endemic in the monkey population of the jungle, but that such widespread incidence probably reflected the fact that yellow fever is becoming epidemic among the human population.

Malaria, which ravaged Peru's coast before it was virtually eradicated 20 years ago, has made a virulent come-back in the valleys surrounding Lima and even in the capital itself, according to the Peruvian press. In February, the weekly *Caretas* reported that budget cuts had eliminated the antimalarial teams that had prevented disease expansion from latent foci. Bubonic plague is also latent in Peru and will spread if not controlled.

A quantitative index of the destruction of the physical resistance levels of the Peruvian population brought on by three years of austerity is that babies born last year in one Lima slum district weighed 25 percent less than those born in 1973. This evidence of generalized malnutrition correlates with an Organization of American States study which found

that real wages in early 1977 were almost 50 percent below those of 1973.

Recent studies cited by the weekly *Marka* magazine found that 18 percent of the urban families in Peru — and 40 percent of rural families — consume less than 1,900 calories per capita, far below the recommended 2,500 calories minimum; malnutrition levels in the population-dense capital of Lima are estimated at 22 percent, and 81 percent in the jungle backlands. Many Lima families have simply eliminated evening meals. A social worker quoted in the *Los Angeles Times* of July 6 estimates that the bulk of the country's 16 million people are moving "from malnutrition to the brink of starvation."

Industry. Peru has ceased to be an attractive market for U.S. exporters, as the U.S. Commerce Department will confirm. Over the past year, the Peruvian government has followed IMF orders to triage internal credits and foreign exchange allocations to Peruvian industry in order to free resources to pay off the country's \$8 billion foreign debt. Industry in May had only one-fourth of the foreign exchange needed for minimal operations, and widespread bankruptcies were reported. Industrial production, which fell by 6 percent in 1977, fell by an additional 14 percent by March of this year. By May, industry was receiving only \$15 million per month for importing vital inputs — a tenth of what the Central Reserve Bank had projected as necessary for normal industrial growth and production. The IMF's "stabilization program" is bringing production to a standstill.

IMF: Use Chile's methods

"We see no need at this point for a loan to Peru from the Exchange Stabilization Fund."

Frank Maresca, U.S. Treasury Dept.,
Developing Nations Division to *Journal of
Commerce*, Dec. 21, 1977

"What is happening to Peru is all their own fault. They will have to suffer the consequences of a default . . . Let other countries see they can't get away with such things."

Frank Maresca, in a private conversation
March, 1978

"After the 1973 coup in Chile General Pinochet cut the gross national product by 16 percent and had to spill a great deal of blood to do so. He still didn't satisfy the (International Monetary) Fund. So what chance have we got of getting another austerity programme to stick without the use of the methods he used?"

A Peruvian Central Reserve Bank official
quoted in the *Financial Times*, June 29, 1978

"In the end I think either the Fund will have to go or the Constituent Assembly, and the return to democracy will have to be canceled. I don't think the Fund will go . . ."

A Lima banker
quoted in the *Financial Times*, June 29, 1978

How did it happen?

The progressive nationalist Peruvian Revolution of General Juan Velasco Alvarado (1968-1975) carried out agrarian, labor, educational, and banking reforms which gave millions of Peruvians their first access to the opportunities of modern society. Real wages increased by 33 percent between 1969 and 1973, according to the Organization of American States study. The ambitious development projects begun during this period were financed by an increase in national savings rates at the expense of a displaced feudal oligarchy and by record foreign lending (encouraged by the World Bank).

But starting in 1976, London financial circles and the IMF became hysterical at the increasingly nationalist posture of the Peruvian military — particularly its leadership of the Third World movement for debt moratoria and development — and decided to use economic muscle to wipe out the progressive tendencies in the regime. A series of crises orchestrated by Luigi Einaudi, a Mont Pellerin society member brought by Kissinger from the Rand Corporation to the U.S. State Department, undercut the nationalist military forces and brought the first austerity measures in June 1976, "policed" by a consortium of New York bank creditors. The price

increases provoked bloody riots, which were the pretext for imposition of martial law under a State of Emergency for 13 months. The independent press, including *Nueva Solidarita* and NSIPS, was banned and dozens of political and labor leaders imprisoned or forced into exile abroad. Wages were frozen and strikes forbidden.

Peru negotiated with the IMF the conditions for a standby credit all through 1977, and on Sept. 20 was finally forced, through constant economic warfare, to accept an agreement with the IMF which could not be imposed on the population without making a mockery of the return to civilian rule promised by President Francisco Morales Bermudez. The government's attempt to sidestep the most severe of the IMF demands was met by stepped-up economic warfare, culminating in a total credit cut-off by May 1978 and the "Mother's Day Massacre" austerity decrees.

Given the genocidal austerity being imposed, the "democratization" process now underway in Peru stands out as a cruel joke, a political attempt to "sweeten the bitter medicine" of austerity with a liberal, democratic coating. The July elections for a constitutional assembly were arranged by the Interior Minister to ensure the victory of the pseudo-leftist populist Second International APRA party and the oligarchic Popular Christian Party, which openly espouses Chilean economic "shock therapy" for Peru.

3. Once the IMF is in control: genocide

Zambia

Although Zambian President Kenneth Kaunda has consistently and effectively countered pressure from Great Britain over his policies toward Rhodesia, his government has equally consistently acquiesced to the demands of the International Monetary Fund.

Since the collapse of the world price of copper in 1974 the IMF has settled like a vulture on the formerly healthy Zambian economy.

The IMF's program for Zambia developed over a seven-month period since November 1977, culminating in a June meeting of Zambia's 20-odd creditor nations sponsored by the World Bank. The meeting produced an \$800 million aid package, including \$393 million from the IMF, contingent on Zambia's continuing its current policy of draconian austerity.

Labor and Food Policy. Following a November 1977 visit to Zambia by an IMF delegation, Finance Minister John Mwanakatwe elaborated a program for Zambia recommending cuts in Government expenditure, including capital expenditure and social services; large scale layoffs both of government employees and copper mine workers; and labor-

intensive rural development including compulsory relocation of urban dwellers.

This year's budget, announced in January, includes these recommendations and a slashing of government food subsidies, which resulted in a 21.6 percent rise in the price of maize, the main staple for most of the population, according to the London *Financial Times*.

Political Measures. "International willingness to help Zambia," gloats the *Financial Times* June 9, "has in part been due to the efforts of the Zambians themselves," including willingness to institute "harsh measures." "Although it appears confident of staying within the IMF guidelines until the end of June, the next quarter may pose problems. It is at this time that the Government will need rigidly to enforce its austerity program in the face of demands from ministries starting to feel the pinch."

The IMF is also reported to have demanded de facto recognition of Rhodesian Prime Minister Ian Smith's illegal "internal settlement." The March 22 *Financial Times* reported that the IMF may have "demanded Zambia resume use of the Rhodesian transportation system as a precondition for loan assistance."

Bangladesh

In Bangladesh between 30 and 50 million people out of a population of 83 million starve every day of the year.

The World Bank has become increasingly involved in Bangladesh since 1963. According to the International Labor Organization, in this period the proportion of the population below the "absolute poverty line" — less than 1,935 calories a day — rose from 40.2 to 78.5 percent. In the same period the population below the 'extreme poverty line' — less than 1,720 calories a day — rose from 5.2 to 42.1 percent. A rickshaw driver burns 4,000 calories in a day's work.

Debt Service. The country's debt service has risen drastically. In 1975, debt service was 22 percent of the nation's export earnings; in 1985 it will be more than 30 percent.

Food Policy. Bangladesh is dying. However the World Bank's 1978 report *Bangladesh: Food Policy Review* proposes a drastic reduction of the urban food ration and a "free market" in rice, in the name of the abstract principal of "self-sufficiency" and ostensible aid to the poorest farmers. The Bank recommends a 33 percent cut in the ration available to an urban family at subsidized prices and the removal from the ration lists altogether of everyone above a low cut-off point, the ration subsidy for the latter to be compensated by salary increases. Commented the *Far Eastern Economic Review* (May 19, 1978): "In the absence of strong and comprehensive reforms, at which the World Bank report never even hints, reduction of rations would only starve the urban masses without alleviating the burden of the countryside's hungry millions."

The African Sahel

The countries of the sub-Saharan region of the drought-stricken Sahel are labeled Relatively Lesser Developed Countries. They are in the Fourth World. The fragile national economies of most of these countries were destroyed by the 1973-74 Sahel drought, itself a product of World Bank-International Monetary Fund bleeding of the economy. In 1974, the GNP of the afflicted countries fell 50 percent.

These nations now subsist only on the basis of relief from the World Bank, the United Nations, the Agency for International Development.

Food Policy. For the 27 million of the people of the Sahel region, the average protein diet is 25 percent below the minimum standards set by the United Nations Food and Agricultural Organization. East Africa is now under seige by swarms of locusts that consume 8,000 to 34,000 tons of food each day.

In addition, it is estimated that if minimal food relief is not injected into the region by the end of the summer, 7 to 10 million people will die of starvation. Nevertheless, the current Humphrey Food Bill now before Congress proposes to cut off PL 480, the main provision for U.S. food relief.

Chile

Chile could be considered a model country — in terms of paying its debt to the International Monetary Fund and other, similar agencies. Since the 1973 removal of the government of Salvador Allende, Chile's debt service has risen from \$93 million to \$571 million.

Labor Policy. Unemployment in the capital city, Santiago, is now estimated at more than 20 percent, compared to 3 percent during the Allende regime. Since 1973 wages have been cut in half, or even more. In 1977, 55 percent of the child population was found to be suffering from malnutrition. Unemployed are put to work in public works programs that pay \$25 a month, in foodstuffs, not cash.

“(Nazi Finance Minister) Dr. Schacht cannot be held responsible for the crimes of the Nazis. Hitlers arise from monetary instability, and Schacht was a genius at preventing monetary instability. Had his policies succeeded, Hitler would not have come to power In Chile we have seen a remarkable, a great turnaround from the days of the previous (Allende) regime.”

Milton Friedman,
economist who authored the IMF
austerity program for Chile
July 24, 1978

Industry. The state sector has been severely cut back, with employment cut from 18.3 percent in 1972 to about 13 percent now. This was achieved through mass firings, cutting wage levels of the remaining workers by 20 percent, raising prices on state sector services and products, and selling off 400 government-owned companies to speculators for a small percentage of their true value.

Other industries have been just as hard-hit, by the combined effects of collapsed living standards and the decimation of the state sector. The auto industry, for example, has dropped its production level by over 50 percent, from 26,613 units in 1972 to 13,200 today. A new lowering of tariff barriers, to occur in June 1979, will have an even more devastating effect on industry, and is expected to cost another 40,000 jobs.

4. World condemnation of the IMF

“There is something which upholds all human rights, without which they can't even be understood: the right to what we've called the dignified levels of consumption of the human being, the need he has for guaranteed levels of food, health, education, leisure, and the right to joy.”

Mexican President Jose Lopez Portillo
Jan. 18, 1978

“The deflationary recipes of the International Monetary Fund inevitably result in a cycle of social agitation and repression, which obliges governments to violate in an ever-increasing degree the rights of man.”

Peruvian President Francisco Morales Bermudez
September 1977

“What concerns me is the role of the IMF as a police state. This can be detrimental in the long run. If the IMF acts as a powerful surveillance agency, it can take the initiative for development out of the international market. We need longer-term financing to accommodate these countries' development programs.”

The international economist
at a leading U.S. commercial bank
June 5, 1978

“International financial organizations are fomenting social disturbances through their loan conditions. This is a new and more subtle form of violation of human rights of developing nations.”

Peruvian Foreign Minister Jose De La Puente
July 25, 1978

“Foreign interference is carried out by means of state power through other national and international political and economic and financial organizations and institutions of an official or private nature Human rights cannot be separated from the national, economic, and social context and in fact are an integral part of the struggle to change and democratize international relations as a whole”

Communiqué of the Belgrade summit
of the Non-Aligned Movement
Aug. 1, 1978

“Countries and institutions allocating credits usually force the economies of underdeveloped countries to stagnation in the name of ‘stability’ (leading to) upheavals (that) could increase the tendencies to establish autocratic regimes.”

Turkish Prime Minister Bülent Ecevit
Aug. 7, 1978

“Only undiminished access to international credit gives a state the possibility of maintaining national sovereignty over social and economic policies. Any debt settlement — such as those that need to be conducted with the Third World — must accept this principle.”

Chairman Emeritus for Deutsche Bank,
Hermann Abs
May 1978

“The International Monetary Fund and other credit organizations — traditional instruments of U.S. policy — impose onerous conditions, weaken the popular foundations of governments not to their liking, and undermine their political stability. Such circumstances are favorable to pressures and submissions which lead to temporary victories by the reactionary forces in some nations of the world.”

Cuban President Fidel Castro
July 25, 1978

What The EMF Can Do

And how it will get rid of the IMF for good

The developing nations now have a new, institutional alternative to the International Monetary Fund, the World Bank, and the other agencies of the same genocidal policies that the new monetary system is designed to conquer.

The first giant step in this financial transformation is the European Monetary System proposed by West Germany and France and approved at Bremen, West Germany by the nine heads of state of the European Community on July 7, over the strenuous opposition of Great Britain.

As the European Monetary System (EMS) takes effect by stages starting this September, it will, through its European Monetary Fund (EMF) replace the IMF and serve as a headquarters for absorbing presently unwanted and misused American dollars. The Fund takes its dollar holdings and uses them to make long-term, low-interest loans to industrial-development and energy projects around the world. The project managers then import capital goods and infrastructural equipment, paying their borrowed dollars to advanced-sector producers, above all in the U.S.—and achieving an unparalleled expansion of all economies involved.

The Arab Monetary Fund, with plans to greatly increase its \$700 million reserves, intends to link up with the EMS's Fund as early as September 1978. The highly development-oriented Bank of Islam, in which 41 Islamic nations participate, is considering parallel measures; and the African Development Bank, having gained Japanese involvement, has requested

West German participation to reach a 70 percent increase in capitalization. Mideast gold purchases have soared since Bremen.

The Grand Design

Thus the EMS is, and is designed to be, what one senior West German official just after Bremen called “the seed-crystal of a new monetary system.” That system would fully incorporate the United States, the socialist sector, and Japan. It is known as “the International Development Bank plan,” after the 1975-77 proposals by U.S. Labor Party chairman Lyndon LaRouche. The European press also refers to it as the “Grand Design,” after the Grand Design of Sully, the 16th-century economic counselor of Henri IV of France, who fought to develop world industry and technology from the top down against his feudal opponents.

The Grand Design's first open achievement was the 25-year Soviet-West German economic accord signed by Schmidt and Soviet President Leonid Brezhnev on May 6 in Bonn. Utterly obscured in the U.S. press, the treaty is no mere trade accord but a sweeping commitment to joint investment, research, and development, including joint ventures in less-developed third countries.

The Schmidt-Brezhnev treaty and these energy offensives would have been paper postures without a plan to create the financial mechanisms needed to implement them; to wipe out the IMF; and to draw the U.S. into the Grand Design credit system.

These purposes are embodied in the EMS provisions:

(1) Offense against the IMF and associated dollar saboteurs. This is the heart of the system. Twenty percent or more of each member's dollar and gold reserves is pooled into the second part of the Fund; it serves as collateral for recycling huge portions of Eurodollars and accumulated forms of short-term speculative dollar holdings into productive use.

The very idea of pooled dollar and gold reserves was immediately attacked by the IMF's spokesmen as a blow against the IMF's capital resources, whose potential size will be correspondingly cut. In actuality, the IMF pressed for a "mini-IMF" with its own reserves — preferably using a European mini-Special Drawing Right reserve along with its other police powers, to isolate and destroy Europe.

The EMS is the opposite. Both advocates and detractors of the EMS freely acknowledge that the formidable gold component of the new Fund's reserve pool — some \$25 billion worth at market prices — means a de facto initial remonetization of gold — the negation of the Special Drawing Rights plan.

The central reason the European Monetary System will actively kill the IMF is credit policy itself. The EMF and associated funds, in preparation for an international-development world central bank, plan to use their reserves as the equivalent of a bank's shareholders' capital, which can generate a multiple of gold-backed loan capability for world trade and investment. In such a universe, what becomes of the IMF's offer of a dribble of credit in exchange for a torrent of blood?

(2) Defense against currency chaos and speculative black operations against the dollar. The IMF's controllers have traditionally fomented currency chaos, then used it to justify austerity or hyper-inflationary policies for the victim, now for the U.S. itself. The European Monetary System mounts an interim defense through internal European stabilization (a 4 percent band of fluctuation for all members). As Schmidt and Giscard have repeatedly said, the band is not a technicality; it is one expression of real economic growth targets to reduce the inflation now suffered especially by weaker members that opens them to attack. "Anyone who wants to speculate against the dollar will have to reckon with the European Monetary System," stated Helmut Schmidt to the international press at the close of the Bremen summit.

(3) Promotion of international development policy. The EMS furthermore has an inherent self-expanding nature. The July 7 Bremen official communiqué states that "Nonmember countries with especially strong economic and financial ties to the Community can become associate members of the system." This is no mere invitation to an Austria or Switzerland: it points to the U.S. and Japan, as well as the OPEC nations and the Soviet sector. The EMS is perfectly suited to clear the Comecon's repeatedly

offered transferable ruble, a gold-backed unit of account which initially could be used, say, by Czechoslovakia to buy oil from Iran, which would then exchange T-rubles for Italian capital equipment, giving Italy in turn a fresh credit to obtain Soviet raw materials.

The most essential dimension of the EMS's self-expanding operation is the very principles of global industrial development and nuclear-energy financing. West Germany's Chancellor Schmidt declared, during his May talks with Soviet President Brezhnev: "I am particularly thinking of joint efforts (on economic projects) with the aim of not allowing any further widening of the gap between the developed industrial countries and the developing countries, between the rich and the poor; on the contrary, we must overcome the gap." Since the Bremen and Bonn summits, the leaders of the Grand Design thrust have emphasized again and again the central role of high-technology Third World development in their strategy.

In the Wake of Bremen

"It is necessary to move strongly and quickly before autumn, to present concrete conclusions backed up by numbers, because international opinion is waiting with gravity and hope for the results of our work." This was Giscard d'Estaing's statement after the Bonn summit meeting of the leading European heads of state with those of the U.S., Japan, and Canada. The summit had presented the EMS plan to President Carter, who not only declined to obstruct it but consented to an unprecedented emphasis on nuclear energy development in the conference's otherwise unmemorable communiqué.

Japan needed no initiation into the plan. Japanese spokesmen, with their superior understanding of the state's role in actively promoting science and industry, have been leading proponents of an international development bank for several years. The Mitsubishi Research Institute this June had proposed a developed-sector fund to deploy a total of \$500 billion by the year 2000 into technological projects on the scale of "greening" the world's deserts, building a Nicaraguan canal, and climatizing Siberia by widening the Bering Straits.

Helmut Schmidt himself made material gains for the Grand Design on his late-June trip to Nigeria (a nuclear cooperation agreement) and Zambia (a pledge of West German aid against IMF demands) as well as progress in bringing into deeper EMS coordination not only the Saudi Arabians but Iran, which has announced not only a \$600 billion 10-year national industrialization plan heavily based on nuclear energy but will invest further in Western industrial sectors geared to industrializing the Third World. This exemplifies the potential for the new Fund's "fit" between previously idle advanced-sector capacity, previously idle petrodollar holdings, and life-or-death underdeveloped countries' need for technology.

Fire Brigade Approach Can't Save Carter Presidency

Sources in a position to know the thinking of President Carter and his top diplomatic and political advisors report that Jimmy Carter and Secretary of State Cyrus Vance were "very positive" toward the new European Monetary System when West German

ASEAN summit story appears in our THIRD WORLD section.)

THE ADMINISTRATION

Chancellor Schmidt and French President Giscard briefed them on it at the Bonn economic summit in July.

But Carter and Vance apparently do not yet understand how important the Schmidt-Giscard "Grand Design" policy is politically and economically, and aren't campaigning for it. As a result the Carter team has spent the month since Bonn on "fire brigade duty" trying to cool down an unending series of "separate" political and diplomatic crises manipulated by feudally inclined London merchant bankers and their allies, who are determined to block the Grand Design if it takes world depression and war to do it. Destruction of the Carter presidency is their immediate operational goal.

That the U.S. is not yet on record in support of the European Monetary System (EMS) is the work of Treasury Secretary W. Michael Blumenthal and his no-growth henchmen, Anthony Solomon, Henry Owen, C. Fred Bergsten and Richard Cooper, all top-ranking economic officials at Treasury, State, and the White House.

"The Germans and the French were pushing the USA very hard on the European Monetary Fund as a way to recycle petrodollars into economic development," a highly placed source said last week. "It was the 'economic boys' who stuck on the note of caution to the U.S. position on the EMS."

Since then, most recently at the Aug. 3 conference of the Association of Southeast Asian Nations (ASEAN), Blumenthal has refused to make any commitment to stabilizing the dollar, has insisted that the International Monetary Fund should be the arbiter of the economic fate of nations, and has portrayed the U.S. as "uncommitted" to support of the EMS. (The

An Organized Torrent

The Administration has subsequently been subjected to a torrent of Zionist Lobby, Cold War attacks on its foreign policy. These culminated last week in the announcement, under the auspices of the American Security Council, that a 150-member group in the U.S. Congress was seeking a policy of "U.S. supremacy" in nuclear weapons, tantamount to endorsing a U.S. "first strike" military posture against the Soviet Union. The impact of the attacks was seen in Carter's ill-advised decision to convene a Begin-Sadat summit at Camp David.

On the domestic front, Carter's top legislative priorities, the energy and tax cut bills, are in deep trouble, and the pileup of budgetary authorization and appropriations bills is so great that House Speaker Tip O'Neill and others are talking about a post-election-day "special session" of the Congress in November.

London Press Cooks Drug Scandal

Meanwhile, London-directed "liberal" and "conservative" circles, committed to using "free enterprise" as their code word for destruction of any government-led U.S. industrial expansion under the Grand Design, have been promoting a new wave of scandals in a drive to complete "Cartergate."

Leading the pack is Robert Moss, London's chief "free enterprise" propagandist to U.S. business and conservative political circles. (For details, see COUNTERINTELLIGENCE.) Moss is taking what some observers say is an effort by Carter to rid his Administration of the most outspoken proponents of subsistence labor and other economy-wrecking schemes, and trying to turn it into a no-win — and potentially, terrorist-wracked — "right versus left" situation.

These sources cite the forced resignation of Midge Costanza, former White House liaison to the "gay community" and the muzzling this week of Housing and Urban Development Secretary Patricia Harris and Barry Bosworth of the Council on Wage and Price Stability as examples of this crackdown.

Now, by alleging that the Administration is riddled with "radicals," Moss is trying to put Carter into an impossible bind. If he cracks down on these networks the left-liberal wing of the Democratic Party will openly break with Carter and rally behind Ted Kennedy for the 1980 Democratic presidential nod. If he refrains, then Moss will have his networks in the U.S. go on a rampage accusing the Administration of harboring "Marxists and communists."

"Sugargate" Threats

In a similar vein, gossip-economist Eliot Janeway told a reporter Aug. 8 that Carter has been wanting to dump Treasury Secretary Blumenthal for a long time, but doesn't dare carry this through "because Blumenthal has plenty of blackmail material on drug use in the White House." Commenting on a report in the Aug. 7 *Washington Star* that Carter's close advisor Charles Kirbo is urging the President to jettison Blumenthal, Transportation Secretary Brock Adams and Agriculture Secretary Bergland from the Cabinet, Janeway warned: "If Carter tries that, he'll have a Sugargate on his hands. It will come out everywhere that Kirbo, as Coca-Cola's chief lobbyist, has been writing the Administration's sugar policy for Coke's benefit. That'll be some scandal."

Janeway ended his threats with a plug for Ted Kennedy for president: "He's the Democrats' best hope. Carter is all washed up."

The "drug scandal" threat is also being retailed in the U.S. by individuals tied to the Lazard Freres investment banking firm, which in turn has been working closely with the Zionist Lobby around the week's Mideast events. "All of the drug stories will come out soon," one of them announced in an interview this week. "The press has all been briefed by Midge (Costanza). They've just been holding back until she's safely out of the White House... Everything's going to come out soon... The Carter Administration will crumble."

Kennedy Boomlet

Kennedy himself has adopted a high profile over the past week, including an appearance on nationwide television Sunday and a speech to the American Bar Association convention Monday in which he endorsed "free enterprise" and attacked "bigness in all its forms." Today, Speaker of the House Tip O'Neill, a close Kennedy crony, took a shot at Carter by announcing that several of the President's top legislative priorities probably would not be considered during the remaining days of the 96th Congress.

Completing the Kennedy "boomlet," the London *Times* last week asserted that Carter's reputation had been all but destroyed among the rank and file of Democratic Party officeholders and party officials, and touted Kennedy as its own first choice to succeed him in the Presidency.

ABA Convention: 'Rule Britannia'

A report from this week's lawyers' meeting in NYC

*Exclusive to the
Executive Intelligence Review*

The American Bar Association Convention, held in New York City last week, provided the occasion for Ted Kennedy and his political associates, in collaboration with 1,500 British solicitors and barristers invited for the event, to indoctrinate 35,000 American lawyers.

THE LAW

With major speakers like Senator Kennedy, John J. McCloy, Security and Exchange Commission Chairman Harold Williams, and Ralph Nader attacking the legal profession and American industry with no holds barred, polite, conservative prodevelopment attorneys were left gaping.

In the indoctrination process, the British and their U.S. allies revealed in full their above-ground political

strategy to destroy the recent Bonn and Bremen economic accords before they are implemented (and before the British pound collapses).

The conference opened with a press conference given by NATO Commander Alexander Haig. Haig, who spoke while Henry Kissinger and Helmut Sonnenfeldt lurked behind him, stressed the "relentless growth of Soviet power" and the necessity to "play the China card" to contain Soviet influence in the Third World. He also lyingly, expressed "cautious optimism" that the other European nations joined him in this policy assessment.

Under the banner of "free enterprise," the Kennedy operatives made it clear that they hope to entrap conservatives, whose vulnerability has been demonstrated by their affection for California's tax-cutting Proposition 13, into support for their zero growth looting policies by inveighing against the evils of big government and regulation.

Kennedy: A Cry Against Bigness
Senator Kennedy's speech keyed the ABA

meeting. After the band played "Rule Britannia," Kennedy launched into a tirade: "This country is over-lawyered and over-regulated...Proposition 13 is a cry against bigness in all its forms. If the Jarvis Amendment had attacked big business instead of big government, it would have received just as much support from the population...The free enterprise system has repeatedly proven itself more efficient than any other. However, it must now be made free from the domination of big business. We can restore the vitality of the free enterprise system by reducing and streamlining government. But we cannot do away with big government without doing away with big business...The present anti-trust laws are inadequate. We must have legislation forbidding mergers above a certain size. We must devise incentives that reward voluntary divestiture."

Kennedy's policies date back to the theories and methods of Supreme Court Justice Louis Brandeis — the chief exponent of British colonial policies for the United States at the beginning of this century.

The implications of the Kennedy speech were thoughtfully explained for him by John J. McCloy. McCloy, a partner in the Wall Street firm of Milbank, Hadley, Tweed and McCloy, is the chairman of the ABA's Commission on Law and the Economy. The commission has produced a report designed to create a regulatory structure suitable to implementing the kind of national zero-growth economic planning originally envisioned in the fascist Initiatives Committee on Economic Planning (ICNEP) proposals unveiled in 1974. The heavy involvement of Kennedy circles and the United Auto Workers in both efforts is well known.

McCloy and other discussants of the commission report continued to retail the line, contending that regulation of business has been the problem with free enterprise. McCloy demanded that the U.S. establish tax incentives and other voluntary methods of compliance with government regulations. He called for deregulating "competitive" industries such as airlines and trucking, and urged more political intervention to ensure a "responsive" process. The commission proposes to rely heavily on structural anti-trust enforcement, and forced disclosure and reporting, to intimidate corporations into compliance with zero-growth national planning objectives.

For those who were not yet convinced of the dangers of opposing the reestablishment of British hegemony over the American economy, SEC Chairman Harold Williams provided a glimpse at the heavy-handed enforcement program these Kennedy circles envision.

Williams insisted that corporate attorneys must become responsible for "blowing the whistle" on their corporate clients. Implicitly threatening attorneys with personal, criminal liability for the actions of their clients, Williams insisted that, rather than represent the interests of their clients and advise them on compliance with the law, attorneys must instead become responsible to the public and carry out

Watergating campaigns against their own clients.

"Lawyers are the architects of accountability in our corporate structure," the SEC chairman said. As well, Williams laid out the Kennedy group's plans to destroy American corporations. In remarks strikingly similar to those of Ralph Nader, Williams insisted that no company should have a board of directors with more than one insider. Neither should anyone doing business with the company be on the board of directors. The boards of corporations should be composed entirely of "independents" who would insure "accountability."

The American Faction Steps Forward

Not one scheduled speaker at the ABA convention mentioned the Bonn and Bremen economic summits, or discussed the implications of the policies determined there for the American system of law and government. But U.S. Labor Party resolutions, presented before the General Assembly of the ABA, became a major topic of discussion for hundreds of attorneys trying to make sense of the zero-growth, anti-industry proposals which were being presented to them.

Four resolutions were drafted by the U.S. Labor Party legal staff for Max Dean, Esq. of Flint, Michigan, who submitted them to the ABA Assembly.

The first two resolutions referred to the history of founding of the U.S. as an industrial humanist republic and to recent calls by its European allies to join them in realizing the goals of such a republic. Specifically, the resolutions call on the ABA to urge the government to (1) accept European offers for joint development of nuclear power, and (2) massively expand the lending ceiling of the Export-Import Bank to supply the credit for increased world trade in advanced technology.

The third resolution charged that Proposition 13-style amendments are dangerous to the nation's ability to generate sufficient credit for economic growth. It called on the delegates to support a "taxation system which would penalize speculative activity and actively encourage productive investment and the rapid growth of a skilled labor force."

The fourth resolution called for replacing regulatory provisions which encourage divestiture and decentralization with "regulatory policies which place a premium on capital-intensive high-technology economic development...."

The Assembly referred to the resolution on expanding international trade to the International Law Committee, the resolution on reforming anti-trust law to the Anti-Trust Committee and the resolution on taxation policy to the Taxation Committee, all for further discussion.

The attack on the American system was elaborated by other Kennedy mafia speakers as well, including Ralph Nader, John Shenefield of the Anti-Trust Division of the Justice Department and a number of lesser lights who made statements like "We will substitute communications access for the development of industrial technology for the Third World" and "The Third World doesn't want technology. Even if they did the Soviet dominance in those areas would prevent us from supplying it."

Notorious environmentalist Ralph Nader addressed the Law Student Division of the Bar Association, cynically urging on the prospective attorneys that their problems in finding a job could be solved through increased consumer litigation and other "individual rights" work. Nader elaborated on the political alliance of conservatives and liberals that these

British agents hope to establish. "The question is whether this country is a republic or a democracy...The passage of Proposition 13 has convinced a lot of conservatives that the referendum process, and presumably initiative and recall as well, are very useful democratic weapons. We expect to see a good deal more of this."

The Kennedy group has no confidence, as yet, that they have captured the minds of the Bar Association members. Rather they hope they merely have them cornered through Watergating terror. Nader therefore made the rather incredible assertion that he was absolutely in favor of economic growth, but "nuclear power is just too dangerous for an unstable situation."

—Felice Gelman

Andrew Young: Economic Development Is A Human Right

In his speech at the American Bar Association, in New York Aug. 9, Ambassador Andrew Young declared that human rights must mean economic advancement through the transfer of high technology from the West. Young's speech, which received a standing ovation, is excerpted here.

Human rights is not an idea whose time has just come only recently. It's as old as the Judeo-Christian tradition of our scriptures and the declaration of faith in God and the individual which became the basis of our Declaration of Independence. Human rights, politics, and economics have always been intertwined in the struggles of this nation. And somehow, the moral imperatives and ideals which give us the standards of human rights by which we live, have always infused our politics with a new dynamic and contributed to the basis of economic growth in the process.

...We are fond of thinking of the South as the Sun-Belt, area of dynamic, economic progress, but we should not forget that the sun had been there for centuries, but the dynamic, economic progress came about as a result of economic expansion and the protection of human rights and freedoms for all citizens in that region. As long as Southerners fought each other and were bogged down in their ideological and racial differences, it was impossible to achieve the present level of economic growth. The expansion of human rights to include voting rights and economic opportunities for the one half of the nation's black population that still resides in the 11 southern states created the conditions for economic expansion and growth that transformed the region into one of progress and prosperity, rather than poverty and conflict.

...There's also a realization that the countries that are beginning to expand their economies and produce

for their citizens have most often done so in cooperation with Western nations, rather than in conflict, and that the dramatic growth stories in the world today are in places like the Ivory Coast, Singapore, Brazil and Nigeria. Dedicated countries like Sri Lanka and Tanzania are working dramatically on problems of rural development and meeting basic human needs, but doing so with such limits of capital and technology that they face the harsh realization that they cannot expand further without access to the wealth and training accumulated in Western democracies.

This leads me to observe that the death of Pope Paul brings us to another dramatic juncture in the life of the Catholic Church, a church which under his leadership and that of his predecessor began to talk about the progress of the people and mobilized the Roman Catholic Church, the most powerful religious force in the world today, to begin an emphasis on questions of development and human rights in the nations of the Third World. The fact that now 40 prelates of the College of Cardinals are from Third World countries almost assures us that any newly elected Pope will have a strong personal interest in human rights, freedom, and development all over the world.

If the hungry are going to be fed, then the agricultural techniques developed in this nation will have to be utilized in feeding them. The tractors and combines which we have developed in our agriculture system will become items of exchange for the natural resources which are present in great abundance in many countries of the Third World. And in the process of meeting human needs and human demands for the products we have produced we will also strengthen our own now sluggish economy, stabilize our currency as exports increase, and begin to internationalize our economy in ways that are appropriate to this part of the twentieth century.

'Grand Design' Credit Strategy Emerges

Arabs, Europeans implementing Bremen accords

In both Western Europe and the developing regions of Africa and the Mideast, government policy-making bodies issued firm directives last week to bring the massive "Grand Design" economic development programs prepared by the July Bremen and Bonn Summit meetings into operation. The French and

News Agency announcement of Saudi Arabia's intention to fully coordinate its monetary policy with West Germany by the end of August. Under the headline, "Saudi Assurances Give Boost to the Dollar," the *Monitor* noted that the decision of both countries to operate jointly to support the dollar was reached at "two recent meetings between Prince Fahd and West German Chancellor Schmidt."

BANKING

West German governments, as well as the Arab Development Bank and the African Development Bank, all announced specific policy moves, to be undertaken between now and the end of September, as measures to guarantee financing for long-term, large-scale economic growth.

On Aug. 7, the Arab Development Bank convened a dramatic meeting in Amman, Jordan, attended by central bank representatives and diplomats from 41 Islamic nations, to discuss the role of the Bank of Islam in financing global development. Under the guiding influence of Saudi Arabia, the leading nation behind the moves to unify the Mideast around a program for peace through economic growth, the attendees recognized that the Bank of Islam must become a major credit institution to back up Middle Eastern development.

Commenting on the meeting, a spokesman for one of Switzerland's top banks volunteered that the proposal was "the closest thing I've seen to (U.S. Labor Party Chairman) LaRouche's International Development Bank." LaRouche's 1975 IDB proposal, which called for replacement of the International Monetary Fund-World Bank by a \$200 billion global bank to serve long-term financing needs in the Third World, has served as the model for the international development push now underway.

Dollar Support Moves

The Amman meeting overlapped the publication on Aug. 7 in the *Christian Science Monitor* of an Arab

The *Monitor* is the first Western newspaper to pick up this explosive story, the full details of which appeared in the last issue of the Executive Intelligence Review. On Aug. 6, French intelligence sources revealed to this news service that the Saudi's intention to unify the Arab Monetary Fund with the European Monetary Fund established by the European Economic Community at the July 7 Bremen Summit. Contrary to the City of London-circulated report that the EMF is a "currency stabilization fund," the Bremen program was designed to facilitate combined North-South and East-West trade on an unprecedented scale. The combined resources of an EMF-AMF arrangement are estimated at this time to lie between 250 and 300 billion in central bank-held surplus dollars.

Following the Amman meeting, the African Development Bank based in Nigerian held a conference on Aug. 8. According to the economics magazine of the West German Frankfurter Allgemeine Zeitung, the African financial institution issued a call for West German banks to aid it in increasing its capitalization by 70 percent. Japanese banks are reportedly already involved in the program.

French Toss Out British Policy Myths

It is well understood by the leading forces of the Grand Design that the Third World development is a pipe dream if the advanced industrial countries do not adopt dirigist policies to make credit available for production and export of western capital goods and nuclear development programs.

Following months of debate in France on how to relieve the country's stagnation of industrial investment and confront high levels of corporate indebtedness, government spokesman Michel Albert,

head of the French Planning Commission, submitted a proposal to the Prime Ministry Aug. 7 calling for an exports drive to the Third World, combined with increased investments in science and technology. Simultaneously, experts for the Finance Ministry are reported to be preparing a banking reform program which will permit banks to double their credit issuance by June 1979 and quadruple issuance by 1980.

These reforms come on the crest of a full-scale political battle around the French Industry Ministry, whose head, André Giraud, has been on a months-long campaign to purge advocates of environmentalism and zero growth from positions of responsibility. Last week, Giraud announced a bold industrial strategy aimed at fulfilling the Bremen accords, based on the need to boost France's nuclear and aerospace technologies to a leading world position.

These reform moves puncture two prevailing myths which governed French economic policy until the Bremen summit, and which allowed the Black Guelph hierarchy overseeing the City of London to exercise considerable indirect control over French politics.

The first myth is that France is a nation committed to the "spirit of free enterprise." Prime Minister Barre, until Bremen the dominant figure in French economic planning, had been using the slogan of "free enterprise" to hold intact devastating government restrictions on bank credit issuance, driving a large section of industry into near bankruptcy status.

Pushing Barre's influence aside, the Albert reforms call for creation of a dirigist bank to facilitate private joint ventures in the Third World, provide incentives to corporations going for reinvestment of profits in modernization of plant, and make available resources to invest in research and technology.

The second myth is that France can only boost its economy in overt competition with West Germany. In fact, these recovery reforms have been drawn up in consultation with West German leaders, and are aimed at coordinating French economic growth with the investment and wage incentives announced in West Germany's 1979 budget.

To drive home the point that French industrial

development constitutes a rejection of British economic mythologies, the French press continues to run articles denouncing the miserable state of the British economy. Earlier this week, attacks on Britain included a news item in French papers about a "sugar war" which is presently occurring between the London and Paris commodities markets.

Meanwhile, West German leaders proudly announced this week the successful, initial results of their efforts to boost East-West trade.

On May 4, Schmidt signed a groundbreaking "Rapallo"-style treaty with Soviet Party Chief Brezhnev to lay the groundwork for West German-Soviet collaboration in developing the Third World. On Aug. 7, official reports were released on Soviet-West German trade for the first half of 1978. While overall foreign trade for West Germany rose only 3.5 percent in that period, exports to Comecon countries jumped 10.2 percent; imports from the USSR meanwhile leapt up 24.1 percent. Exports to the USSR rose 14 percent.

Emphatically underlining the global development program proscribed by the May 4 treaty, Chancellor Schmidt issued a statement this week on West Germany's commitment to "the future of all of us."

"The development of North-South relations," he reported, "is as important as the regulation of conflicts between East and West . . . Our government is committed to helping the peoples of the Third World in their own efforts to build their economies . . ."

Schmidt's statement was echoed by Otto Wolff, steel industrialist and renowned promoter of East-West trade. "Trade must expand everywhere," Wolff told an interviewer from the daily *Die Welt*. He noted that his own family has also been involved in the 1920s Rapallo treaty deliberations, and added a noteworthy attack on Willy Brandt, the former Chancellor who attempted to hand West Germany over to complete City of London domination. "I hold it as the major historical mistake of Herr Willy Brandt that (during his office) there emerged a general defamation of the entrepreneurial spirit in this country."

Revealed: Who Runs World Finance

Opening up the centuries-old secret of the 'invisible hand'

The "invisible hand" that is popularly supposed to regulate the world economy has been rendered visible — thereby uncovering one of the world's most closely guarded secrets. A team of U.S. Labor Party investigators has revealed that it is the Venerable and

INTERNATIONAL FINANCE

Sovereign Order of St. John of Jerusalem (Knights of Malta) that runs world finance.

On hearing the results of the Labor Party investigation, a former senior Eisenhower Administration official stated: "These people have run international finance for a thousand years (the Order was founded in 1099 —ed.). We tried to break them back in the 1950s, but we couldn't."

As a matter of public record, inner circle members of the Maltese Order are the chairmen of the boards of every important British and Canadian bank and life insurance company, controlling publicly-listed assets of almost half a trillion dollars — and exercising centralized conspiratorial control over this mass of disposable funds. Also as a matter of public record, the Order controls a lion's share of New York investment banking, including Lazard's, the two Warburg firms, Lehman Brothers-Kuhn Loeb, Loeb Rhoades, and Salomon Brothers. But even this huge leverage is a modest public facade, disguising the real financial power of the Maltese Order.

Dirty Money

The Order of St. John of Jerusalem controls every dirty money financial center in the world, the entire world drug trade, the entire world liquor market going back to the bootlegging period, and most of the world's gambling and prostitution. By moving all their tentacles in coordination, their capability is enormous, rivaling that of the central banks. Lazard Freres limited partner Disque Deane boasted in a recent interview, "The hundreds of billions of dollars in the Eurocurrency market are mostly private funds. The central banks will never bring them under control."

At a minimum estimate, the Order has an annual cash flow of \$100 billion from world heroin traffic; Scotch and Canadian whiskey; gambling in the Caribbean, Monaco, and the Orient; gun-running and mercenary procurement in Africa and the Mideast; and prostitution on several continents.

Besides the proceeds of extremely well-organized crime, the personal fortunes of the noble families who participate in the Maltese Order constitute an additional increment of financial power. Coutt's and

Company, the private bank of Britain's royal family, is a case in point. Half of its \$1.5 billion in deposits are the private funds of the British aristocracy and its friends. Most of the score of small Swiss private banks run on aristocratic family fortunes.

The most insidious feature of the Order's financial operation, however, is its political intelligence and blackmail capability, exercised through its political control over every illegal money center in the world, as well as the City of London, the world's biggest market for international money. Liechtenstein, a tiny principality between France and Switzerland, is ruled by a duke who traces his ancestry back to the Stuarts.

The "country" has 25,000 inhabitants and 26,000 corporations registered there, whose activities are secret — to all but the "Black Guelph" controllers. Tiny Luxembourg, which plays a similar role, modified by some West German banking input, is ruled by a Grand Duke who descends from the bestial 13th century warlord Charles the Bold. Hong Kong, center of the world's dope traffic, and way-station between the British monarchy circles and the opium-growers of the People's Republic of China, is still a British dominion, ruled de facto by the huge Hong Kong and Shanghai Bank, which enjoyed the official British government franchise for the world opium trade until the 1930s — and still handles a majority of world opium traffic from the Asian sector.

The center of this drug trafficking network is Jardine Matheson, a trading complex which operates from Hong Kong and is owned by the Shanghai and Hong Kong Banking Corporation. Jardine Matheson still maintains the opium poppy seed on the cover of its annual report as a reminder of its most remunerative source of earnings.

Further, various gambling, gun-running and illicit funds derived monies are conduited to the aid of the major British banking houses, such as Midland and National Westminster. This money is laundered through such groups as the Wildlife Fund and various Bahama-based investment trusts, and shunted first into highly secretive unnumbered accounts in Switzerland, Luxembourg, and Liechtenstein.

This same network provides the British-centered operations with a blackmail and assassination capability against the world's major pro-growth governments and corporations, which capability is used to enforce its policy

Other so-called tax shelters and havens for illegal money in the Caribbean, including Dutch-owned Curaçao and Netherlands Antilles and British-owned Cayman Islands and the Bahamas, are political intelligence fronts for the British and Dutch monarchies.

SEC Preys on Industry

Virtually all major U.S. banks and corporations have been driven into operations of some sort in these islands and principalities, in order to avoid the predatory Securities and Exchange Commission — whose political control traces to the Kennedy family. The British-allied and intermarried Kennedy group has run the SEC since Joseph Kennedy became its founding chairman in 1935.

Since the SEC unconstitutionally forbids corporations to engage in political operations, politically-minded companies have operated through “unregulated” financial centers like Liechtenstein and Luxembourg, Curaçao and the Cayman Islands. Nixon campaign funds, for example, were routed through these channels — enabling the conspiratorial Order to monitor all the supposedly “secret” transactions of the Committee to Re-Elect the President, while British secret agent Henry Kissinger ran the inside operation against President Nixon.

The Lockheed Scandal, which brought down the Japanese government in 1977 and destabilized several other governments, took place after word of Lockheed’s alleged foreign bribery leaked out of European financial channels under the control of Prince Bernhard of the Netherlands, of the Order of Malta.

Last week’s scandal against Citibank involved Citibank’s use of false bookkeeping to avoid surveillance of its British operations by the prying Bank of England. While Citibank was avoiding the

British monetary authorities, it was permitting all its British operations to be cleared through Coutt’s and Co. — the royal family’s private bank!

The Order’s dirty money operations have prevented Federal investigators from uncovering the flow of money from the drug traffic. The proceeds of drug traffic in the U.S. and Canada are laundered through big cash-flow operations like restaurants, casinos, or sports teams — the drug-peddling Bronfman family happens to own all the big sports teams in Canada. The money is then sent to a dummy corporation, perhaps in Hong Kong; this dummy company invests in a similar mail-drop in Panama; the process is repeated a minimum of six times, as money travels from Panama to Liechtenstein, from Liechtenstein to a “non-resident corporation” in Canada, from Canada to Singapore, from Singapore to the Netherlands Antilles, and so forth. Each of these centers is under the control of the Order; the drug traffic in major industrial countries is itself under the control of the Order, the money-laundering casinos and hotels are under the control of the Order; and the hit teams and other network operations that protect it are also under the control of the Order.

In this way, ostensibly legitimate business of Canadian, British, and American banks is often actually operating as a front for political blackmail, financial warfare against nations, and drug and prostitution rackets in the hand of the Order of St. John of Jerusalem.

—David Goldman

The U.S. Steel Corporation: Morgan’s Saboteur Inside American Industry

From its position as one of the dominant corporations in U.S. heavy industry, the United States Steel Corporation has since the beginning of this century exercised a pernicious influence throughout our economy. In the last year alone, U.S. Steel has

CORPORATE AFFAIRS

been a leading proponent of the following policies clearly detrimental to the national interest:

- Throughout 1977 when the crisis of the nation’s steel industry was throwing thousands of skilled workers out of work, U.S. Steel spokesmen across the country attacked the Japanese model of government credit and tax policies to foster modern industrial growth, and instead defended Adam Smith free

enterprise.

- U.S. Steel’s primary response to the world steel crisis was to lobby for protectionist legislation in Washington and launch antidumping suits against Japanese and European steelmakers, threatening to create a rift between the U.S. and its allies.

- Last summer U.S. Steel began systematically shutting down its high-cost “excess” steel capacity as part of a London-instigated world rationalization program. The so-called marginal plants were the victims of the corporation’s long-standing policy of underinvestment in plant modernization and necessary maintenance expenditures. The financial leadership of the company shelved the plans for building a greenfield plant (a new, fully-integrated steel making complex) in Conneaut, Ohio, on the grounds that there is an over supply of steel capacity worldwide.

- U.S. Steel reaffirmed its commitment to a policy of “diversifying” out of steel production into “high

profit" areas like natural resources and real estate. Armco Steel has now fallen in line with the U.S. Steel model announcing recently that it will put no more new investment in steel.

• U.S. Steel, also a major coal mining company, played an inside wrecking role in the five-month coal strike which disrupted the nation's economy last winter. As the original head of the bargaining team of the Bituminous Coal Operators Association, U.S. Steel's J. Bruce Johnston sabotaged the possibility for an early negotiated settlement in holding out for a no-wage-gain labor contract. In executing this "hard-line" policy, Johnston was following in the tradition of R. Heath Larry, the labor relations lawyer who until recently was the vice-chairman of U.S. Steel.

J.P. Morgan's Legacy

How are such policies — which are clearly opposed to U.S. national interest — formulated at U.S. Steel? The answer to that question leaves no doubt that down to the present day the steel trust put together by J.P. Morgan continues to be London's trojan horse inside the U.S. economy.

J.P. Morgan's takeover of the Carnegie Steel Company in 1901 was a strategic coup for the City of London, with the objective of undermining future U.S. industrial growth and the U.S.'s role as a world industrial power. Through the takeover, the House of Morgan imported into the fast-expanding U.S. economy the British System model of trustification, gobbling up the majority of U.S. Steel capacity and subsequently regulating output. The results of this policy can be gauged by comparing the explosive expansion of U.S. steel production up to 1901 and the relative stagnation afterwards.

The bank that came to bear J.P. Morgan's name in the U.S., in fact, originated in London in 1838 as George Peabody & Co. Morgan's bank gained notoriety during the U.S. Civil War in financing the sale of defective rifles to the Union, which blew up in soldiers' faces. J.P. Morgan only rose to prominence in the U.S. in the 1890s when he was boosted by the Belmont family, the London Rothschilds' leading U.S. collaborators. The Anglophilic loyalties of Morgan Guaranty are maintained by the present chairman of the bank, Walter Heinz Page, the grandson of the U.S. ambassador to Britain during World War I of the same name, who manipulated the U.S. into bailing out the dying British empire.

To this day Morgan Guaranty and Morgan Stanley, the banks where every other secretary has a British accent, maintain privileged relationships with U.S. Steel. Morgan Guaranty and Morgan Stanley are U.S. Steel's main commercial and investment bankers, respectively. According to sources inside U.S. Steel, Dave Dilly, the corporation's chief economist, gets continual updates on international developments (such as the Bremen and Bonn summits) from his friends at Morgan Stanley. These briefings supplement what he reads in the London Economist and the

Financial Times of London. Dilly in turn explains things to the director of Financial Services, William Lewellen.

There exists an internal policing apparatus in U.S. Steel to make sure that executives don't tap other channels of information or use outside consulting services. This apparatus is the Functional Analysis Review Team, referred to familiarly around the company by its acronym — FART.

Morgan and The Company

A director of Morgan Guaranty has traditionally sat on the board of U.S. Steel. Presently the seat is occupied by John M. Meyer, Jr., who is the chairman of the Directors Advisory Council of Morgan Guaranty Trust. Meyer sits on the executive, organization, and the financial policy committees of the board of directors of U.S. Steel. David Roderick, U.S. Steel's president, who is identified by progrowth industrial forces in the Pittsburgh region as the officer most responsible for the corporation's worst policies, is a member of the International Council of Morgan Guaranty. (Lord O'Brien of Lothbury chairs the council.) U.S. Steel's lawyer is Case and White, the old Morgan law firm. In 1975 Morgan Guaranty's trust department held 3.35 percent of U.S. Steel's stock, a significant holding of such a large firm.

Inco and Rothschild

The Morgan-conveyed British influence in U.S. Steel has been reinforced by the presence of Canadians on the board of directors who have historically occupied their positions because of U.S. Steel's major investments in Canada. Henry S. Wingate, former chairman and chief executive officer of Inco, Ltd., the British Rothschild-controlled Canadian nickel mining company, only recently retired from the board of U.S. Steel. That leaves Robert C. Scrivener, chairman of the board of Northern Telcom, Ltd. as the Canadian representative.

As U.S. Steel's lead investment bank, Morgan Stanley has a major say whenever the corporation is contemplating any new investment that requires external financing. If it were ever to be built the Conneaut plant would require several billion dollars of outside financing. "The investment bank analysts are going to have their shots," noted one of the financial officers of the corporation in an interview.

But it's a moot point as to whether there is any divergence of outlook between the bankers at Morgan Stanley and Morgan Guaranty in New York and the enormous financial planning staff which occupies the twenty-third floor at U.S. Steel's corporate headquarters in Pittsburgh. "I doubt whether even Morgan Stanley plays much of an inside role in U.S. Steel," said an officer in the corporate loan division at Morgan Guaranty. "They need investment banker technicians to execute equity or debt financings, but the corporation's own financial planning staff is

extremely sophisticated, and it is probably as large as all of Morgan Stanley, or us!"

Where Steel Is A Sideline

What this means in practice is that the financial planners at U.S. Steel think like bankers who make steel as a side line, not as industrialists. The view which predominates at the corporation is summed up by the pronouncement of one company economist on the prospects for the Conneaut plant: "There is no way anyone can justify building a new greenfield plant when there will be sub par return on investment."

Virtually all officers who have an input into financial policy matters look with skepticism on expenditure on new steel facilities. The last such was the construction of the Baytown, Texas plant around ten years ago. "Every one here is concerned above all with return on investment," said another financial officer. "This is how people are measured and compensated."

The Kennedy-Blough Fight

Historically, U.S. Steel has always been more diversified than other steel companies. But the present, all-out diversification thrust dates from the early 1960s and the Kennedy-Roger Blough confrontation involving President Kennedy's famous blocking of U.S. Steel Chairman Roger Blough's attempt to raise steel prices. The usual explanation of that turning point goes as follows: after President Kennedy imposed de facto government price controls on the industry, there was no way to justify further investment in steel — the "cost-price" relationship didn't justify it.

In fact, the confrontation between Big Government, which slammed on price controls, and free enterprise,

which demanded the right to raise prices unimpeded, was a phony, controlled debate from the start, which has disoriented U.S. industrialists ever since. The issue was the deliberate policy of the Anglophile Kennedy Administration and U.S. Steel leadership to obstruct a policy of international industrial development which would have created limitless markets for this country's steel and capital goods and set off a permanent boom throughout the economy. Under such conditions, U.S. steelmakers would have been in a position continuously to modernize steel-making technology and reduce the cost of production.

Steel a "Minor Segment"

In the absence of such an orientation, U.S. Steel pursued a policy politely known as diversification. Around the time Edgar Speer became U.S. Steel chairman in March 1973 he told Fortune magazine: "We could conceivably get to the point where steel would be a minor instead of a major segment of our business." He told Forbes magazine: "I'll tell you what excites *me*. Raw materials. It's been the most successful diversification move in the past and offers the greatest single opportunity for the future."

When Speer became chairman in 1973, 20 percent of the U.S. Steel's sales were in non-steel areas. About 30 percent of the corporation's sales derive from non-steel areas today. And yet Speer is in a sense a "production man" who was in the company 34 years before becoming chairman, not some financier imported into the company by the board of directors. The unanimity of outlook between Speer and the financial muscle on the board is a testimony to the fact that U.S. Steel has always functioned like a financial conglomerate, not a company whose business is making steel.

— Lydia Dittler

Peace-Through-Strength Group Disoriented

LaRouche scores 'limited nuclear war' delusions of conservatives

"Coalition for Peace Through Strength" is a "congressional" coalition of a couple of dozen groups put together by the American Security Council, the conservative think tank. The Coalition is taking the Carter Administration to task over the Strategic Arms Limitation Treaty and defense issues in general.

Citing the superiority of the Soviets over the U.S. in almost every sector of defense and an eroding U.S. defense capacity over the next ten years, the Coalition is organizing a drive to see that the SALT treaty is not approved at this time, and that nuclear arms research continues. The Coalition has called for a national strategy to aim for military superiority over the Soviet Union, a large civil defense program, and "the use of positive non-military means to roll back the growth of Communism." "Non-military" means are "economic sanctions, restraint of trade, and restrictions on technology transfer." The Soviets are sensitive to this kind of pressure, according to a spokesman in the office of Senator Dole, one of the co-chairmen.

While being described by the New York Times circuit as a congressional coalition, the Peace through Strength group was apparently organized first from lobbying groups, and only then were conservative congressmen of both parties approached to join in, through a "Dear Colleague" letter that was sent around. A few senators, like Dole, were called upon to play a leading role. Most offices of congressmen contacted knew little of the group, but responded primarily on the basis of its strong "pro-defense line."

In addition to various congressmen, the Coalition claims as members former Treasury Secretary William Simon, Major General John Singlaub, and former Chairman of the Joint Chiefs of Staff Thomas Moorer and Lyman Lemnitzer.

The following commentary on the strategic implications of the Peace Through Strength formation was released Aug. 9 by Lyndon LaRouche, the Chairman of the U.S. Labor Party and internationally-known writer on strategic questions.

Since the newly announced "Peace Through Strength" grouping of conservatives includes persons

for whom I have personal regard, it is doubly important that I publicly ridicule the foolish declaration issued yesterday in their name.

William Simon, for whom I have personal regard, has been on a foolish track since his discussions of monetary policy with Rothschild circles in Europe some months past, and is currently being used by such enemies of the U.S. dollar as Milton Friedman. Bill is a good person, but not a person of consistently remarkable judgmental powers in matters of economic or military strategies.

The cases of Admiral Thomas Moorer and General Jack Singlaub are of a different order. Generally, I have great esteem for their competence as professionals. Unfortunately, by applying that competence to solving problems within incompetent strategic parameters, they permit themselves to be sucked into postures contrary to the best interests of the United States. It is to their problem that I address myself here: hoping to wean them away from the nonsense with which current press reports associate them.

General Jack Singlaub

My first warning that Jack Singlaub was going off on the wrong track was the confirmed report of his approach to the "neutron warhead." While I sympathize with General Singlaub's distress over the condition of U.S. strategic military capabilities and postures, the efforts of Singlaub and other professionals to improve U.S. capabilities within the parameters of existing strategic doctrines is a profound disorientation, to the effect that their proposed remedies share the essential incompetence of the Kissinger-Schlesinger-McNamara doctrines in general.

From the standpoint of officers such as General Singlaub and Admiral Moorer, the USA is currently embarked on an intensified confrontation-course with the Warsaw Pact, while, at the same time, U.S. war-fighting capabilities are rapidly deteriorating. In response, professionals such as Singlaub propose to fight to modernize and otherwise improve military-strategic capabilities, picking on issues — such as the

“neutron warhead” — which have some established support among political conservatives.

From a strategic standpoint, the “neutron warhead” is a piece of junk. If I were President of the USA, I would probably produce it — *but quietly*, storing it in reserve in the replenishing arsenal of combined “neutron” and ordinary nuclear warheads. This policy would be followed solely on the assumption that a situation might arise in which a stock of such specialized weapons might be suitable and needed, but with the general understanding that such weapons would be strategically useless against the Warsaw Pact nations.

The point is this — as General Singlaub, Admiral Moorer, and others ought to agree quite readily. The advantage of a relatively “clean” neutron warhead exists only for the special circumstance that mobile assault forces are advancing rapidly through adversary terrain, in which *special case* the bombarded terrain represents a reduced ABC hazard for one’s mobile, advancing forces, and increases one’s forces’ logistical advantages in the course of continuing assault.

However, the NATO forces have no such assault capability against Warsaw Pact territory, either presently or for the indefinite future. The order of warfare for warfare between NATO and Warsaw Pact forces begins with total intercontinental bombardment of U.S. cities in excess of 50,000 or so population, plus ABC strategic bombardment of NATO force concentrations, plus ABC “paving” of pathways in depth through all concentrations of NATO ground forces. Before any mobile assault occurs, the terrain — on both sides — will be ABC-“dirtied” to the point that neutron warheads are of no significant advantage over more abundant ordinary nuclear warheads.

Therefore, the *publicized* deployment of neutron warheads has no strategic significance except to enrage the Warsaw Pact command into escalating its war-fighting capabilities and to apply intensified pressure to weak points of NATO strategic political deployment throughout the world.

If one scratches behind the arguments for the neutron warhead among professional military figures, one quickly discovers that their arguments for this weapon depend axiomatically upon the assumption of “limited nuclear war” as the overwhelmingly-probable mode of NATO-Warsaw Pact confrontation. Although many of this background rightly despise Henry A. Kissinger (sometimes for wrong reasons included), one finds them favorable to James R. Schlesinger, tolerant of General Alexander Haig, and tolerant of such maniacs as Walt W. Rostow. This toleration coincides with general acceptance of some version of the insane, incompetent “limited nuclear warfare” or “first and second strike” doctrines.

Thus, the problem of professionals such as Singlaub and Moorer is that they apply their professional competence to solve a nonexistent strategic problem.

The best solution to a nonexistent problem is foolishness; when an entirely different, real problem is ignored in the process, the solution to the nonexistent problem becomes worse than mere folly.

I nonetheless compassionately understand the kind of thinking Moorer and Singlaub represent. Things are bad, and they wish to improve them. Being “practical military men,” working within the political and related policy parameters permitted to them as serving or retired officers, they seek wrongly to repair a strategic “Rube Goldberg.”

USA-Soviet Balance

At present, there is a “rough parity” of first-line combat capabilities between the Warsaw Pact and NATO forces, such that a NATO advantage here is offset by a Warsaw Pact advantage there, and vice versa. This configuration persists only as far as the initial assaults and counter-assaults. *Under conditions of continuing warfare between the powers*, it is the total, in-depth capability of the Warsaw Pact forces which presently provides the Soviets with an in-depth war-winning capability — at the price of loss of between 30 to 40 percent of their population and logistical capabilities.

The crux of the military-strategic problem on the U.S. side is not notably weapons systems as such — at least not at the present moment. The fatal lack of in-depth warfighting capabilities on the U.S. side centers around the “all-volunteer army” and “civil defense.” The prodefense conservative groups decline to feature the deeper implications of the “all-volunteer army,” and what they offer on “civil defense” is in effect mere cosmetic posture without depth of substance.

The principles of modern warfare were articulated by Niccolò Machiavelli. Machiavelli’s proposition was essentially this. In order that the anti-“black nobility,” republican forces be enabled to defeat the “all-volunteer” professional military forces of the Black Guelphs, it was necessary to transform the adult population of the republic into a well-trained, well-equipped fighting force in depth. The commitment of republics to scientific and technological progress, and the consequent mental and moral superiorities of their general citizenry represented potentially a force in depth which no well-trained army of the Black Guelph, pro-zero-growth faction could defeat.

Putting aside the not-unimportant, but subsidiary issues of military tactics as such, war is essentially a meat-grinder, in which victory lies with that side which emerges from successive massive losses with an efficiently deployable fighting force left over from the ashes of ruinous earlier encounters. It is thus the in-depth capability of a fighting republic which is the essence of military victory. This, not accidentally, is the essence of Marshal Zhukov’s and Stalin’s counter-attack policies during World War II, a basic military doctrine embedded in modernized forms in Warsaw Pact capabilities.

The prolonged prosecution of the war in Vietnam ruined U.S. in-depth strategic capabilities in many ways, most notably through the British-fostered growth of the New Left and its development as a force dedicated to antitechnology and to destruction of the universal draft. Any review or criticism of U.S. strategic posture which does not focus first on that gut problem is inherently an evasion which leads to nothing but folly.

If that problem were competently examined, the essence of U.S. lack of in-depth strategic capabilities originates in the U.S. alliance with the United Kingdom, and the corruption of strategic policy and military command by the various derivatives of British "air power" doctrine, including not only Rand Corporation "brainwashing" of professionals, but the "limited war" doctrines associated with General Maxwell Taylor. This problem has become more acute since President Richard Nixon's resignation, with the retirement and purging of ground officers with field-grade combat experience during World War II. While various Air Force and Navy senior officers are professionally competent, too many of the responsible professionals currently in the saddle have sucked too long on the tit of British "cabinet warfare" doctrines to be of much good in strategic planning.

Relevant to the problem is the recent, hideously-slanted film *against* General Douglas MacArthur. MacArthur epitomized those U.S. professionals rooted in the Civil War and earlier traditions of West Point and Virginia Military Institute. It was these officers who brought the USA through World War II, and those from the 1930s graduating classes trained under them as field-grade officers, who represented the gut of competent military-strategic thinking in our military establishment. They possessed a *political* sense of war, as MacArthur's case exemplifies. They understood that the United States was an industrial republic, a constitutional republic committed to influencing the global order among nations to the same moral purpose. MacArthur's administration of the postwar recovery of Japan is exemplary of the point.

Beginning with General Maxwell Taylor's British-influenced retreading, to become advisor of President J. F. Kennedy, the most fundamental principles of strategy were heaved out of the window, in favor of British-style, "colonialist" cabinet-warfare thinking concerning "special forces," etc. The reasons for the slaughter of Canaris's Second Division in Yugoslavia and similar experiences of World War II were forgotten. Under British-tainted influence, Kennedy put the USA into what President Eisenhower avoided: land war in Asia. Unfortunately, on their weak psychological side, even senior military professionals too easily become obsessed with "hot shot" local military tactical enterprises, forgetting the strategic principles which properly govern tactical undertakings. A little of the "macho" in the junior and field-grade officer carries over into the flag officer.

As for "civil defense," it is clear that American Security Council types are so enamored of the mere phrase, "civil defense" that they overlook the cost of providing the USA with a civil defense capability matching that organically built into Soviet in-depth capabilities. It could be accomplished, but it would require a retooling of the U.S. economy suggesting productive capital formation on the order of 10 to 15 percent or more a year. Digging a few holes in the ground, concocting cockeyed evacuation procedures, and sandbagging a few plants is a gesture which is disgusting because of its essential futility.

The fact that the American Security Council and Committee on the Present Danger are formally, politically allied with Milton Friedman types means that the posturing of the Peace Through Strength Committee's initial declaration is rank imbecility. By allying with those political forces dedicated to collapsing the U.S. dollar and collapsing U.S. high-technology industrial, agricultural and infrastructural development through "fiscal austerity," these military strategists remind one of the persons who attempt to drain the water out of a sinking lifeboat by smashing holes in the hull of the craft.

Goodbye, Larry MacDonald

It was illustrative of General Singlaub's relative disorientation on strategic issues that he appeared on Representative Larry MacDonald's (D-Ga) circuit recently. While Jack Singlaub disassociated himself from MacDonald's political cause, he associated himself with the silly "patriotic anticommunist" reds-under-the-beds lunacy in which MacDonald specializes. Considering the fact that the John Birch Society was promoted in behalf of the policies of Britain against President Dwight D. Eisenhower, General Singlaub's judgment of what represents American patriotism was tainted by that unfortunate association with MacDonald.

Fortunately, the voters of the Seventh District of Georgia have acted to bring an end to the farce of MacDonald's presence in the U.S. Congress.

I assure General Singlaub, Admiral Moorer and others that if the U.S. enters a sharp confrontation with the Warsaw Pact in alliance with Great Britain, the United States will lose that war miserably and totally. If the U.S. were to back Israel against the Soviet Union in the course of an Israeli assault against Syria and Saudi Arabian oil fields, it is probable that the U.S. would be defeated and destroyed because of Soviet in-depth capability.

Ostensibly, Singlaub and Moorer are not thinking through the Soviet strategic problem competently.

If the policies of Brezhnev, Kirilenko, et al. prevail — if the principles adopted by President Brezhnev and Chancellor Schmidt (May 1978) prevail, any American who seeks military confrontation with the Soviet Union is a dangerous lunatic, surely bent upon the needless destruction and conquest of the United States. However, should the opposite faction in the

Soviet Union come to power, the "Jacobin" heirs of Bukharin and the wild-eyed "hard-liners," the Soviet Union itself would tend to be committed to a hard-line confrontation course against the United States. If the policies of Kissinger, Schlesinger, Brzezinski, Rostow and other British types prevail, if the USA pursues a confrontationist course against the Brezhnev leadership and supports London on the issue of the International Monetary Fund, the Jacobin faction in the Soviet Union will be pushed to the fore, and war which the United States will lose is virtually inevitable.

That is the essence of the political-military strategic equation.

It should be clear that the Peace Through Strength Committee's posture is fundamentally incompetent strategic thinking in any case. The purpose of war is to win the peace of victory. Here, at the moment we have it within our reach to win the peace of World War II — insofar as the Soviet leadership is concerned, various self-styled "patriots" are proceeding from a totally incompetent reading of Soviet postures and capabilities, and espousing a course of war-preparations by the United States which are incompetent from the standpoint of any war which would actually be fought between the two superpowers.

At the moment, the nation against which the United States ought to consider conducting war is not the Soviet Union, but the United Kingdom. It is the British monarchy which has flooded our youth with drugs, which deploys international terrorism against us, which mobilizes to accomplish the collapse of the U.S.

dollar and to collapse our industrial output and agriculture. It is the British, through their control of a dominant faction within Israel, which is preparing to pull the trigger on Armageddon in the Middle East, which threatens to put bombs on the Saudi Arabian oil supplies of our European and Japanese allies, which is attempting to foment a warlike situation between the United States and Soviet Union.

Yet, William Simon is working in cahoots with such enemies of the United States as Milton Friedman, and much of our military and conservatives are rallied around subversive branches of British intelligence such as the Heritage Foundation, aiding the British in promoting internal destabilization of the United States.

To Admiral Moorer, General Singlaub, and others, I say, "Get off this foolish kick, men. You know that I am the President to fight any war the United States must fight, and that I have confidence in your counsels and related expertise in shaping U.S. strategic capabilities accordingly. However, otherwise, relative to me, you are miseducated children in matters of political strategy. If you are truly concerned with developing the strategic capabilities and posture of the United States, as I know you are, you should have accepted my offer to form a body for this purpose — and get yourselves away from the sort of lunatics and muddlers with whom you have unwisely preferred to associate yourselves.

"Either you already know I am right, or at least you strongly suspect I may be correct. Conduct yourselves accordingly."

Terrorist Assault Primed For U.S.

London fuels intelligence war to break Bremen

British intelligence is mobilizing its "right" and "left" networks abroad, in efforts to foment a bloody wave of terrorism and assassinations in the U.S. The purpose is to preclude U.S. entry into the international Grand Design initiated at the Bremen European Community summit July 6-7.

Carter and the Vance-Young side of the White House, which has reacted favorably to plans for a new monetary system which would replace the IMF, is the main target of the British blackmail and terrorism operation. West German Chancellor Schmidt has been particularly singled out for attack by the British for his pivotal role as an organizer for the new trade and development-based monetary arrangements.

Two of Britain's top intelligence operatives — journalist and Tory political advisor Robert Moss on the "right" and "ex-CIA agent" Philip Agee on the "left" — have been deployed to cover up London's footprints by laying blame for the terror wave on Cuba and "revolutionary" groups within the United States. Under this cover, British intelligence plans to let loose

its full array of black operations against Bremen and Bonn with full impunity.

London revealed its intentions to immobilize the Carter Administration through a wave of drug-related scandals in an article by Moss in the London *Daily Telegraph* on August 7. Moss — a political appointee of the British oligarchy who carries out his role by acting as an "advisor" to various "right-wing" think tanks in Britain and the U.S. — warned that the "Carter drug scandal is not over" and its reverberations would be felt up to the highest levels of the Administration. Moss, a strategist for the London Institute for the Study of Conflict and the U.S.-based Heritage Foundation who also edits the Rothschild-owned *Economist's* confidential intelligence leak sheet, "Foreign Report," invited "investigative journalists" in the U.S. to "dig deeper" into the Bourne affair.

Moss's article is the signal for another Watergate in Washington conducted by his right-wing allies in such organizations as the Heritage Foundation. After identifying the Institute for Policy Studies — actually

Robert Moss Incites "Left-Right" Battle

Under the headline "Carter Drug Scandal Is Not over," British intelligence operative Robert Moss called for the watertighting of President Carter in his August 7 Daily Telegraph article, excerpted below:

...We have barely begun to scratch the surface of the Bourne affair and it will be interesting to see how deep America's much-vaunted new breed of "investigative reporters" will care to dig. There are two very big questions to be answered:

1. How did Dr. Bourne, with his long record as a radical activist on political issues, as well as the drug question, become a trusted adviser of the President with wide-ranging responsibilities in the White House?

2. How far have other radicals — many of them associated with the Institute for Policy Studies (IPS) — succeeded in penetrating the Carter Administration?

...One wonders how many of the people who voted for Mr. Carter in Georgia in 1976 were aware of the existence of this institute, let alone the involvement of Dr. Bourne, discribed in Carter's campaign ma-

terial as a "long-term personal friend and advisor."

The link with IPS is striking. The Institute for Policy Studies had been described as the "link between the revolutionary and the respectable Left" in Washington.

...Through seminars, conferences and study groups, the IPS has succeeded over the years in building an impressive range of contacts among congressional staffers and the media....

With the advent of the Carter Administration, some of the friends that the IPS organizers had made in offices in previous years moved into offices in the federal government....

IPS associates pop up in more surprising areas of the Carter Administration....

The lists of IPS fellows contain an impressive number of people with government posts.

Since leading figures in IPS have aggressively supported Vietnam, Cuba, the Palestine Liberation Organizations and the Rhodesian terrorists and have drawn Marxist groups into a widening network, the links of a government official with the Institute may be a cause for legitimate concern.

...Will Mr. Carter now take heed?

one of the key arms of *British intelligence* in the U.S. — as the “link between the revolutionary and respectable Left” in Washington, Moss conveniently lists the names of IPS associates who now hold key government posts or who otherwise exert a significant degree of influence within the Carter Administration (see box).

In point of fact, the IPS agents who occupy key positions in the White House and elsewhere were planted by British intelligence in the early stages of Carter’s political career.

Moss has also tried a similar blackmail trick against the West German government in revenge for its lead role in organizing the new European Monetary System. In an August 1 *Daily Telegraph* column Moss alleged that “left-wingers” in the West German Social Democratic Party — such as party chairman Willy Brandt — and other “Ostpolitik” proponents in West German political circles were pressuring Schmidt to accept Soviet proposals for a West German disengagement from NATO. Moss further alleged that Schmidt was ready to accept such proposals because of his impossible relations with President Carter. Unfortunately for Moss, the West German government wasted no time in denouncing Moss’s charges as “baloney.”

Operation Scapegoat

The flip side of Moss’s campaign to target “left” infiltration in U.S. government circles is the current activation of “ex-CIA agent” Philip Agee with his threats to expose the name of every American CIA agent working in countries throughout the world. Agee used the occasion of the recent Cuban Youth Festival to launch his campaign by announcing the formation of “CIA Watch,” an organization set up to deliberately “blow the cover” on CIA officials who pose a threat to British intelligence operations internationally.

In an interview broadcast over Havana radio, Agee announced the publication shortly of his new book entitled “Dirty Work” about the CIA in Europe, in which, he said, “more than 700 persons who have been recently integrated into the CIA offices in Western Europe will be named.” Agee revealed plans for a new bimonthly publication called the *Covert Information Bulletin*, to be published in Washington. “Naming names” is to be a regular feature, according to Agee.

The particularly dangerous twist in the current Agee deployment is that by launching the anti-CIA campaign in Cuba, Agee has afforded his masters in London the opening to throw blame on the Cuban government for European-style terrorist operations carried out in the U.S. and elsewhere by Agee’s friends and networks.

Agee, although passing himself off as an “ex-CIA agent,” is an active operative of The Fifth Estate, CounterSpy, and the Institute for Policy Studies — all controlled by London. Agee in Cuba is currently “Option A” of London’s various schemes to spark a

NATO-Warsaw Pact intelligence war, in the course of which Britain’s Secret Intelligence Services (SIS) would proceed to eliminate every U.S. obstacle to a terrorist assault on the U.S. Confirming that Agee’s “left” campaign to expose CIA agents and Moss’s “right” blackmail against the Carter Administration are emanating from the same source, it may be recalled that Moss himself called for a general housecleaning and “reform” of the CIA a few months ago, specifically to rout out possible “KGB” infiltration.

Nor should it come as a surprise that Moss’s *Daily Telegraph*, in possession of an advance copy of Agee’s *Covert Action Information Bulletin*, “leaked the first target: the new CIA station chief in Jamaica.

MOVE Shootout Signals Terror Activation

A Philadelphia police officer was killed and 12 police and firemen injured Aug. 8 when members of the terrorist cult “MOVE” started a gun battle with law enforcement officers who were carrying out a court order to shut down the cult’s commune. The gun battle, prominently played in local and national media, is the go-ahead signal for a broad wave of “European-style” terrorism in the United States.

The MOVE shootout with police erupted when a task force of police, firemen, and Philadelphia health officials attempted to evacuate by court order the 20 or so members from the filth-strewn safehouse they have occupied for the last 15 months.

All the members of the group have been charged with murder in the killing of one officer and the wounding of some dozen others. Following the arrest, MOVE founded “John Africa” (all members use the surname Africa) threatened that its followers in other cities would carry out violence against police in revenge for the Philadelphia eviction.

Despite the attempts by terrorist-linked countergangs and liberal press to portray MOVE as a “religious” group which advocates “simplicity” in lifestyle, law enforcement officials in Richmond, Baltimore, and other locales are fully attuned to the terrorist danger.

Like the Hanafi Muslim sect, which carried out a major terrorist attack in Washington, D.C. in spring 1977, MOVE is a small brainwashed cult whose members are programmed on an “anti-culture” bestialist track. They live in communes without electricity, heat or running water, eat raw meat, and refuse to dispose of either garbage or animal and human excrement.

While the background of the group is still under investigation, it is known that “Delbert Africa,” the second-in-command for the Philadelphia group is former FBI informant William O’Neal, a long-time agent provocateur who infiltrated the Black Panther Party in Chicago and set up the police shootout that led to the death of Black Panther Fred Hampton in 1970.

Nonaligned Reaffirm Colombo Accords At Belgrade

New World Order, technology transfer and nuclear power are still its goals

The 85 non-aligned nations convened their Foreign Ministers summit in Belgrade, Yugoslavia on July 25 with one task at hand: to determine how far their August 1976 demand for a New World Economic Order had been successfully implemented. After one week of meetings, interspersed with heated debates on what the appropriate strategy to proceed should be, the 1976 Non-Aligned Colombo Accords were reiterated and a call was made to "exhaust" the avenues available for negotiating a new North-South entente.

Many Western newspapers seized upon the public denunciations carried out by a handful of Chinese-sponsored states — Somalia and Cambodia to name two — to state unequivocally that the issue that dominated the meeting was Cuba's "legitimacy" as a member of the movement and to have its soldiers in Africa. This was, however, far from the case. Each and every speaker emphasized that without economic independence, political independence is immaterial and vulnerable. An Indian newspaper, *The Patriot*, went so far as to report on July 26 that among the delegations it was felt that "the Cuba issue is diversionary to prevent the discussion on economic and political goals of the movement. It is aimed at eventual disintegration of the movement and making it an instrument of the Cold War."

The Global Shift

Since the 1976 Non-Aligned Movement call for a debt moratorium, a new monetary system and a growth-oriented perspective for global development, political realities have drastically changed. Henry Kissinger, the architect of the delaying "case-by-case" wrecking operations against the North-South talks is no longer U.S. Secretary of State. At the European Economic Community's Bremen Summit last month and later at the Bonn industrialized nations summit, the kernel of a new monetary reorganization came into being in the form of the European Monetary System. Unequivocally, West Germany's Helmut Schmidt, Japan's Takeo Fukuda, and France's Valéry Giscard d'Estaing have come out locating the necessity for a nuclear power-oriented development perspective for the Third World as the basis for western economic recovery.

The Bonn Summit's call for massive development of nuclear energy found its parallel in the Non-Aligned Summit's own assertion that it will create a commission to operate at the United Nations to involve western nations and the socialist sector in a grand scale technology transfer to the developing sector.

It is this new political geometry that characterizes the sense of crisis in the Non-Aligned group rather than the erroneous press reports that the Non-Aligned is somehow desperately fighting the "red threat" posed by Cuba, Vietnam, or Angola. At Colombo, in 1976, the group was led by a core of strong progrowth leaders such as Indira Gandhi of India, Hoari Boumedienne of Algeria, and courageous Foreign Ministers such as Frederick Wills of Guyana and De La Flor of Peru. At the United Nations forum, Pakistan's Zulfikar Ali Bhutto played a major role.

With the exception of Boumedienne, each one of these core leaders, the authors of the demands for a new monetary system and technology transfer, has fallen from power as part of political and economic destabilizations centered in the zero-growth-International Monetary Fund-World Bank supranational operations.

With the shift in western policies, the Non-Aligned found itself at Belgrade without the resolute leaders to respond to the potential from the Bonn Summit. Within its own communiqué, it paralleled the Bonn nuclear energy development call but failed to capitalize on the clearly established existence now among the ranks of the developed nations of progrowth governments ready to put into operation alternatives to the International Monetary Fund.

Belgrade: From 1961 to 1978

Decades of Non-Aligned history are associated with the city of Belgrade. It was here in 1961, following informal existence since 1954, that the nation-builders of the developing sector — Josef Tito of Yugoslavia, Jawaharlal Nehru of India, Gamal Abdel Nasser of Egypt, and President Sukarno of Indonesia — institutionalized the movement. Since then the heads of states have met every three years to deliberate the

Frederick Wills at the United Nations

Two weeks after the 1976 Colombo Non-Aligned Summit, Guyana's then-Foreign Minister Frederick Wills stood before the UN General Assembly to call for the implementation of the New World Economic Order and denounce "the arsenal of destabilizing techniques" being used to prevent it. The following are excerpts.

The techniques used are equally clear and unmistakable: The promotion of internal unrest with a view to the breakdown of law and order; the fomenting of intra-regional conflicts through client states; the financing and organization of hostile propaganda campaigns; the attacking of embassies and consulates; the manipulation of international markets; the restriction on export capabilities; the frustration of bilateral and multinational aid; the subversion of economic objectives by the machinations of trans-national corporations—this arsenal of destabilizing techniques is aimed in the first instance at ensuring the continuation of a relationship of dependency between developed and

developing countries, and in the second instance at yoking their legitimate aspirations to the strategic conceptions of larger nations.

Mr. President, most of the countries in the developing world were former colonies of Western Europe and the radicalization of their liberation struggle has therefore been in anti-West terms. This does not necessarily mean that those terms are pro-East. Similarly, Mr. President, most of these countries have adopted socialism as an internal strategy of development. This likewise does not indicate that they are anti-West or pro-East. At Colombo the golden thread running through all the resolutions and discussions was the determination of 85 countries not to sacrifice their sovereignty and independence on the altar of ideological nicety....

But, Mr. President, the security of developing states is inextricably linked with their economic survival and their economic advance. My delegation feels that there can be no meaningful economic advance without the implementation of the New International Economic Order.

priority tasks of the movement and to admit new members.

Since its inception, despite being the target of much red-baiting by Cold Warriors, the Non-Aligned Movement's aims and goals were very well defined. Their membership criterion was that no nation seeking admittance could be a member of any military alliance, be this the North Atlantic Treaty Organization (NATO), Central Treaty Organization (CENTO), the Southeast Asian Treaty Organization (SEATO), or the Warsaw Pact. The economic goals were those of nations which had just won their independence from, largely, the British Empire: the demand for technology and industrialization that would make them viable nation states.

Over the years, the formal military alliance clause lost some meaning (particularly after China chose to acknowledge CENTO for instance as a worthy "defensive" pact against the "social imperialist" Soviet Union) but the economic goals never really changed. The movement traditionally adopted an "anti-West" policy because the genocidal International Monetary Fund and the World Bank were the credit and aid institutions of the Western world and these institutions hardly transferred technology. It is a deep irony of post-World War II history that the Cold Warriors in the United States red-baited Nehru of India when Nehru and Indonesian President Sukarno proclaimed that the United States of America was the model for freedom and growth they wished to follow. Nehru put through the inclusion into the Indian Constitution of sections from the

American Constitution to demonstrate the anti-British unity of views that bound both nations.

The struggle for growth occurred as well at the just-concluded Belgrade Summit. Cuba, Vietnam, and Angola all pressed for the U.S. to contribute its vast wealth to the development of their nations. U.S. National Security Advisor Zbigniew Brzezinski spent months in true Cold War organizing: attempting to make Cuba's credentials an issue at the meeting because it was a Soviet "puppet" in Africa!

A very perceptive delegate communicated the core of the issue to a correspondent of the Sri Lanka weekly *Tribune*: "It is easy to say Cuba gets its money from the Russians, but so do we. We get it from all over the world and indeed we have been receiving aid from Europe for nearly three hundred years. It is not who you get money from, but what you do with it, and the Cubans seem to have used this money well in that they have attempted to provide food, clothing and shelter for their people."

The Road to Colombo

The Third World's efforts to break the North-South deadlock were at their high point in August, 1976. At Colombo, the Non-Aligned demanded a New World Economic Order; at the United Nations in 1976 they reiterated this call.

At a press conference at the UN, British Ambassador Ivor Richard charged all this was "Third World intransigence," unabashedly telling the reporters "Just ask me the questions you are going to ask him (the U.S. press spokesman) and I'll give you

all the American answers . . . We hope that sterile ideological debates on economic topics of the type which have occurred at the North-South talks in Paris can be avoided here."

In Paris, meantime, Henry Kissinger had gone full-scale ahead with a case-by-case negotiation of debt and for those who turned this tactic down, straight out destabilization. Kissinger's weapon had been his International Resources Bank proposal — utilizing Third World resources to repay overwhelming debt burdens with no net technology transfer whatsoever.

Colombo in a nutshell had called for: a new monetary system, a deadline for its creation, nuclear technology transfer, debt moratorium and above all a replacement of the IMF. On the political side, Colombo promoted as an absolute necessity an end to the bloodshed in Africa and the establishment of viable national governments.

The Belgrade Summit

At Belgrade last month an assessment of these goals was due. Yugoslavia chaired the economic commission deliberations and India the political deliberations. Brzezinski, like his predecessor Kissinger, sought to mingle the two and at all costs keep from the Third World the full knowledge of the level of the progrowth commitment deliberated at the Bremen and Bonn summits under Schmidt's leadership.

The political commission discussions are testimony to weaknesses in the Third World. China and the U.S. Anglophiles had spent over six months attempting to wreck the Belgrade summit with the Cuba issue. When Tito and Indian Prime Minister Morarji Desai visited the U.S., they were approached by Brzezinski, on the coy "genuine non-alignment" line. Castro's charges that the U.S. contacted 15 non-aligned countries to do its dirty work are borne out by other diplomatic sources who say that the official Chinese liaison office in the U.S. actively organized toward this goal in Washington.

In their statements to the summit, both Yugoslavia and India left the door open to ambiguity suggesting that "all foreign troops leave Africa," playing games with the subversion of the Non-Aligned Movement. The more outrageous Chinese-sponsored states such as Somalia and Cambodia went further to ask for the expulsion of Cuba or, as others did, a change of venue for the 1979 summit, scheduled for Havana.

The political sessions ended in stalemate. Cuba actively organized to keep next year's summit in Havana, and won. The ruling that bilateral conflicts such as Vietnam-Cambodia disputes or the African situation would not be discussed prevented the conference from degenerating into a series of bilateral polemics.

One incident demonstrates the tone. During the final hours, Cambodia pushed for the entry of the term "hegemonism" into the final communiqué, expecting

a confrontation with Vietnam. Surprising its peasant neighbors, Vietnam agreed and added the term "expansionism," a common reference to its troubles with China, the main architect at the conference of the splittist tendencies. Over two dozen Chinese "journalists" attended the conference to malign Cuba.

The Economic Battle

The economic deliberations clearly centered on where to take the demand for the replacement of the IMF. On the very first day, Peru, according to wire service reports, began the meeting with a denunciation of the IMF, charging that "international financial organizations are fomenting social disturbances through their loan conditions." "This is a new and more subtle form of violation of human rights of developing nations," charged Peru's Foreign Minister De La Puente. He was rapidly seconded by another IMF victim, Jamaica, and virtually all the states agreed that for their daily needs and reconstruction programs, the IMF remains the major policy problem. The final communiqué from the economic sessions reflects the consensus: "Foreign interference is carried out by means of state power through other national and international political and economic and financial organizations and institutions of an official or private nature, especially the transnational corporations and mass media used on a global scale."

Going further, addressing the current "human rights" orientation of many Western nations, the final communiqué asserted: "Human rights cannot be separated from the national, economic, and social context and in fact are an integral part of the struggle to change and democratize international relations as a whole . . . Therefore human rights should not be used as a political instrument of great powers in the confrontation of social systems or to interfere in the internal affairs of sovereign states."

— Leela Narayan

Fidel Castro: Nonaligned Does Not Mean Neutral

Cuban President Fidel Castro's July 26 address commemorating the launching of the Cuban Revolution 25 years ago was devoted heavily to the conference. In the address Castro focused heavy criticism against the policies of the International Monetary Fund and China, and efforts by western powers to derail the conference. The following is an unofficial translation of excerpts from the speech.

On IMF: The International Monetary Fund and other credit organizations — traditional instruments of U.S. policy — impose onerous conditions, weaken the popular foundations of governments not to their liking, and undermine their political stability. Such

circumstances are favorable to pressures and submissions which lead to temporary victories by reactionary forces in some nations of the world.

On China: How can those who support the demands of imperialism be described in political and moral terms? Anything can be expected from a country where a ridiculous mortal has been converted into a god, where they destroyed the party and its best cadres during the days of the mad adventure of the Cultural Revolution and allowed themselves to be dragged by petit bourgeois spirit and big power chauvenism into betraying internationalism and converting a socialist state into a satrapy of nepotism (a reference to the power of Mao Tse-tung's wife Chiang Ching—ed.) . . .

Anything can be expected from them. Why should it surprise us that the Chinese government today supports the bloody and fascist Pinochet regime? . . . Why should we be surprised that it cooperates with Mobutu and with NATO interventionist forces? . . . Or that it joins the reactionary forces of Britain and the Federal Republic of Germany or that it joins NATO in Europe or Yankee imperialism everywhere, or that it grossly and dangerously wagers on the inevitability of a third world war?

But of all the crimes committed by the Chinese leadership, the most odious is its hostility toward

Vietnam. Everyone knows that behind the artificially created so-called problem of the Hoa (ethnic Chinese in Vietnam — ed.) stand the Chinese.

A completely chauvinistic campaign is now being waged in China against the Vietnamese and all Chinese economic cooperation with Vietnam has been suspended. It is in this criminal and unscrupulous manner that the Vietnamese effort to rebuild the country, cruelly devastated by the imperialist war, is being sabotaged.

On Nonaligned Meeting: According to reports from the United States, this government has contacted 15 nonaligned countries to question Cuba's role in this movement. It would be interesting to know what 15 foreign ministries the U.S. has spoken to and what their reply has been.

Why does the U.S. worry so much about the sixth summit conference in Havana? Why does it try to sabotage it? Who is playing the game in this maneuver? What goals do they seek within our movement If some governments are for sale, Cuba cannot be bribed. The U.S. knows it. We will not betray our internationalist principles. We will never bow to imperialist pressures and blackmail.

There are two paths open in the world today — reaction and progress. One must choose: one cannot be neutral.

ASEAN Summit Backs New World Economic Order

An on-the-scene report from Washington D.C.

Philippine Foreign Secretary Carlos Romulo set the tone for the conference of five nations of the Association of Southeast Asian Nations (ASEAN) convened in Washington Aug. 3-4, with an opening declaration that the conference was taking place at a "particularly appropriate time for the summit meeting at Bonn has taken full cognizance of the needs of the developing countries." Romulo attacked the "evil of rampant protectionism" and affirmed that the "establishment of a New World Economic Order" is the key issue "on this century's agenda."

Senior ministers from Indonesia, Malaysia, the Philippines, Thailand, and Singapore arrived in Washington as the first leaders of developing sector nations to hold formal talks with the Carter Administration since the historic Bremen-Bonn economic summits. In a red carpet reception, President Carter, Secretary of State Cyrus Vance, and other cabinet members held two days of talks with the delegations.

However, reflecting the state of embattled confusion and hesitancy that has gripped the Administration since Bremen and Bonn, the U.S. failed to take advantage of this golden opportunity to develop the Bonn commitments for a new monetary system and nuclear energy into concrete proposals.

The press conference closing the two-day economic conference between the U.S. and the ASEAN nations announced that ASEAN is seeking "friendly and good relations with the Socialist Republic of Vietnam." Philippines Foreign Minister Romulo told the press that there had been absolutely no discussion of military questions and that the U.S.-backed SEATO military alliance was "embalmed and buried." Romulo revealed that Vietnamese Prime Minister Pham Vam Dong had informed his government that he would like to visit Manila.

ASEAN leaders were determined to impress upon the U.S. that as the world's foremost industrial power, the United States carries the burden of responsibility

for the industrial development of the developing sector. Steering clear of military questions, the ministers presented the ASEAN organization as the primary vehicle by which the U.S. could mediate a positive economic relationship with the entire region.

Carter Puntis

The presence of President Carter, Secretary of State Vance and a host of State and Commerce Department senior officials at the meeting signaled the Administration's determination to impress upon its guests that the U.S. is cognizant of these responsibilities. But the added presence of Treasury Secretary Blumenthal, Undersecretary of State for Economic Affairs Richard Cooper, and Energy Czar James Schlesinger put a damper on hopes that the ASEAN leaders would have something substantial to show for their efforts at the meeting's end.

The ASEAN leaders met with Congressmen and Senators Aug. 1 impressing upon them that they do not encourage U.S. fostering of so-called "appropriate technologies," the International Monetary Fund-World Bank code words for labor-intensive methods and primitive energy forms for Third World countries. The delegations made clear that the only meaningful way to deal with "basic human rights" is through rapid industrialization of their countries. Despite the fact that many of the Congressmen were willing to be convinced, Jacob Javits, top Zionist Lobby senator from New York, answered with a World Bank call for labor-intensive industries and projects for the region.

ASEAN leaders reminded the congressmen that for years the U.S. has lectured them on the wisdom of "trade and not aid," and yet more and more barriers have been thrown up against developing nations' exports. Observers reported that although the congressional talks ruffled a few feathers, the closed-door sessions on the State Department level were held in a businesslike manner.

One official announced that John Moore, chairman of the U.S. Eximbank, will be making a tour of the region in November, to be followed by a mission from the Overseas Private Investment Corporation, led by former Deputy Secretary of State Charles Robinson. Both trips will be geared to support ASEAN industrial projects. An ASEAN-U.S. Business Council will also be formed under the auspices of the ASEAN Chambers of Commerce and the U.S. Chambers of Commerce and Industry.

The Question of Trade

Last year a billion-dollar commitment was made by Japanese Prime Minister Fukuda in support of ASEAN's five industrial projects. Nothing even approaching such a commitment came from the U.S. side at this year's conference.

The U.S. is ASEAN's second largest trading partner, after Japan. Most of ASEAN's exports are going to the U.S. and are denominated in U.S. dollars.

What Is ASEAN?

ASEAN was formed 11 years ago in Bangkok by the Foreign Ministers of Indonesia, Malaysia, Singapore, Thailand and the Philippines as a nonmilitary, politically and economically oriented regional organization.

In an effort to promote further industrial development of the region, the 1977 Summit Conference of ASEAN leaders launched feasibility studies for five industrial projects, with a \$1 billion financing commitment from Japan.

In 1971, ASEAN adopted a proposal calling for the Southeast Asian region to be declared a Zone of Peace, Freedom, and Neutrality. In this effort it has moved to normalize relations with the Indochina states of Vietnam, Laos, and Cambodia.

Under attack by the British, the sagging dollar is creating serious problems for ASEAN nations' foreign trade balances.

Indonesia, thanks to oil exports, has been running a balance-of-payments surplus of nearly \$1 billion, but this year faces a probable deficit with a possible 50 percent devaluation of its currency.

ASEAN inquiries as to what the U.S. intends to do about the sagging dollar were met with a terse "no comment" by Secretary Blumenthal, who was said to have downplayed the Bonn meet and the new European Monetary System during discussions at the meeting. Blumenthal continued his attempt to portray IMF dictates as official American policy and asserted that the U.S. sees no reason to make any supportive commitments to the EMS.

No To Cold War

With growth rates of 7 percent and better, ASEAN faces a tremendous demand for energy. Except for Singapore, all the member countries have nuclear energy programs at various stages of development, although the Philippines is the only country so far to reach the construction stage of one power plant. Similarly this concern was answered in the negative by Energy Secretary Schlesinger. Without a word on nuclear power, Energy Secretary Schlesinger brushed aside this concern and instead proposed joint studies on biomass, tidal and solar power schemes.

Romulo's opening statement dispensed with the Cold War rhetoric and declared that the post-Vietnam war period was in fact an "opportunity" for regional development.

Malaysian Foreign Minister Rithauddeen reported that relations with Vietnam were progressing very well and welcomed the move by Vietnam to drop its

opposition to ASEAN and the "Zone of Peace" concept. Thai Foreign Minister Upadit Pachariyangkun also reported that good relations are developing between his country and Laos and Vietnam.

But these statements apparently did not wash well with Singapore Foreign Minister Rajaratnum, an old Cold Warrior who has been Foreign Minister of this

former British colony for the last decade and a half. Speaking "extemporaneously" in an unscheduled presentation, this old student of London's Kings College implored the U.S. to step up its presence in the region so that Asia does not go "over to the other side," i.e., to the Soviet Union.

— Dean Andromidas

Taiwan: A Model For Third World Development

An exclusive interview with a top Taiwan trade official

Largely ignored in the recent attention directed at whether the U.S. will close its embassy in Taiwan and establish full diplomatic relations with the People's Republic of China has been the story of the extraordinary rate of growth of the economy of Taiwan (Republic of China). Growing from a totally underdeveloped backwater of China in 1949, to a major trading power with \$20 billion in bilateral trade in 1977, Taiwan is an example of a Third World country that applied consistent governmental policies to foster very rapid rates of industrial growth. With most of its trade in manufactured goods, Taiwan now boasts a per capita income of \$1,079, an increase of 900 percent in 15 years.

The fact that Taiwan, an island nation of 17 million, is well on its way to becoming an industrially developed nation adds weight to the concern for what will happen to it at the point that the U.S. switches its diplomatic recognition. Only naive observers — and those who favor "normalization" at any cost for more sinister reasons — believe that "guarantees" from Peking offer any hope that Taiwan can escape absorption by the PRC in the long run.

Given the disparity of economic development, income levels, degree of individual and political freedom and economic system, there is no "formula" for unification that could possibly maintain any semblance of Taiwan's present standard of living or life style. The dilemma would seem to confront the Taiwan government with no choice but to declare itself an independent country and abandon its claim to the mainland of China, but this course has domestic perils for the mainlander-dominated ruling KMT Party, and offers no guarantee that such a course would gain international recognition.

Faced with this dilemma, the KMT's leadership, headed by Chiang Ching-kuo, son of Generalissimo Chiang Kai-shek, has turned to economic development as the best guarantee of government security. And the record is impressive. The nation's Gross National

Product has jumped from \$1.33 billion in 1952 to \$3.5 billion in 1965 to \$19.49 billion in 1977. From 1953-63, the economic growth rate (in constant prices) was 7.1 percent, jumping to 9.5 percent from 1964-74, and after a one year lull, hit 11.5 percent and 8.1 percent in 1976 and 1977 respectively. Industrial growth has been even more dramatic, rising 28 times since 1952, at an annual rate of 15.4 percent. Housing construction since 1953 has risen at a 27.6 percent annual rate of growth.

Figures for Taiwan's foreign economic relations belie the widely held belief that Taiwan owes its economic strength solely to its close relation to the U.S. and to resulting heavy U.S. investment. While U.S. investment has been very important, the total over the 25-year period from 1952-77 has been only \$516 million, and total foreign investment, including from overseas Chinese, only \$1.19 billion.

The Republic of China's agricultural and industrial policies are responsible for making productive use of the existing foreign investment. In the 1950s, Taiwan instituted a thoroughgoing land reform and emphasized agricultural development, achieving rates of growth of 2-4 percent per annum since 1952, averaging 3.2 percent for crops. From 1960, a heavy emphasis has been put on industrialization, which began with food and related industries, clothing, housing, transport equipment and later branched into electric and mechanical industries. Now slated for major development are industries which describe themselves as "technology-intensive" such as sophisticated electronics, precision machinery, as well as the heavy and petrochemical industries such as heavy machinery, shipbuilding, iron and steel and chemical products.

Taiwan Official Explains How They Did It

Printed below is an exclusive interview with Mr. H. K. Shao, the Director General of the Board of Foreign

Trade, Ministry of Economic Affairs for the Republic of China. Mr. Shao was in the U.S. in June and July heading a 45-day purchasing mission, trying to "buy American" to even out a currently favorable balance of trade that Taiwan has with the U.S. Here, he explains how his government has helped to bring about Taiwan's economic expansion, and how he views the European Monetary System and its corollaries, and suggests that U.S. businessmen might do well to emulate Taiwan's approach, to deal with the overall stagnation of the U.S. economy.

Q: I understand that the Republic of China (ROC), like Japan and South Korea, has followed a conscious policy of trying to steer its industry to try to become more capital-intensive and more "knowledge-intensive," and less labor-intensive. Could you elaborate on how this strategy was developed in your country?

A: Economic development in the ROC could be divided into several stages. At the very beginning in the early 1950s, we developed light industries for import substitution. During the second stage, during the 1960s, we expanded industry and improved the quality, also mainly for import substitution. And from the late sixties into the seventies, the quality was much improved, and the cost at that time was very low, and the labor cost was low. And we gradually expanded our exports, that is light industries. Now in our six-year plan starting in 1976, we are not encouraging any labor-intensive industries. On the other hand, we will develop the more sophisticated, highly technical industries. This is our goal for our industrial development.

Q: Did you mention a six-Year Plan?

A: Yes. We began with four-year plans, beginning in 1952.

Q: And what functions fall under the purview of the plan?

A: Well, everything. Industrial development, central development, infrastructure, everything. . . .

Q: Would it be correct to say that the government specializes in infrastructure, certain basic industries, and in providing a climate where credit that exists in the economy can be channeled very heavily toward industry?

A: Yes, that's perfectly correct.

Q: How does your credit system work to channel credit?

A: We have a central bank, the Central Bank of China, and other banks owned by the government, with the participation of private banks, but only small participation. We also have foreign banks. The U.S. has seven or eight banks there, also the Bank of Japan and others. Generally speaking, the banking policies or operations are under severe public guidance. This

is different from the U.S. as you mention, it's quite different. There are different approaches, different systems. And in our system sometimes the investors complain that the government tightens credit. It's true, that they cannot easily obtain investment finance and credits. But on the other hand, the policy can be helpful in stabilizing our economy. Speculation is something that you cannot freely do, there are certain steps the government will take.

Q: Is there any discrimination in favor of industry, against some kinds of consumption?

A: Yes, credit policy is more favorable to industry. But not to all industry, but on a selected basis. Because we have an incentive law for investment including domestic and foreign investment, and that law indicates what kind of industry the government will promote, will allow to enjoy the privilege, the incentives provided by law.

As I mentioned earlier, we do not encourage any labor intensive industries; so any foreign investment that applies for this kind of industry, we don't want them, we don't approve. If they want to make that investment they can, but they cannot enjoy the incentives. This is the guidance to develop more sophisticated heavy, technical, highly technical industries, to lead in this direction.

Q: Do you think that would be a surprise to American workers who probably think of Taiwan as based on cheap labor?

A: It is not cheap now. . . . Yes, our labor costs have increased quite sharply in recent years. Now this is quite natural in the development of an economy. And last year, we had an unemployment rate of 1.3 percent. We may consider this full employment. Early this year, we experienced a shortage of labor. We have a total population of 17 million, and a labor force of 6 million. This year we have a labor shortage especially in textiles and electronics industries.

Q: These are the more labor intensive ones?

A: No, not that labor intensive. They are improving. At an early stage yes, but now, it is not so labor intensive.

Q: What is the annual rate of increase in real terms in the per capita consumption.

A: In 1962, per capita income was \$148; in 1977, it was \$1,079. Inflation was under 5 percent per year. Between 1974 and 1977, the retail price index went up 4.66 percent a year, and the wholesale price rose only .62 percent.

Q: What is your perception of how American businessmen perceive the ROC's success in applying these kinds of measures (channeling credit to industry, not speculation — ed). Do they understand the kinds of policies that have made your country so successful in its growth rate?

A: I think that American businessmen are not export-oriented. This is quite natural because the U.S. is a huge domestic market, so they don't rely on exports. And this means they like to import instead of export, simply because they can easily earn profit by importing from other countries, whereas in the export business, you have to take some risk, you have to make investments, and the profit margin is much lower. Because of that, the interest in importing is much greater than that in exporting.

When my government decided to send the first special procurement mission to the U.S. (in Feb.), we gave American businessmen some idea that ROC is now trying to buy more from the U.S. On the second mission (in June-July), we aimed at \$750 million, and I think it will well exceed that amount. We ran three seminars. More than 500 top American executives, mostly vice-presidents, participated in the seminars . . . we also met with people from many trade associations, and we also visited many state governments, where we met, in many states, with departments of economic development. So many industrialists talked with us. I think it is very important for American businessmen to know that the government of the ROC encourages imports from the U.S., and that on Taiwan there's a tremendous potential market. So our mission is helpful in promoting export from the U.S.

Q: Do you think you are having an impact such that American industrialists may recognize the advantages of exporting in general, do you think that you have affected the climate you described concerning reluctance to look at exports as an important activity.

A: I cannot say we changed the climate, but still this kind of stimulation to the American businessman helps to increase their interest.

Q: That is the kind of climate we are trying to create because if they think in those terms they will also think in terms of national policies which would help to encourage them to push for policies such as to channel credits to modernize the American steel industry so that we can compete, which we now cannot do.

A: You are making a key point. I fully support your idea. Many American industries do not promote investment for replacement of machinery. In many industries, even big sized ones, for example U.S. Steel, their equipment is too old, so the production cost is higher, they cannot compete, not even with European suppliers. So to meet international competition, the American businessman should carry out more investment in renovation or replacement of machinery so that the production capacity can be increased, and also the production costs can be considerably lower.

Q: What are your country's plans to assist in the economic development of Asia, Africa, or the Middle East?

A: We want to share our experience with other developing countries, so we have economic cooperation, especially technical cooperation with friendly nations. At present, our experts and technicians are working on cooperation projects in 18 countries, including 4 countries in Africa, Saudi Arabia in the Middle East, Indonesia in Southeast Asia, and 12 countries in Central and South America.

Since 1955, technical training has been provided in Taiwan for over 10,000 foreign technicians in such fields as industry, mining, education and public health. Any country that would like to cooperate with us, we are quite willing to render such assistance.

Q: Do you render assistance to any countries which have recognized Peking and with which therefore you no longer have official relations?

A: Under our technical cooperation program, even now we have such cooperation with those countries with which we don't have relations. Remember that though the government of these countries may have recognized the Peking government, they still don't like the communists, and they still like to work with us. We want to offer our experience to all the developing countries.

Q: Are there plans to expand the scope of your foreign assistance?

A: We are ready. The problem is the receiving country. If they are interested, if they want to cooperate with us, we are ready.

Q: Do you provide much aid to Indonesia?

A: We have various programs. Recently, we have been discussing cooperation in fishing. Indonesia is one of our important trading countries. In 1977 we imported \$313 million, and we exported to them \$274 million, so the two-way trade was about \$600 million. We also offer loans and aid, but it is small-scale. We extend a small amount of loans, up to \$5 million to some countries in Latin America.

Q: What do you think of the developments of a new world monetary system by European leaders to stimulate a major expansion of international trade and global economic growth, and to include gold as its monetary unit?

A: This kind of approach is very, very important for the world economy. We firmly believe that economic cooperation among countries is the only way to solve the economic problems facing worldwide economic stagnation. So although we are not participating in many international institutions because we are not now a member of the United Nations, we are ready to cooperate with all these suggestions.