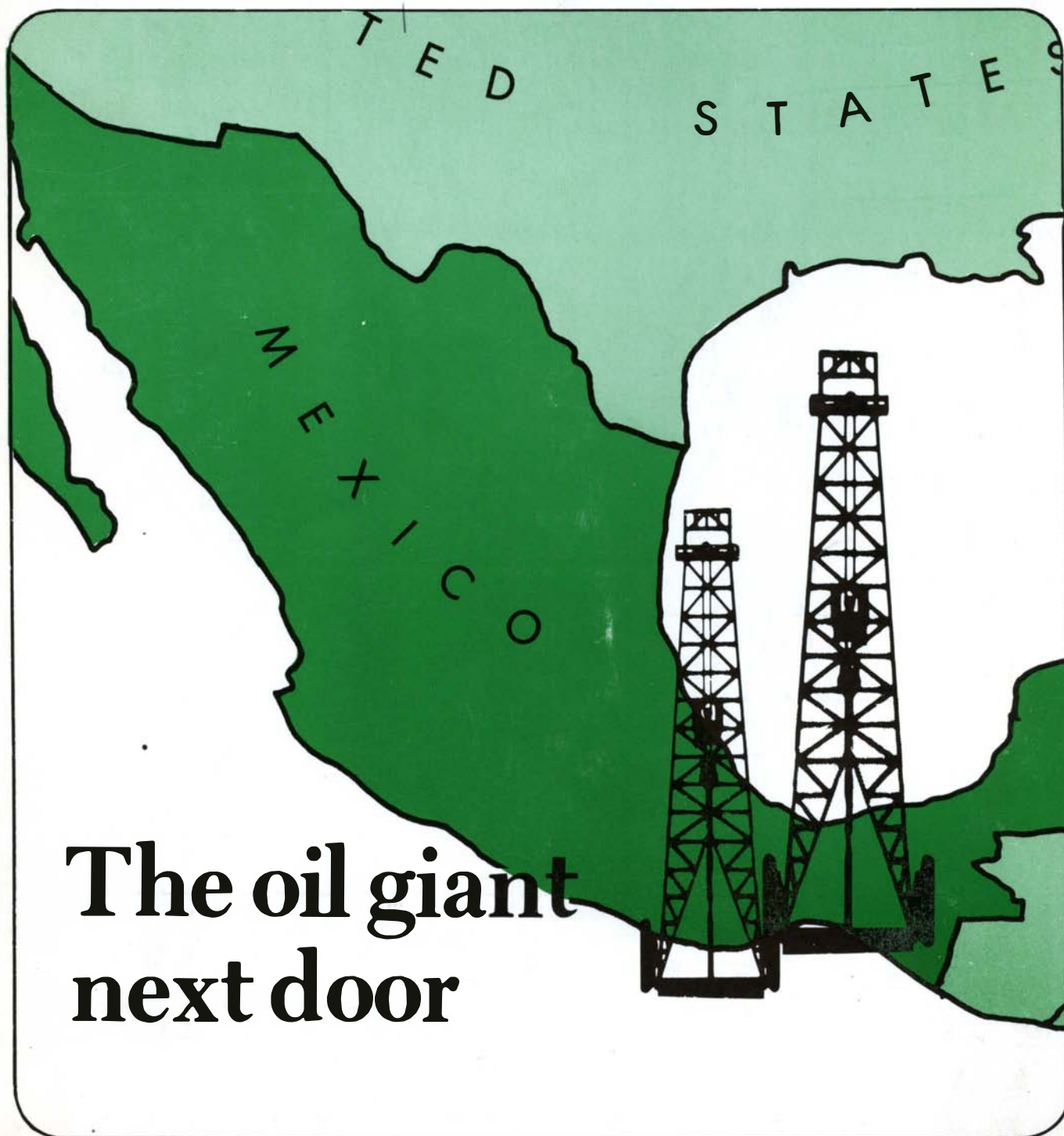


EXECUTIVE INTELLIGENCE REVIEW

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EXECUTIVE INTELLIGENCE REVIEW

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The oil giant next door

In the past weeks and months Mexico has announced the discovery of new oil reserves that could bring total potential reserves to as much as 350 billion barrels, perhaps even more. Even on the basis of conservative estimates, America clearly has an oil giant as a neighbor. What this means for both nations is the subject of this week's cover story, in **THIRD WORLD**.

One perceptive American commentary — a regrettably rare phenomenon — hailed the Mexican find as “good news for everyone.” Our coverage, pulled together by Latin America editor Dennis Small and researchers Tim Rush and Pablo Silva, explains why that “good news” has political implications going far beyond the immediate potential trade and development benefits for the U.S. and Mexico — extending to the global trade-and-development perspective of the new European Monetary System, of which Mexico is a key Third World ally.

But the Mexico oil story is bad news for some — in particular Zbigniew Brzezinski and Edward Kennedy. Our coverage, which includes an analysis of why they and their British allies are trying to cut the new oil giant down to size, is a necessary corrective for most of the press coverage, or often noncoverage, of this story here in the U.S., where the “bad news” faction still dominates the climate of U.S.-Mexico relations.

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Who's behind the Jim Jones death cult

Amid the scrambling by high-level Democratic Party officials to explain away their publicized connections to Jim Jones's People's Temple cult, the name of Ted Kennedy has generally been passed over in silence. In an exclusive report in our TERRORISM section, U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. rectifies that omission, presenting the evidence tying Kennedy and British publishing magnate Rupert Murdoch to a plot to use the Jonestown murder-suicides to fuel the ongoing "Cartergate" scenario. And, he warns, the Jonestown case may become the cover for a wave of terrorism in the United States. page 31

\$70 billion EMS is now established

The finishing touches have just been put on the details for the European Monetary System, and already the EMS is reaching out to Asia and other areas of the world to begin mapping the development projects which are the heart of the new system. The story is featured in this week's ECONOMICS section, along with some key financial measures that are already going into effect: the Japanese implement a two-tier credit policy for development; the EMS intervenes to ease credit in the U.S.; and U.S. banks are invited to participate in Japanese lending programs. page 17

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"We need a profound crisis"

When an Italian senator starts talking sympathetically about the State's use of terrorism, it's news. When that senator is a confidante of Fiat's Agnelli family, meets with Henry Kissinger, and is acknowledged to be an authoritative spokesman for NATO, it is alarming.

This week in EUROPE we print in its entirety an exclusive interview with Italian Senator Massimo De Carolis in which the Senator makes some shockingly candid remarks about the economic future of Europe, the potential for a new oil embargo coming out of the Iran crisis, and the uses of the turbulence in the Middle East. page 40

Is a fight ahead over Carter's budget?

The outlines of President Carter's 1980 "guns not butter" budget are public, and, reports Don Baier in our U.S. REPORT, it resembles nothing so much as Nazi Germany's disastrous "Goering Plan" beginning in 1936-37. With signs of a budget fight already brewing even before the President's final draft is presented to Congress, Baier raises some disturbing questions: Will the nation get its money's worth in the proposed trade-off between defense spending and funding of social programs? Will the President's approach to defense spending really strengthen U.S. military posture? Or could the proposed Carter budget actually weaken the United States?

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really negotiated at the July 1978 Bremen and Bonn summits of industrialized countries . . . and how the European Monetary System launched at Bremen was *modeled* on a 1975 proposal by the American political economist Lyndon H. LaRouche, Jr. as the "seed-crystal" of a new, development-oriented world monetary system . . . how the United States can get into this system and out of the depression . . .

... REPORTED HOW

fusion energy researchers in the United States achieved the milestone breakthroughs reported in August, 1978 from Princeton, and what other advances are coming in this clean, cheap and virtually unlimited solution to the world energy crisis . . . how and why there was a massive sabotage attempt against the U.S. fusion program, and who's backing fusion now . . . what were Japan's and the Soviet Union's offers in 1978 to the USA for joint fusion R&D.

EXECUTIVE INTELLIGENCE REVIEW

October 17-23, 1978



... DOCUMENTED

what's behind the world outbreak of terrorism . . . the names of the global networks that deployed both "left" and "right" terrorism to kill Juergen Ponto, Hanns-Martin Schleyer, and Aldo Moro—and plan an even bigger terror wave for the United States . . . Executive Intelligence Review provides the first-hand documentation from the world's press, including accurate translations from non-English sources, showing how continental Europe, Japan, the East bloc, the Arabs and developing sector countries are seeing and acting on events.

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Perilously close to nuclear war

How death-cult politics brought the world to the brink

While most of the world was blissfully unaware of it, nuclear war loomed as a near-reality during the weekend before Thanksgiving. In the space of a few days, British oligarchical forces and their allied spokesmen in the U.S. heaped provocation on provocation on the Soviet Union and Cuba. Soviet President Brezhnev's stern warning to a visiting delegation of U.S. Senators that, if the U.S. continued to incite bad feeling between the two countries, the Soviet Union was prepared to respond, was quickly followed by U.S. press hysteria regarding the presence of Soviet-produced MIG 23 aircraft in Cuba.

At nearly the same time, the U.S. and Britain began naval maneuvers off the coast of Cuba. Shortly thereafter Cuban troops were reportedly placed on "alert" status. East-West confrontation was perilously close.

What pulled the world back from the brink? It is known that West German Chancellor Helmut Schmidt, one of the founders of the EMS, called President Carter on Sunday. And shortly thereafter, Carter acted to tone down the strident official U.S. statements over the MIG issue. Apparently, the combination of EMS intervention and the Soviets' firm warnings was sufficient to stop the U.S. from going for a showdown.

Some may feel that this series of events was just coincidence. This news service, however, has long identified certain British financial and intelligence networks as preferring nuclear holocaust to the loss of their financial and political power that the establishment of the

European Monetary System would precipitate. They now have more reason to worry than ever, as the EMS took significant steps toward implementation with the Nov. 20 announcement by the European Community that a \$70 billion development fund has been created. (For details see our *ECONOMICS* and *INTERNATIONAL* sections.)

That the enemies of the EMS would indeed risk nuclear holocaust can hardly be doubted following the murder-suicide of some 900 members of the cult led by San Francisco politician Jim Jones in Guyana last week. The Jones cult represents in miniature the politics

of the British oligarchists — and lawfully so. It is no chance occurrence that the publicized list of Jones's backers and endorsers includes the name of almost every prominent opponent of the EMS in the United States.

Some may feel that it was the good will of Providence that allowed the Thanksgiving holiday to pass by without disaster. However, trusting the avoidance of war to divine intervention is a risky business. The emergence of a strong political and financial leadership willing to collaborate with the European Monetary System would be a far better insurance for peace.

NATO attacks its own 'southern flank'

A coup plot against the policies of King Juan Carlos I of Spain was broken up by the Spanish government of Prime Minister Adolfo Suarez on Nov. 17. The harebrained plot, based on a plan to enter the presidential palace, take Suarez and the cabinet hostage, and demand a military takeover, was timed to occur while Juan Carlos was on his 15-day tour of Mexico, Peru, and Argentina. The explicit purpose of that tour is to establish Spain as the mediating link between the emerging European Monetary System and Latin America.

The coup that wasn't

The "coup" was not intended to be an actual military takeover. It was

so poorly organized that military intelligence networks had informed the Prime Minister of the plot by Wednesday, Nov. 15, according to official government reports. By the following evening, Defense Minister Gutierrez Mellado, the army general staff, and Prime Minister Suarez had met and decided the plot was not a major threat. By Friday morning the plotters had been arrested. King Juan Carlos confidently left for Latin America.

The plot has given the Spanish government a welcome opportunity to purge the two paramilitary services most heavily involved in it, the Civil Guard and the National Police. Ten have been arrested and the government announced an in-

vestigation so that "all persons responsible may be purged and sanctioned."

The would-be coup had two interlinked objectives.

Internationally, it coincided with an attempt to reenact a Cuban missile crisis, a full-dress showdown between the U.S. and the Soviet Union. A coup in Spain — and perhaps even the threat of one — would have meant a destabilization of NATO's "southern flank," justifying demands for Spain's entry into NATO to "secure" the flank. But Spanish entry would upset the delicate detente balance reinforced with Soviet President Brezhnev's visit to West Germany in May of this year, the summit from which the start of the organizing process that culminated in the European Monetary System can be most efficiently charted.

Combine the Spanish coup plot with the renewed threats of terror and crisis in Italy, and Yugoslavia's decision to set loose four Baader-Meinhof terrorists — a decision made just after the visit there of Britain's Prince Charles — and it becomes clear that the coup plot was not the work of a few crazies, as some have claimed. As the Spanish newspaper *El Pais* asked, "Was somebody else behind it?"

Enter Luns and NATO

The tip-off is the fact that this "southern flank" destabilization would, if successful, hit hardest at one political grouping: the international forces behind the European Monetary System and its development-based program. It is to be stressed that the target is not the Soviets per se, but the EMS alliance, including notably the chairman of the U.S. Labor Party, Lyndon H. LaRouche, and the associated European Labor Parties in Italy and France. (For more on that aspect of the story, see our SPECIAL REPORT.)

The answer to *El Pais's* question becomes obvious, then, when it is noted that the Spanish coup was effectively called for just one day before by Joseph Luns, the Secretary-

General of NATO, who is also a high-ranking member of the British monarchy-City of London elite "secret society," the Knights of St. John of Malta. In an interview with the West German newspaper *Kieler Nachrichten*, Luns called for the rapid integration of Spain into NATO as part of the process of its gaining entry into the European Community. Simultaneously, a director of the World Bank, Hollis Chenery, called for the establishment of a military government in Turkey, to provide the tough rule needed to improve Turkey's export position. The purpose of the Luns interview should be clear — as should the political combination of the London-dominated NATO and the London-dominated World Bank, the EMS's bitterest enemies and the institutions its success would threaten most directly.

This would not be the first time that NATO and Luns have associated with an operation of this kind. In 1962-63, according to the testimony of Gaullist deputy Michel Debre, who was at the time Premier of France under de Gaulle, Luns was in charge of operations run under the cover of NATO against French President de Gaulle's influence and person.

The Spanish coup failure now gives the EMS forces the chance to right the balance. Coming on top of a string of increasingly acrimonious exchanges between NATO and the EMS leaders, especially West Germany, it has made it obvious that NATO and the EMS cannot coexist. The Spanish coup has thus provided West Germany's Schmidt and France's Giscard the opportunity to launch a new alliance that can overthrow the rules of the British-rigged NATO game and safeguard the EMS. (For how the beginnings of that alliance are shaping up, see INTERNATIONAL.)

A call for 'strong government'

In Spain, even the threat of a coup creates the conditions for violent left-right confrontations over the Dec. 6 referendum on a new Spanish constitution. If such vio-

lence can be unleashed, it would provide the pretext for the establishment of a "strong government" of what is termed the "civilized right" — the pro-NATO right.

The "strong government" NATO wants to impose in Spain is not to come from the "uncivilized" ultrarightist Fuerza Nueva. With their promises of confrontation, Fuerza Nueva and its opposite number, the ETA Basque terrorists, are merely doing the dirty work for the Spanish forces associated with interests around the British monarchy. For example, one of those calling for a "strong government" in Spain has been Manuel Fraga Iribarne, the leader of the almost defunct Alianza Popular. Fraga is one of the few diehard Francoists who outlived the dictator.

When Franco lay on his death bed, the solution envisaged by the British monarchy at the time was far from democratic. The dictator was asked to "consider" a "Greek solution" for Spain after Franco: give power to the military, and nominate Fraga as his civilian successor.

When events followed a different path and King Juan Carlos and Premier Adolfo Suarez began leading Spain toward democracy and clear-cut humanist policies, Fraga became the staunchest of Suarez's opponents. Fraga's opposition to Suarez increased as the Spanish government, over the opposition of elements within the army, most of them purged for the occasion, recognized and legalized the Spanish Communist Party in early 1977.

In Parliament, Fraga has offered "loyal opposition" to the government demanding a strong military intervention into the Basque region — exactly what ETA is said to want — and a "strong government" that would not be as "left-oriented" as Suarez's.

The issue of the Constitution has forced Fraga to come out into the open. Virtually all the executive committee of Alianza Popular abandoned the party in protest against its vote for the Constitution

in Parliament. In view of this, Fraga allied himself publicly last week with José Maria de Areilza Count of Motrico, a former Francoist minister, and Alfonso Osorio, a renegade from the ruling party,

the Center Democratic Union (UCD). Their stated aim is to build themselves up as a "progressive right-wing option" through the formation of the "Civilized Right Party" that will launch a "cru-

sade" against Suarez and the UCD.

Fraga's new non-Francoist image may not sit well. He is famous for his old boast that "I am the only real fascist in Spain."

— R.D. Cedeno

Fraud fight hit with legal flim-flam

Detailed evidence by attorneys for Debra Hanania-Freeman requesting an injunction against the certification of the Nov. 7 election in Maryland's 7th congressional district was summarily dismissed by the Chief Justice of the Superior Court of Baltimore on Nov. 22. Judge Anselm Sodaro's refusal to hear or examine any evidence presented by the U.S. Labor Party-backed candidate, who opposed incumbent Parren Mitchell in that race, followed a series of heavy-handed and highly dubious maneuvers by the Board of Elections and the state attorney's office.

What independent candidate Debra Hanania-Freeman termed "a bizarre series of events" began Nov. 21, when Board of Elections Director David Preller, Sr. refused her campaign workers access to the voting machines then stored at a warehouse. On a previous visit to the warehouse, investigators working with the Freeman campaign had found a variety of irregularities, including machine totals that did not agree with tally sheet records, and unsealed machines. The investigators noted that the warehouse was not properly secured; many of the windows were broken, some covered only with cardboard, a situation which could lend itself to tampering with the machines.

Campaign staffers later learned that Board of Elections officials were "in a hurry to certify the election."

The next day, Nov. 22, lawyer Diana Motz of the state attorney's

office inaccurately told Judge Sodaro in court that the congressional election had already been duly certified. The judge then dismissed the arguments presented by Dr. Freeman's attorneys.

Several hours later Ms. Motz informed Freeman's office that she had been mistaken — the election was not certified, but only verified.

However, the damage had been irrevocably done; the wording of Judge Sodaro's summary dismissal precludes an appeal on that action.

Dr. Freeman, who ran a well-organized campaign to oust Parren Mitchell, charged that her constitutional rights to due process had been infringed on in a statement to the *Executive Intelligence Review*. "Even before my attorneys went to court we had indications that the Mitchell machine may try to block legal action. On Nov. 17, our motion for a temporary restraining order was turned down by two judges, even though both admitted it had merits. One openly admitted he could not sign such an order since he was close to Mitchell sympathizers, while the second judge said it was 'too late in the afternoon.'"

Behind Parren Mitchell

Freeman's campaign staffers say that Mitchell's retention of his congressional seat has depended on forces with more political clout than just the poverty apparatus with which he is directly associated. Various sources have told them that Mitchell's backing included much of what might be

termed Baltimore's Zionist lobby. In particular, they point to the refusal of the American Jewish Congress and B'nai B'rith to support then-incumbent Sam Friedel when he contested the outcome of his 1970 race against Mitchell. Many thought that Friedel had retained his seat, since returns first showed him the victor by 150 votes. But later returns showed Mitchell winning by 38 votes. It was then that Zionists dropped their support of Friedel, on the argument that if Mitchell was denied the seat he would make good the implicit threat of riots, "and Jewish blood would run through the streets."

"Mitchell's election was just one part of an operation designed to break the back of Maryland's traditional democratic machine through the introduction of various antilabor, low-wage environmental type programs," maintains one source. Mitchell's association with witchhunting attorney Steven Sachs could indeed be interpreted in that manner.

Sachs, who is Maryland's incoming Attorney General, set up the watergating of former Vice-President Spiro Agnew. Sachs also went after area labor leaders, arranging the indictment of seven in 1967. The dirty character of this investigation is accurately portrayed by one incident: A chief witness in the Sachs case against Building Trades Council leader Guido Iozzi was shot to death in a duck blind by one of two of Sachs's Federal marshalls on the case posing as hunting enthusiasts.

The oil giant next door

Mexico's huge new oil finds are good news for everyone

In the past two weeks, the government of Mexican President José López Portillo has amazed the world economic and political community with the news of two major oil finds totaling an astounding 180 billion barrels of oil and 70 trillion cubic feet of natural gas. A third find of 100 billion barrels was heralded by the Mexican newspaper *Excelsior* on Nov. 19, but has yet to be either confirmed or denied by the Mexican national oil company, Petroleos Mexicanos (Pemex). Added to Mexico's current official figures of 200 billion barrels in potential reserves, the new finds will in all likelihood push Mexico's reserves over the 350 billion barrel level, and possibly into the range of a half trillion barrels of oil! Saudi Arabia, to date the world's oil giant, lists proven reserves of "only" 150 billion barrels.

Regardless of the specific figures finally adopted by Pemex once they have completed their investigations and calculations on the finds, what is clear already is that Mexico is on its way to becoming the world's premier oil power. As President López Portillo recently stated, in all likelihood up to 80 percent of Mexico's national territory contains oil.

As significant as the magnitude of Mexico's new finds is the fact that the Mexican government chose to announce them coupled with unmistakable appeals to the United States to aid in that nation's ambitious oil-based industrialization program. Shock waves

rippled through a Chicago audience of the American Petroleum Institute on Nov. 13 when Jorge Diaz Serrano, the head of Pemex, reported that the first new 100 billion barrel field alone would require drilling 16,000 wells in the next 10 to 13 years—quadrupling the drilling rate prevailing in Mexico since it nationalized its oil industry in 1938. These oil exploitation requirements, coupled with Mexico's firm commitment to industrialize fully in order to become a nuclear-energy-based economy by the 21st century, will make Mexico one of the world's most dynamic capital-goods importers virtually overnight—a point not lost on the gathered American businessmen.

Other Mexican officials took advantage of a *Financial Times*-sponsored conference in Mexico City last week to elaborate this point. "We will double our industrial plant within a period of six to seven years," Minister of National Resources José Andres de Oteyza advised the gathered bankers and businessmen, "and we will grow at an annual rate of 10 percent." De Oteyza added: "I would like to use this forum . . . to invite you to collaborate with us in our development, within the framework established by our laws."

Mexico has also laid out detailed plans for vast industrialization based on the steel, petrochemical, capital goods, and nuclear sectors of its economy. In the words of President López Portillo, "We must begin to construct the cities of

the 21st century."

Mexico is being equally clear, however, that if the U.S. refuses to participate in Mexico's industrial development, and instead adopts the City of London's strategy of making Mexico nothing more than America's "strategic oil reserve," then Mexico will take its business elsewhere. In fact, Mexican Central Bank head Romero Kolbeck has gone so far as to publicly chastise the Carter Administration for adopting high-interest credit policies that are causing a recession in the U.S., collapsing the value of the dollar, and "distorting international trade currents." If this continues, Kolbeck warned, Mexico will take recourse to "the new international capital markets based in West Germany, Japan, and Switzerland" — i.e., the European Monetary System.

Mexico allies with the EMS

Mexico in fact has every intention of joining forces with the EMS, as the last six months of President López Portillo's international diplomacy have made clear. The only open question is whether or not the U.S. will join in the vast task of industrializing Mexico and the rest of the Third World, along the lines established by EMS founders Helmut Schmidt of West Germany and Giscard d'Estaing of France.

Mexico's message to its northern neighbor could not be clearer: "Dump London's defunct international Monetary System,

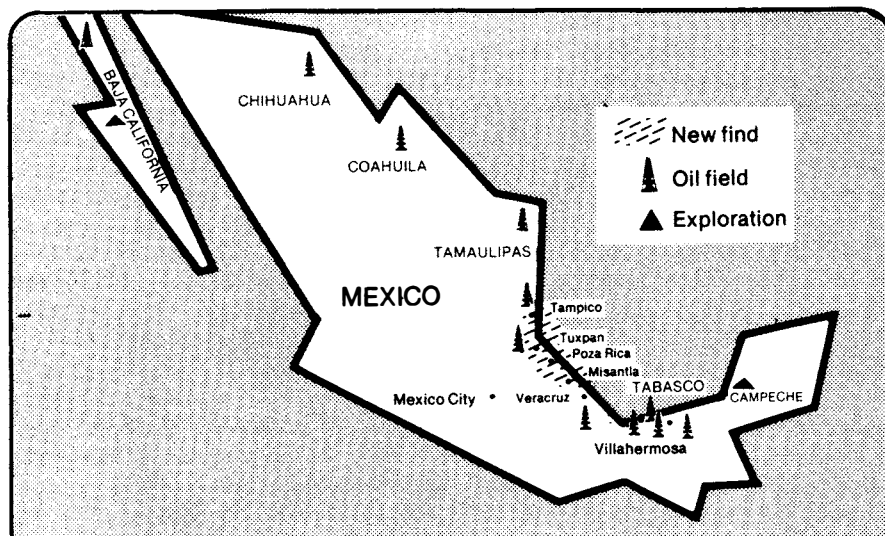
which has kept the developing sector in rural backwardness, and link up with the EMS. This is the way to strengthen the failing dollar, this is the way to revitalize your domestic industry. Mexico is a capital goods market you can scarcely afford to lose."

The big oil grab

If performance to date is a yardstick, then everything indicates that America is going to be left out in the cold. The policy course originally charted by Energy Secretary James Schlesinger, who last year sabotaged Mexican natural gas sales to a half dozen U.S. gas companies, is still hegemonic in Washington.

The dominant response in the U.S. press to Mexico's new oil finds has been one of glee at the prospect of somehow seizing the oil as America's "strategic reserve," and using it to break up the Organization of Petroleum Exporting Countries (OPEC). But the fact of the matter is that, although Mexico is not now a member of OPEC and has no immediate plans to join, President López Portillo has stated time and again that "neither now nor in the future will we be scabs" against OPEC.

Similarly, schemes such as Senator Edward Kennedy's calls for World Bank participation in Mexican oil activities ignore the fundamental reality that Mexico's oil industry has been nationalized for over 40 years, and is as jealously guarded as that nation's



How much oil does Mexico really have?

Based on rapid development of the prolific Reforma fields in the Southeast states of Tabasco and Chiapas, President Lopez Portillo announced startling new official oil reserves statistics in his State of the Union address three months ago. He revealed proven reserves of 20 billion barrels, probable of 37 billion, and potential of 200 billion.

Entirely *outside* these estimates, the state oil company Pemex, noted for its conservative handling of oil statistics, revealed the following new discoveries in back-to-back announcements last week:

- 100 billion potential oil reserves plus 40 trillion cubic feet of gas in a field, called "Chicontepec," stretching 75 miles long and 17 miles wide in northern Veracruz state. The formation involved, a vast area of oil-bearing pockets with little porosity, is found at shallower levels than previously exploited, deeper oil in the same region. Pemex director Diaz Serrano announced that up to 16,000 individual wells will be drilled in a 13 year program, to begin immediately.

- 80 billion potential oil reserves plus 30 trillion cubic feet of gas in deposits offshore from the Chicontepec field, in a basin of tertiary formations called "Bejuco-La Baja." The estimated depth of the field is 1,800 meters below sea level, and its full extension remains to be fully explored.

How quickly will "potential" turn to "probable" and then "proven"? The "transition rate" is picking up fast. The "proven" category is largely a function of putting new fields into production — and Pemex is doing this with astonishing speed. The original 1982 production goal of 2.2 million barrels per day will now be met in early 1980 (current production is close to 1.5 million per day).

What must be emphasized is that all the Mexican figures are *conservative*, and can only be revised upwards as more information becomes available. Though potential reserves represent the total oil estimated to exist in known fields, only part of which is recoverable, Mexico's recovery rates are running a very respectable 40 to 50 percent. This is somewhat higher than the international average. According to informed oil sources in Mexico, new Soviet technology may soon boost recovery rates in some Mexican fields as high as 80 percent.

territorial sovereignty itself.

For its part, the Carter Administration itself has also adopted a provocative approach to Mexico. Scarcely 24 hours after Mexico reported its new oil finds, President Carter announced that he would visit Mexico in mid-February. Informed Washington sources report that Carter will take with him a script by National Security Adviser Zbigniew Brzezinski that calls for: upstaging French President Giscard's scheduled trip to Mexico in late February, which is widely expected to consolidate Mexico's links to the EMS; and delivering to the Mexican government a series of ultimatums, including the threat

of closing the U.S.-Mexican border to migrant Mexican labor to arm-twist Mexico into abandoning its industrialization plans.

Mexican press and governmental sources fear even more direct action by Brzezinski to attempt to seize control over Mexico's vast oil deposits. Last week, Brzezinski gave a briefing to a secret, closed-door meeting of U.S. businessmen where he argued that the U.S. has the right to intervene in nations which "threaten world economic stability"—and then made explicit reference to Mexico.

More far-sighted sectors of the U.S. business and political community, who recognize that the

Schlesinger-Brzezinski strategy is leading to a major foreign-policy fiasco, have so far kept out of the public limelight, giving the British faction inside the U.S. a field day. One of the few salutary exceptions to the current suicidal drift of U.S.-Mexican relations was a recent editorial in the *Washington Star*, which hailed Mexico's new oil discoveries. "Mexico has the opportunity," the *Star* wrote, "to use its oil wealth for the most serious effort yet to bring its economy into the 20th (and the 21st) century. . . . Mexico's augmented oil wealth—bolstering the planet's exhaustible supplies—is good news for everyone."

—Dennis Small

1. Mexico links the EMS and Third World

In the first two years of the López Portillo Administration, Mexico has begun to serve as the bridge linking the new European Monetary System to the entire Third World.

The primary theme of Mexico's international organizing in recent years has been the explicit rejection of the small, labor-intensive projects promoted for the Third World by the World Bank and the International Monetary Fund, to demand instead "grand" projects for industrialization through the transfer of advanced technology to the Third World. For the most far-sighted and outspoken Mexican leaders, this has meant explicit support for the EMS as well.

For example, Mexican Congressman Julio Zamora Batiz told a Nov. 5 forum of the governmental party, the Institutional Revolutionary Party, that

"a new interplay of world politics is being set up. And it is an interplay in which Mexico, for the first time in many years, is playing a protagonist role on an international scale — with President López Portillo's proposal for unity in the Pacific Rim region, with the development of the European Monetary Fund, with the contacts Mexico has made with the Soviet Union, and with our closer relations with France."

Similarly, in a September interview with this journal, Finance Minister David Ibarra endorsed the EMS as "moving toward a more fair and more permanent economic order." Ibarra had earlier called for the creation of a \$15 billion fund to finance capital goods production in both the advanced sector and the Third World.

For Mexico, the content of such a new international economic order is the transfer of advanced technology to the Third World. In its own case Mexico presents this as the exchange of oil for nuclear and other advanced technology.

This strategy was laid out most clearly by President López Portillo during his recent trip to China and Japan: "We did not come to simply sell our oil, but rather to associate ourselves in a grand enterprise with the Japanese who have financing, technology, and markets so that we can do great things together. . . . We want to overcome the simple stage of commercialization of oil to enter into a stage of integration with much greater perspectives, and in which the important thing is the general scope of the projects which we are capable of conceiving and carrying out." In brief, this is what López Portillo has described on various occasions as the need to "think big."

President López Portillo has taken personal responsibility for carrying out this policy through intense diplomatic organizing which in the past year has taken him to Spain, the Soviet Union, Bulgaria, China, and Japan. In addition, his Foreign Minister Santiago Roel has directly coordinated policy with France and West Germany, the architects of the EMS. Spanish King Juan Carlos's current visit to Mexico, combined with the upcoming visit of French President Giscard d'Estaing in late February, is expected to fully solidify Mexico's role in this joint international organizing.

All these diplomatic efforts have intersected the key organizing efforts for the European Monetary System.

For example: President López Portillo traveled to the Soviet Union shortly after the historic summit between Brezhnev and Schmidt; Foreign Minister Roel spent several days in France and then traveled on to West Germany at the time the European heads of state were first putting together the European Monetary System at their Bremen summit meeting; and President López Portillo arrived in Japan two weeks after West German Chancellor Helmut Schmidt had spent several days there briefing Prime Minister Fukuda.

Simultaneously, Mexican leaders have vigorously attacked the World Bank and the International Monetary Fund. At an IMF preparatory meeting of Latin American countries, Spain and the Philippines held in Mexico in September, Finance Minister Ibarra assailed the IMF as a "straitjacket" on Third World development and proposed that "the World Bank profoundly change its operative and financial policies in order to become a real international development bank. Even the World Bank's name should be changed. . . . The IMF (must) be converted into an organism for long-term financing of developing countries." And denunciations of the IMF and World Bank have been coupled with attacks on the "labor-intensive" policies these institutions promote.

But major U.S. and British press are responding with a systematic campaign of misinformation and outright lies about Mexico. For example, an editorial in the *Washington Post* last month blatantly lied that "Working with the World Bank, the Mexican government is moving toward development plans that emphasize agriculture and labor-intensive industries,

to provide food and jobs. The government intends to use its oil revenues to finance this kind of expansion. Capital-intensive industry is likely to be deferred."

—Pablo Silva

British press denies Mexico looks toward Europe

The following are excerpts from a distorted account of Mexico's Grand Design initiatives from the pen of the London Financial Times' Hugh O'Shaughnessy, appearing Nov. 2:

. . . Unlike many of the other countries of Latin America, Mexico does not see a strengthened relationship with Europe as a counter to the strong U.S. connection. Britain, Germany, and France are seen as useful sources of technology and providers of financial services, but the Mexican Government does not feel that Brussels and the EEC could ever come to rival in importance the influence of the U.S.

The feeling is all the more marked because at one time the Mexican Government harboured the somewhat unrealistic view that the re-opening of a long-severed relationship with Spain would act as some sort of magic promotional aid to greater trade with Europe. Despite the visit this month of King Juan Carlos to Mexico it is clear that Spain will never become Mexico's bridge to Europe.

If relations with Europe are very secondary to relations with the U.S., Mexico's links with the Communist World are of even less importance.

2. The coming industrial boom

The commitment of Mexico's leadership is to invest the revenues from its oil boom in *multiplying* and *self-renewing* sources of wealth within Mexico—that is, in unprecedented in-depth industrialization.

Pemex Director-General Jorge Serrano put it this way last week: Mexico will "establish programs and priorities which allow it to use its oil wealth, not only to generate oil revenues but as the propulsive instrument for the great industrial development of the nation." The same day, Natural Resources and Industry minister Oteyza was telling an international financial conference that Mexico will "double our industrial plant within a period of six to seven years" (see accompanying box).

What will this industrial boom look like? A close gridding of government declarations provides the following picture. It will be directed by a Hamiltonian policy of favoring capital-intensive development over labor-intensive. Mexico's planners are insistent that, though auxiliary labor-intensive programs may be

necessary as the immediate-term complement to capital-intensive industrial projects, it is only the latter in the medium and long term which will generate the *expanding surplus* to adequately meet the nation's consumption needs and full employment goals.

The industrial boom will make production of capital goods a national priority. Mexico's "developmentist" (*desarrollista*) model of the past 30 years, which is now widely repudiated throughout government circles, favored production of consumer goods at the expense of capital goods. Mexico's industrial boom will reverse this emphasis and create a fully integrated, in-depth industrial apparatus for the first time in the nation's history.

The industrial boom will involve integrated government planning and coordination on a scale never seen before. The oil, electricity, and increasingly the nuclear programs, for instance, will provide the core demand for the capital goods industry. The national

gas distribution grid, due to be completed in March 1979, will anchor new industrial centers, with special emphasis on expanding coastal industrial complexes such as the giant Las Truchas steel plant on the Michoacan coast. The need to build ports for the export of the oil is being taken as the spark for fully diversified port-industrial complexes.

The industrial boom will increasingly shift the nation's energy perspective from oil to the atom. Precisely as the full extent of Mexico's oil potential has been revealed, López Portillo and his top ministers have stressed that a first priority for use of the oil wealth is to guarantee Mexico's advance to the energy perspective stretching beyond oil—nuclear fission and fusion.

Finally, the industrial boom will be long-term. López Portillo, on his Far East trip in October, summed up the tasks now being undertaken when he stated, "We must begin to construct the cities of the 21st century."

Economic 'base line'

The "base line" economic picture for this takeoff is one of the most propitious in the Third World. Mexico starts with an extensive industrial capacity and trained work force. Its Gross Domestic Product, estimated at approximately \$75 billion in 1977, is already surging forward again after falling off in 1976. The preliminary target for real growth this year, set at 5 percent, has now been revised upward to 7 percent. The industrial sector is leading this recovery: the percentage increase in overall industrial production volume during the first three quarters of 1978 as against the same three quarters of 1977 is 10, 12 and 15 percent respectively. Oil and petrochemicals lead the way, as would be expected. The current forecast is for a 25 percent real volume increase this year. But such areas as iron and steel (8 percent), building and construction materials (8 percent), basic chemicals (7 percent) and motor vehicles (10 percent), all show strong growth and are surpassing initial forecasts.

The agricultural sector lags somewhat behind, but the government sees the solution in extending its industrial focus to the rural areas. It recently announced an ambitious program to both import more tractors and spur domestic tractor production to meet Mexico's estimated 100,000 tractor deficit. Large-scale projects developing new agro-industries across the country are in the advanced planning stage.

In the following summary, the *Executive Intelligence Review* presents a "progress report" on Mexican development in three key areas: nuclear energy, capital goods, and banking and credit. The unifying theme is that the government planners, with their private sector allies, are aggressively taking advantage of the short remaining period before the oil revenues expand to a flood, to prepare the framework and direction of subsequent economic development until the end of the century.

From oil power to nuclear power

Mexico's official nuclear program calls for building 20 nuclear reactors by the year 2000. During the past year, the nation has carefully laid the groundwork to put this major nuclear energy program into gear.

On the domestic front, the Mexican Congress has concluded a year's debate with this week's approval of a comprehensive nuclear energy bill reorganizing the nation's nuclear program. Previously, a small but capable nuclear research and training institute, INEN, had stood in a loosely defined relationship to the pioneer Mexican commercial reactors being built by the Federal Electricity Commission at Laguna Verde on the Veracruz coast. The nation's enormous uranium reserves—10,000 tons of it proven with estimates of potential reserves ranging from 200,000 to 500,000 tons—had lain virtually untapped. The uranium for the Laguna Verde plants in fact was purchased in France and sent to the U.S. for enrichment!

The new law establishes a Nuclear Energy Commission to coordinate all aspects of the nuclear effort. Its three sub-branches include a government-controlled uranium mining and refining monopoly called Uramex, expansion of INEN as the core research and training facility, and a reactor construction program.

During the course of the debate, the pro-nuclear forces in the country were strengthened by the Aug. 24

Pemex: Mexico's

Even now that news of Mexico's mammoth oil reserves has begun to hit the pages of the U.S. press, few people in this country are familiar with "Pemex" (pronounced "Peh-Mex"), short for "Petroleos Mexicanos", the Mexican national oil company. And yet Pemex is the single largest corporation in Latin America, with assets exceeding \$11 billion, sales this year worth \$5.4 billion, and a staff of nearly 100,000.

At the time Pemex was founded in 1934 by the government of nationalist president Lazaro Cardenas, all of Mexico's oil was exploited by British and U.S. oil companies, primarily Royal Dutch Shell's "El Aguila" and Standard Oil's "Huasteca Petroleum." Pemex, or Petromex as it was then called, accounted for only 1.75 percent of all oil extracted in Mexico.

However, the foreign oil companies' power was curtailed by the 1917 Constitution, framed at the conclusion of the Mexican Revolution, which proclaimed that all land, minerals and territorial waters belonged to the nation, and would be administered by the government for the benefit of the population.

Following the expropriation of all foreign oil holdings by President Lazaro Cardenas in March of

founding of the Mexican Fusion Energy Association, working in coordination with the New York-based Fusion Energy Foundation.

The bill represents a major setback for some Mexican government officials who were in open alliance with U.S. Energy Secretary James Schlesinger in attempting to restrain Mexico's nuclear development. An unprecedented series of attacks from press and congressional sources culminated in early November when INEN director Francisco Vizcaino Murray accused several government officials by name of sabotaging President López Portillo's nuclear strategy and delaying the completion of the Laguna Verde plant. The President has ordered the twin Veracruz reactors completed "at forced-march pace," Vizcaino reported.

Simultaneously the government has opened intense international negotiations for "oil for nuclear technology" deals. Mexico's nuclear future headed Foreign Minister Santiago Roel's agenda during his trip to France and Great Britain last July. In discussions of long-term deals with the British-Dutch-German nuclear consortium Urenco, Roel and Vizcaino Murray demanded for Mexico a status "not as a client" but "as a partner" in the consortium. Mexico has begun discussions with France and the Soviet Union concerning advanced training programs, while France offered Mexico access to the full seven years of preparatory studies going into France's

Super-Phoenix breeder reactor. The deals worked out at that time could very well be consolidated during French President Giscard's visit to Mexico next February.

Continuing the push, two nuclear collaboration deals were among the core of agreements worked out this week during the visit of King Juan Carlos of Spain to Mexico City.

The only major nuclear supplier country currently outside the Mexican negotiations is the United States, despite the fact that it is U.S. suppliers who won the major contracts for the Laguna Verde plants. Carter Administration "antiproliferation" strictures, which have delayed the return of Mexican uranium in the U.S. for enrichment, have incensed Mexico's leaders, who take pride in their international efforts for nuclear disarmament. Mexican congresswoman and economist Ifigenia Navarrete rose in the Chamber of Deputies near the conclusion of the nuclear law debate to castigate those foreign countries which, "just like the gods who were angered that Prometheus gave the gift of fire to mankind, now try to prevent the spread of nuclear technology, now open to everyone."

The stage is now set for beginning the immediate siting studies and actual construction for a vastly stepped-up program. To keep on the timetable of a minimum 20 reactors by the year 2000, Congressman Hugo Castro Aranda has estimated that 13 reactors must be completed by 1993. In eloquent testimony to the Congress the day the new nuclear bill passed, Castro Aranda declared:

"The construction of a reactor takes from eight to ten years. If we don't make the decision now to build those reactors and to have an ambitious nuclear program in Mexico, by 1985 the same thing will happen to us as has happened in other moments of our history: we will miss the opportunity for development."

Capital goods: full speed ahead

To provide "effective use of rural manpower, employment opportunities for the growing labor force, and optimum levels of occupation for the economically active population, we must bridge the gap with the development of the steel and capital goods industries, which are the keystones of the process." With these words from his second State of the Union address, President José López Portillo underscored the role the capital goods industry will play in the development strategy his government has adopted.

To give an idea of the tremendous capital goods requirements of Mexico over the next years, the Director of Programs for Nafinsa (Mexico's national financing agency), Luis Almeida, has calculated that in the next decade Mexico's demand for capital goods will total \$45 billion dollars.

Definite steps to implement this strategy are already under way. On Nov. 15, the government's Program for the Development of the Capital Goods

National Oil Company

1938, Pemex began to demonstrate just how the Constitution's mandate would be carried out. Despite the hostility fostered internationally by the foreign oil companies — who in addition to withdrawing all their technicians and trained personnel also organized international boycotts of Mexican oil — Pemex personnel rapidly assumed all aspects of oil production.

Since then Pemex has placed great emphasis on the training of a skilled labor force, working closely with the Mexican Oil Institute (Instituto Mexicano del Petroleo). Pemex now has one of the largest cadres of trained personnel in the Third World. As a result, Mexico is the *only* oil producer in the developing sector that has the ability to run its entire oil industry without the aid of foreign oil companies, and is looked up to for that accomplishment throughout the Third World. In fact, during the past few years Mexico has signed agreements with other Third world countries to provide them with technical assistance and training.

Today Pemex is 100 percent owned by the Mexican government. In accordance with Article 27 of the Mexican Constitution, no private or foreign company can exploit the country's oil or other mineral resources.

Industry was inaugurated with the signing of a \$180 million domestic credit for several capital goods industries which will provide Pemex and the Federal Electricity Commission with heavy equipment. With this credit, said Finance Minister Ibarra, the process of harmonization between the two strategic economic areas—capital goods and energy—had been initiated.

In a second development, and as part of the preparations for King Juan Carlos's visit to Mexico, Spain's largest machine tool company, and the sixth largest in Europe, Mecánicas Asociadas, and the Mexican enterprise Presimac, S.A. announced that they were setting up a joint investment in Mexico in machine tool production.

The full dimension of the Mexican government's plans in the capital goods area was given by Pemex director Diaz Serrano in his speech to a *Financial Times*-sponsored symposium last week in Mexico City. He invited the European Community to join in heavy-industry investment in Mexico whose products could be "exported to all of the American continent, including the United States."

The architect of the capital goods strategy is Finance Minister David Ibarra Munoz, who oversaw the preparation of a major study, "Mexico: A Strategy for the Development of the Capital Goods Industry," published in 1977 under United Nations auspices. He is not accidentally the major proponent of Mexico's proposal for a \$15 billion international capital goods promotion fund for the entire Third World.

Hamiltonian credit policies

On Nov. 16 López Portillo submitted to Congress for its approval a sweeping bill to reorganize Mexico's private banking sector. His aim: force the private banking sector away from its historic tendency to invest in short-term, speculative activity, and into longer term credit for basic production projects. The bill is a major step along the road toward a full-fledged Hamiltonian "two-tiered" credit policy. Mexico is creating a structure which will grant incentives for capital invested in the nation's development needs and will penalize money thrown into speculation. In the words of the proposed bill, "financing will not be granted exclusively on the basis of collateral, but rather according to the economic viability of the project." Additionally, "long-term projects will be given grace and repayment periods in conformity with the nature of the projects." The legislation goes on to explain: "The foregoing will foster the multiplication of investment projects that optimally utilize financial resources, and the support to businesses that require large volumes and capital and which are indispensable to the integration of the productive structure of the country."

In addition to such new regulatory powers for the federal government, the bill would prohibit any one individual from owning more than 15 percent of the equity shares in a banking institution—a blow at the

handful of oligarchic Mexican banking families currently dominating the field.

Alongside these measures to streamline the flow of credit for domestic development purposes, the bill prepares the ground for Mexico's entrance into international capital market operations. This dramatic development will occur through "authorizing Mexican institutions to attract resources from outside the country and lend them outside the country," says the bill, outlining future developments which could parallel Japan's emergence as a major independent financial power.

—Tim Rush

Industry minister spells out industrialization goals

The following are excerpts from a Nov. 14 speech by Mexican Minister of National Resources and Industry Jose Andres de Oteyza in the state of Coahuila:

Tax incentives for the decentralization of industry must bring about a wealthier, more just and more humane society by the dawn of the next century. . . Industry must be distributed on a medium-sized scale throughout the national territory; outside of the great metropolises, yet large enough to be able to take advantage of the economies which only other industries and urban infrastructure make possible. . . . Our industrial policy is based on the impulse from those sectors which, like the capital goods industry, give us greater financial self-determination.

On November 16th, Oteyza addressed a forum organized by the British newspaper The Financial Times entitled "Trade with Mexico." The following are excerpts of that presentation which were reported in the Mexican daily El Universal:

"The financial self-sufficiency which oil surpluses will provide, together with adequate planning, can enable our economy to grow at annual rates of 10 percent, for an extended period, without creating balance of payments pressures or excessive inflationary effects."

De Oteyza said that with this rate (of growth) the new labor force would be absorbed and gradually latent unemployment would be eliminated by the 1990s, the last decade of this century. It would further allow us to double our industrial plant within a period of six to seven years.

He also said that "I would like to use this forum, at which important companies from different countries are represented, to invite them to collaborate with us in our development, within the framework established by our laws, and in a mode which stresses the importance of providing technical and managerial know-how. Offer your cooperation to encourage our industry; your capacity to encourage greater Mexican exports; your technology to establish the basis for our own and to orient it towards the objectives we seek."

3. U.S. policy blunders

On the same day that Pemex director Jorge Diaz Serrano made public the first of Mexico's enormous new oil finds, the U.S. State Department announced that President Carter will visit Mexico for three days next February. Unlike news of the oil discovery, the announcement took no one by surprise. Relations between the two countries have plummeted to their lowest point in approximately the past 50 years, as a result of a series of British-inspired U.S. policy blunders which began close to one year ago with the veto by Energy Secretary James Schlesinger of an important deal for the sale of Mexican natural gas to the U.S. These tensions peaked one month ago when the U.S. Immigration and Naturalization Service announced the construction of an impenetrable wire-mesh fence along parts of the border with Mexico.

Now, at a critical moment in U.S.-Mexico relations when oil is in the limelight, President Carter will be visiting Mexico.

Just before Carter announced his trip to Mexico, a conference on "Business with Mexico," sponsored by London's *Financial Times* newspaper, got off the ground in Mexico City. The conference attendees include such notable City of London figures as Leopold de Rothschild, Director of N.M. Rothschild and Sons, and Lord Chalfont, President of Canning House. Rothschild was particularly open about British designs, calling on Mexico to come to its "friends" at the City of London for any foreign credit needs.

PRM-41

Before Carter leaves for Mexico he will have to choose from a number of policy guidelines which are being prepared for him under the supervision of Zbigniew Brzezinski's National Security Council in the form of "Presidential Review Memorandum 41," (known as PRM-41). From all indications to date, President Carter won't be given much of a choice.

A recent article in this magazine on PRM-41 (see *Executive Intelligence Review* Vol. V, No. 42) clearly established that discussion of the memorandum by circles around Senator Edward Kennedy, the Rand Corporation and the Brzezinski-Kissinger wing of the National Security Council, centers to varying degrees on how the U.S. can make sure that its own "strategic considerations" prevail over Mexico's in the use of the oil and its revenues.

According to reliable sources, National Security Advisor Brzezinski is saying privately that the U.S. "will never permit another Japan south of the border." As he and his factional allies are unhappily aware, Mexico is committed to using its oil revenues for a program of high-technology industrialization; that is, precisely to become "another Japan."

The key weapon at Brzezinski's disposal is sealing off the border to prevent unemployed Mexican workers from entering the U.S. to find jobs. Until

Mexico's industrialization program goes into full swing, this seasonal migration is an important measure to reduce unemployment and create a "safety valve" for maintaining social stability within Mexico.

While Brzezinski has not discussed this policy in public, his views have been most clearly reflected in the writings of Professor George Grayson of William and Mary College, who first gained prominence with an article in *Foreign Policy* magazine, the journal Brzezinski had edited prior to entering the Administration. In his article, which appeared in *Foreign Policy* in the winter 1977 issue, Grayson began by asking: "What policies will advance Mexico's eco-

Kennedy aide: 'Investment should be on the labor-intensive side'

An aide to Senator Edward Kennedy, shortly after returning from a fact-finding trip to Mexico on behalf of the Senator, commented on Mexico's development strategy in an interview last month.

Q: Mexico has challenged the approach to development currently upheld by Robert McNamara and the World Bank, that Third World countries should minimize their use of technology and maximize the creation of unskilled jobs in rural areas. Mexico is saying that an industry- and technology-centered approach will create domestic jobs, which will also be socially productive and not consign Mexico to perpetual rural poverty. How do you think the U.S. could back up Mexico's strategy?

A: I know the general drift of what McNamara wants, and it seems laudable to me. What does (Mexican Finance Minister) Ibarra mean when he talks of a strong capital goods sector and capital-intensive industry? It sounds like the age-old argument—big production projects, long-term loans, external reliance. Now that doesn't really help the poor. We need to address basic human needs.

Q: But how can basic human needs be met without the social surplus generated by productive jobs in capital-intensive sectors?

A: My instinct is that that's just another version of trickle-down economics, one in which the oil benefits will only go to the top layer of the society. We need small-scale technology in an agricultural base. Investment should be on the labor-intensive side.

conomic interests, while satisfying U.S. security needs?" He then proceeded to focus most of his attention on Mexico's "population explosion" and the "illegal immigration" into the United States. Grayson proposed a two-part strategy: "Closing the border escape valve" and forcing Mexico to adopt "labor intensive agricultural projects." In a more recent article written for the *Washington Post*, Grayson argued emphatically against losing sight of these primary objectives by placing too much emphasis on Mexico's oil:

This country should not exchange dependence on the Saudis for dependence on Mexico. Such a step could hamper an assertive border policy that will soon be necessary lest the current flood of illegal immigrants becomes a tidal wave. Increased purchases of oil and gas from our southern neighbor should be coordinated with a determined effort on their part to create jobs.

Kennedy's "soft line"

The forces around Senator Edward Kennedy fully agree with this general policy outlook, although they have tried to couch their proposals in "softer" terms in an effort to maintain their "liberal" profile and portray themselves as "friends of Mexico." Kennedy and spokesmen for the Zionist Lobby (such as *New Republic* magazine) have focused most of their attention on the vastness of Mexican oil reserves and on how they could be used to bust OPEC. While Kennedy is expected to implement the Carter program to stem the flow of illegal aliens into the U.S. when he assumes chairmanship of the Senate Subcommittee on Immigration next year, he has so far downplayed that issue.

However, as the interview with a top Kennedy aide working on Mexico (which accompanies this article) makes clear, Kennedy favors exactly the same labor-intensive, anti-industrialization policies explicitly outlined by Grayson.

Kennedy himself, in an op-ed last week in the *Washington Post* proposed such an approach by endorsing a plan by the World Bank — the main proponent of intensive labor projects in the Third World — for establishing a revolving fund to finance oil exploration in non-OPEC countries.

But while Kennedy and his Zionist Lobby allies would like to see Mexico's oil used to bust OPEC — a strategy which Mexico has repeatedly rejected — that does not mean that they favor an increase in overall energy production in the U.S. Although the Kennedy forces now piously criticize Schlesinger for clumsily mishandling the gas negotiations last year, they remain fully committed to Schlesinger's zero-growth energy supply views. Almost every pronouncement generated from Kennedy's office over the past few months has included embarrassed disclaimers that the astonishing Mexican oil finds "do not reduce the need for strict conservation policies in the U.S."

— Pablo Silva

Washington Star endorses Mexican oil plans

The following quotes are taken from the Nov. 20 lead editorial of the Washington Star, titled "Mexico's big-time oil." Despite a mildly anti-OPEC tone to certain sections of the editorial, the selections presented below document one of the few cases of American spokesmen seriously arguing for the necessity of joining with Mexico's ambitious industrialization plans, instead of sabotaging them.

Mexico has given much official confirmation in recent days to reports of oil finds that would place it in the big league of the world's producers. In fact, our neighbors to the south could be sitting on the greatest of all petroleum reserves, surpassing even Saudi Arabia's...

There are intriguing implications in all this, for Mexico, the United States and the rest of the world.

Mexico has the opportunity — and President Lopez Portillo sounds ready to seize it — to use its oil wealth for the most serious effort yet to bring its economy into the 20th (and the 21st) Century. It will take years, of course, to build up actual oil production and facilities for using and shipping great new quantities. But instead of just spawning a hopelessly growing and massively unemployed population, Mexico could use oil earnings to finance large-scale development of its industrial potential and a prosperous life for its people. The President puts the possibilities this way: "We have before us 20 or 30 years to organize our country in such a way that we will enter the next century as a society with full employment. We can have this, or national failure — this, or the humiliating condemnation of seeing a nation of illegal workers."

This is an exciting prospect for underemployed Mexico — and for the United States, which has been used to regarding its southerly border as the bothersome source of illegal immigration by job-hungry people. Is it possible that the flow will be dried up some year soon by the labor demands of a booming Mexican economy? Or that some new fences might be needed on the other side of the Rio Grande?...

The United States undoubtedly will be a close collaborator in Mexico's economic development plans, and the countries provide natural and growing markets for each other. A more equal economic relationship will make for less strained friendship between the North American neighbors...

Mexico's augmented oil wealth — bolstering the planet's exhaustible supplies — is good news for everyone.

\$70 billion EMS is now established

The world is at a strategic juncture as EC meets with Asians, Latin Americans

In a speech Nov. 20 before a gathering of Asian countries' foreign ministers in Bonn, West German Foreign Minister Genscher asserted that the European Monetary System was already an established part of the world scene, and that the task henceforward was to integrate the rest of the world into the European seed-crystal operation. That signal from a top European official is a good hint to the United States, which has watched bewildered as the rest of the world moved forward.

The European finance ministers' meeting on the same day put into shape a \$33 billion European Monetary System whose actual credit powers work out to double that figure. While they met in Brussels, and the West Germans met the ASEAN countries in Bonn, EC negotiating teams were sitting down with ASEAN's equivalent organizations for Latin America, the SELA, and also with the Comecon.

Last week's crop of developments spinning off the European (and Japanese) initiatives is virtually unprecedented, and represents a type of culmination of the Grand Design put forward at the May meeting of West German Chancellor Schmidt and Soviet President Brezhnev. Apart from the fact of the EMS agreement itself in Brussels — waiting only ratification from the EC chiefs of state at their Dec. 4 summit — other developments include:

(1) The first implementation of Japanese proposals to off-lend dollars accumulated by the central banks in support operations for the U.S. currency through export loans, tied to European and Japanese domestic interest rates — the beginnings of a two-tier credit system on the Eurodollar market and the drying out of the speculative markets.

(2) The virtually unquestioned success of dollar support operations inaugurated two weeks ago.

(3) The first set of invitations — to Midwestern banks in the United States — to join in consortia formed by the Japanese for the low-interest lending format described above.

(4) The first indications, through the mitigating impact on short-term Treasury bill rates of European reinvestment of dollars in the U.S., that the European central banks' sphere of influence could extend to the U.S. credit system itself.

Taken as a group, these events are a European-Japanese coup. Prominently, the British have been excluded from all the important arrangements, to the

point of missing out on special incentive credits the EC has granted to the Irish and Italians in the context of their entry into the European Monetary System.

As the *London Times* editorialized Nov. 16, Britain's influence in the U.S. ultimately depends on its ability to present itself as the spokesman here for Western Europe; the rug has been pulled out from under that charade. The Soviets, too, have come up with a good answer to the charges of the British press (e.g., *Daily Telegraph* commentator Robert Moss) that the EMS reflects a secret deal with the Russians against the interests of the United States. In the Soviet government newspaper *Izvestia* of Nov. 17, chief political commentator Matveyev proposed a Schmidt-Brezhnev deal with the United States, based on joint work for the export of nuclear reactors to the developing sector — economic advancement as the basis for world peace and stability.

The world has changed drastically, in the direction that this publication said it would.

— David Goldman

Finalize plans for the EMS development fund

The Nov. 20 meeting of European finance ministers in Brussels made "great progress" toward implementing the European Monetary System, West German finance minister Hans Matthoefer announced on emerging from the meeting last week. The success of that meeting and surrounding diplomatic negotiations have prepared the way for the christening of the EMS Dec. 4-5 when the EC Council of heads of state are scheduled to meet, and the launching on Jan. 1 of a new gold-backed banking institution, capitalized at some \$70 billion, with the capability for generating long-term, low interest-rate development loans and completely transforming the international monetary system and global economy.

The Nov. 20 finance ministers' meeting settled on the technicalities of how the EMS currencies will be pegged to the Japanese yen and the U.S. dollar — the

latter pegging made possible by U.S. adoption of the European and Japanese-inspired dollar stabilization program earlier this month — and by the larger-than-expected size of the credit fund which is the centerpiece of the EMS.

Further, a major step toward consolidating Italy into the EMS was achieved at the meeting, thus dispelling the hoked-up debate over the entry of the “weaker countries” of Italy and Britain, which was a ploy being used by anti-EMS Britons to derail the EMS. As of Nov. 21, previously critical Italian press, including *Unità*, the daily of the Italian Communist Party (PCI), had quieted their attacks on the EMS, and the president of a major Italian bank told this news service that Italy will definitely join the EMS, with the endorsement of the PCI, barring a collapse of the government.

Britain, on the other hand, came under sharp attack for its transparent delaying tactics. Following the meeting, Matthoefler announced that none of the EC countries has made EMS entry conditional on the EC budget. This remark was a direct rebuff to British Prime Minister Callaghan, who had made the revision of the EC budget and a reorganization of the EC's Common Agricultural Program a precondition for Britain's entry. Responding to Britain's spurious objections, Danish central bank governor Christopherson asked, “How much longer can Britain act against the spirit and principles of the Treaty of Rome (the founding document of the European Community — ed.)?”

While the EC finance meeting was taking place last week, parallel negotiations on expanded trade and economic development were taking place between the EC and the Latin American economic union SELA, the Comecon countries, and ASEAN. Under discussion between the foreign ministers of the EC and ASEAN (the Association of Southeast Asian Nations) in Brussels was the creation of an EC policy committee for fostering “massive investment credits” for the ASEAN area from Europe, according to the West German financial daily *Handelsblatt* Nov. 21. This implies a full linkage of the EMS to ASEAN and to the Tokyo capital market, which is now operating on the basis of a two-tier credit strategy in the Eurodollar market, making available natural resource development and other project loans at half the prevailing Euromarket rates. In the background to the EC-ASEAN treaty, the EC has recently concluded direct commodity marketing arrangements with Malaysia as well as Zambia, thus bypassing the three-century-old London Metals Exchange and nullifying London's capability for commodity price manipulation.

Recycling dollars for development

The crucial feature of the EMS is the centralized pool of currency reserves that will enable 1) swapping of

U.S. dollars for European currencies for currency intervention, and 2) absorption of and discounting of excess dollars for relending as development credits. The twofold effect of the fund's operations will be to stabilize currency parities among the EC currencies, the yen, and the dollar and to foster global trade and economic development.

According to press accounts of the finance ministers' meeting, the dollar and gold component of the fund has been set at 25 billion European Currency Units (ECUs) or \$33 to \$35 billion. This will make for a total fund of upwards of \$70 billion, since it has been understood since the start of EMS negotiations that the member countries would match their gold and dollar contributions with an equivalent amount of domestic currency reserves. The EMS will make use of the existing Fund for European Monetary Cooperation (Fecom). Thus, European central banks will deposit 20 percent of their gold and dollar reserves in Fecom, receiving European currencies for intervention purposes in exchange. Fecom will then have the capability to generate gold-backed, dollar-denominated development credits, on the model of the operational Tokyo capital market. Through this new international financial market, the Bank of Japan is making available its excess dollar reserves at low interest rates to Japanese commercial banks, which are in turn relending the dollars for development purposes (see below).

Given the new likelihood that Italy will officially join the EMS at the Dec. 4-5 heads of state meeting, it is probable that the meeting took decisive action on the “transfer of resources” to Italy's underdeveloped Mezzogiorno, thus inaugurating the development activities of the EMS.

The on-schedule implementation of the EMS has been acknowledged by various astute observers on this side of the Atlantic. In a speech before the National Committee for Monetary Reform in early November, Thomas Wolfe, a noted Washington-based bullion consultant who ran the Treasury's gold desk during the Nixon Administration, predicted that the EMS will bring gold back into the world monetary system in a big way and cautioned against further dispersing of the U.S.'s gold reserves by the Blumenthal Treasury. Wolfe said that the EMS will be using substantial gold reserves in the stabilization of exchange rates and settling of debts, and he predicted that the “‘official price’ for EMS members will gradually be accepted by governments throughout the world in valuing gold in their reserves and as a standard for transactions between governments.” Wolfe interjected ironically that by 1981 the IMF, too, will have had to build up substantial gold reserves, reversing its present policy of gold sales — if it wants to remain competitive with the EMS.

— Lydia Dittler

Japan launches a two-tier credit market for development

At the Paris OECD meeting this week Japan is proposing a "consolidation plan" to reform the crisis-ridden Eurodollar market through a system of low-interest, long-term dollar loans for capital development. The plan was worked out in coordination with the Germans and will be supported by the French as well.

For over a month, Japan has been unilaterally carrying out a financial policy based on the same principle that it is now proposing globally: the Japan Export-Import Bank, in conjunction with private banks, is now making dollar loans to private Japanese enterprises for overseas resource development projects at astounding 6-7 percent interest rates, half the prevailing Eurodollar rates! These super-cheap loans — predicted by Japanese bankers to amount to several billions of dollars — will be available only for approved projects in such areas of resource development as uranium, petroleum, natural gas, iron ore and nonferrous metals in developing countries, in which Japanese firms participate. The money will be lent by the ExIm bank and the private banks at a 70-30 ratio. The rates will be 0.5 percent above the domestic yen rate for the respective category of loan.

This move is the first institution of the principle that is the hallmark of Japan's global "consolidation plan": Supercheap — by Euromarket standards — loans will be available for real development, while those who wish to invest in commodity speculation or other nonproductive forms must rely on the high-priced competitor, the Euromarket.

There are only two significant limitations to the Japan Export-Import Bank system other than volume: 1) so far the loans do not apply to manufacturing projects because the more cautious Finance Ministry rejected efforts by the International Trade and Industry Ministry to include them as well as resource projects; and 2) the loans are not available to non-Japanese institutions. Both of these limitations are overcome in the global consolidation plan of Japan.

Despite the efforts of U.S. representatives to the OECD to prevent the plan from even reaching the agenda, Japan is being supported by Germany and most likely by France as well. In fact, German sources report that the plan was worked out in consultation with German Chancellor Helmut Schmidt and Central Bank head Otto Emminger. Two weeks ago Maurice Laure, Chairman of the French bank Société Générale, wrote an article in *Le Figaro*

espousing the same discriminatory credit policies as the Japanese. Reviewing the French credit situation at home and abroad, Laure complained that one of the major problems comes from the fact that many banks are reducing their quality of investments, restricting themselves to rollover and low risk-low return operations, instead of moving into development loans. He warned, "Without the introduction of a regulation system into the Euromarkets, the non-use (i.e. non-productive use — ed.) of such an amount of money would have catastrophic consequences on the world economy."

Japan's consolidation plan

The essence of the "consolidation plan" is to convert the Euromarket — which the Japan Finance Ministry

Japan's "consolidation plan" for the EMS

At an emergency meeting Oct. 25, Japan's Finance Ministry decided that a consolidation plan to restructure the Eurodollar market was the only way to end international monetary turmoil. The following are excerpts from a report on that decision in the Oct. 31 Japan Economic Journal:

The Japanese Government has decided there is a limit to a single country trying to stabilize its currency, and intends from now on to work earnestly on other nations to cooperate in stabilizing the international monetary situation. . . .

For the moment the Government is thinking of utilizing the meeting of working party three of the Organization for Economic Cooperation and Development, due to get underway in Paris from November-end, to seek international collaboration on such as the following points for stabilizing the international monetary setup.

- Measures should be taken to recycle to the U.S. or to freeze an estimated \$500-600 billion in circulation in the world.

- A system of intervening in foreign exchange markets on a multilateral basis could be expanded and strengthened, such as through greater application of swap arrangements.

After continuing such persuasions, the Government hopes to complete final arrangements at the next summit of industrially advanced nations, scheduled in Tokyo next June.

. . . The Ministry of Finance, feeling that the latest soaring of the yen has an added speculative character, considers that its "hotbed" is the presence in the world of "loose dollars" ranging from \$500-600 billion.

now deems a "hotbed of international monetary turmoil" — into a source of productive, long-term, low-interest loans, Banking sources report it will work in the following way: Together, the Bank of Japan and the members of the newly formed European Monetary System will have total available reserves of almost \$200 billion without even counting expected OPEC participation (assuming, as Otmar Emminger, head of the West German central bank said recently, all upvalue their gold to \$180 an ounce). For the Japanese and European central banks, the cost of lending dollars to the private banks of their countries is not the high Eurodollar market rate called LIBOR (London Interbank Rate) at 12 percent but their own domestic interest rates at 5-7 percent. Therefore, participating central banks will lend to their own private banks at a margin above their domestic rates on two conditions: 1) the banks use the funds only for approved capital development or hard commodity trade purposes, not for buying Treasury bills at 10 percent and whatnot; and 2) that the developing country recipients of such cheap loans invest the funds in development projects, and not redeposit them in the Eurodollar market or similar speculative outlets. Up until last month's inauguration of the Export-Import Bank plan, the Bank of Japan had already been lending dollars at less than Euromarket rates, but only at 0.5 or 1.0 percent differential. Now Japan is cutting the rate in half.

The plan cannot work unless the Japanese-German-French central bank complex provides American banks with the same access to cheap dollars as their own banks. The U.S. banks cannot look to the U.S. Federal Reserve which is steadily lifting the U.S. interest rates to the Euromarket level, aiming for a 14 percent prime rate. Nor can they look for succor from the Treasury and the latter's agents in the State Department, since Treasury Undersecretary Anthony Solomon and State Monetary Affairs bureau chief Michael Ely are both committed to preventing the

"consolidation plan" from even being aired publicly — to say nothing of their efforts to keep it off the agenda of the OECD meeting. Outside of this news service, no U.S. press has even reported on the "consolidation plan."

Aid for U.S. banks

Japan and the Europeans are already moving to circumvent the London-engineered containment surrounding the U.S. banks. On Oct. 6 the Japan Ministry of Finance asked Japanese private banks to include American banks in the consortia in which the Japanese were lending at slightly less than normal margins above LIBOR. According to Japanese banking sources, some Midwest banks as well as Bank of America and Chase Manhattan participate in certain of these syndicates on a case-by-case basis. In contrast, Citibank — under pressure of a Morgan Grenfell-organized scandal — has steadfastly refused to undercut the high interest-rate regime of the Euro-market. A Citibank officer confirmed this policy in an interview with *Executive Intelligence Review*. Realistically, Japan cannot expect much U.S. bank participation in such syndicates unless they provide U.S. banks access to cheap dollars, that is, unless they undercut Fed Chief William Miller.

There are indications that Japan and the Europeans are directly attacking the high-interest rate policy within the U.S. itself. On Nov. 17, Japanese and European purchases of U.S. Treasury bills pushed the interest rate on them down to 7 percent, compared to the previously prevailing 9 percent — indicating massive purchases. Assuming that this level of intervention continues and that its effects spread to general interest rates, this domestic intervention combined with the two-tier system on international loans will amount to the successful takeover of the international monetary system by the forces for development.

— Richard Katz

'Take a courageous initiative'

Ireland's EC Commissioner speaks about the EMS in Chicago

In its first official public effort to bring U.S. political and business support behind the emerging new monetary system, the European supporters of the EMS today sent European Community Commissioner

EXCLUSIVE INTERVIEW

Richard Burke of Ireland to address a major business conference in Chicago. Speaking on "The new European Monetary System and the Dollar," Mr. Burke addressed over 80 business and diplomatic representatives Nov. 20 at Chicago's Water Tower Hyatt

House, in a meeting sponsored jointly by the Chicago Association of Commerce and Industry and the Belgian-American Chamber of Commerce. Representatives of Chicago's leading banking, industrial and trading firms attended, as did all the major consuls general from European nations, with the notable exception of Great Britain.

Excerpts from his address follow:

It is a pleasure to be here in Chicago, the heart of the Midwest, and to have this opportunity of exchanging views and ideas with its business leaders. Given the subject of my remarks today, I would add that it is a

particular pleasure — and I hope an inspiration — to be at the center of the world's most successful experiment in economic and monetary union.

For the great effort which is now underway in Europe is directed towards the eventual achievement of a union on a scale and with a coherence to match your American achievement.

At the moment we are engaged on what may be regarded as a preliminary step towards the achievement of that union, and it is about the details of that step that I wish to talk today.

Before I begin to explain the technical details, I should say that the European Monetary System, or EMS as it is now called, which is now the subject of deep and sometimes difficult discussions between our member states, and which will, I hope, be agreed on at the meeting of the European Council in two weeks' time, is but a preliminary step to the establishment of economic and monetary union in Europe.

Within the last year . . . it became all the more necessary to take a courageous initiative instead of awaiting the verdict of events. The virtual disappearance of the Bretton Woods system which had followed the dollar crisis of August 1971, and the rise and fall of the Smithsonian System, abandoned for a system of floating exchange rates by the end of 1973, made the creation of a successor system all the more pressing.

It would not be true to say that the initial advancement of the EMS was greeted everywhere with acclaim. Indeed, in the early stages, the skeptics probably outnumbered the enthusiasts. But in the space of a few months the idea made its way in the most important circles, and in particular in the thinking of the French and German leaders. . . . The steady decline of the dollar forced the strong currency countries of Europe to look for a new line of security. It is true that the scheme which engages our attention now is but one step. . . . But it would not be right, at the outset of a discussion of the limited system of monetary integration which is now at hand, to understate the importance of the imaginative political contribution made by the President of the European Commission.

Understanding the real nature

Some five months ago, in the German city of Bremen, our nine countries agreed to establish a common monetary system and to bring it into operation by the beginning of the new year. . . . One can view the EMS in isolation, as a mere mechanical framework designed to create a zone of exchange rate stability, and to help to bring about a greater convergence of economic policies in the member states. To do so would, I believe, greatly understate the real nature of those proposals.

The outcome of the Bremen meeting last June was . . . a decision to set up a European Monetary System. The proposals made at Bremen were of great importance. They were to study ways of stabilizing currencies in Europe by creating a system of strict exchange relationships, the establishment of a well-en-

dowed pool of reserves, and the creation of a reserve currency based on the European unit of account.

Strategically, I have no doubt that a strengthening of the European currencies with its consequent dampening of the turbulence of the exchange markets cannot but be beneficial to the dollar. One does not have to underline today the destabilizing effects of monetary speculation on investment and trading conditions. Our system, I believe, will discourage that speculation even if it cannot altogether abolish it.

I would go further indeed in suggesting that the U.S. has every interest in encouraging the emergence of an economically strong and outward-looking community. A prosperous, non-protectionist Europe offers a market of some 250 million consumers for American products and your marketing can only be simplified when it is conducted in a unified and stable monetary system.

I believe you will accept that it has always been in the long-term interest of the United States to be able to depend on the partnership of a strong and stable Europe, and in that spirit I am confident that this bold advance towards monetary cohesion and eventual economic union can only be to the historic benefit of both continents. But I am sure I do not have to labor the theme at a meeting of the Belgian-American Chamber and the Chicago Association of Commerce and Industry.

Later, Executive Intelligence Review Chicago correspondent Mitchell Hirsch spoke with Commissioner Burke.

EIR: Mr. Burke, what is your assessment of the ability of the European nations to meet the commitment they agreed upon at last summer's Bremen meeting, to have the EMS in operation by January 1, 1979?

Burke: I am very optimistic. Although our discussions are always proceeding in Europe, we are now dealing primarily with matters that shall effect the technicalities of the more long-term operation of the new system. The only short-term difficulty seems to be the question of whether or not the United Kingdom will join.

EIR: What is your reading on this last point?

Burke: Well, I am not really privy to inside information and I would venture to say that the British Cabinet itself, while they are still debating this matter with great intensity, probably could not answer that question at this time. But it is their decision and we are still awaiting it. . . .

EIR: You are from Ireland, being former Minister of Education of Ireland. I would assume you would have a good reading on the matter of Ireland's joining the EMS?

Burke: Yes, I believe that we have a fairly united view in Ireland that we should join the EMS, and I look forward to seeing Ireland in the new system.

EIR: How do you view the question of British entry into the EMS?

Burke: Well of course the EC Commission hopes that they will join . . . But as I say that is yet to be decided. From Ireland's standpoint I can say that the Irish achieved a partial, a political independence from Great Britain earlier in this century, but to this day we have not achieved the kind of financial and economic independence that you Americans, for example, have achieved. So we look forward to joining the EMS knowing that this shall finally give Ireland its financial independence from Great Britain.

EIR: There has been some serious discussion as you know with regard to the re-monetization of gold as part of the EMS system and the European Monetary Fund. What progress do you foresee on this point?

Burke: I think that this will obviously enlarge greatly the scale of the reserve pool of the new system, but this is part of the strategy that is being worked out for the next two-year period and therefore I do not think that I should discuss these plans here at this time.

EIR: What effects will the EMS have on the American dollar and its trade position?

Burke: Well, as I said, it is going to be a very important factor in strengthening and stabilizing the dollar. In this regard let me say that we see the agreements with the U.S. by the European nations, recently announced by President Carter, for the \$27 billion support pool as a very important step towards the eventual coordination between the new EMS and the United States. As regards your trade position, I am certain that this is also very much in your interest, especially as it will stabilize currency relations and, just as important, create new and expanded avenues for U.S. exports.

EIR: What effects will the new system have on the British pound in your view?

Burke: Well I believe that answer may have to await Britain's decision on joining the EMS. But I can confidently say that it will have, whether the British join or not, some very substantial effects on the exchange rate position of sterling and on sterling's role generally.

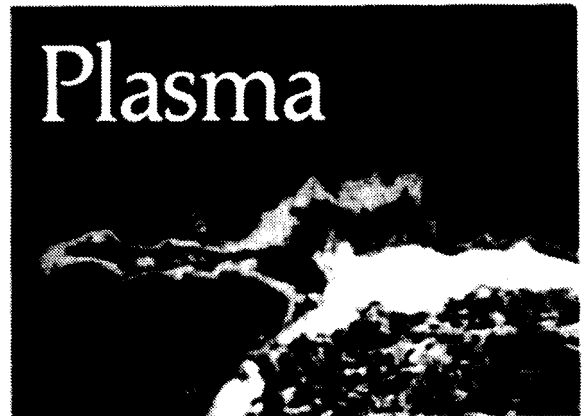
EIR: What is your current assessment of the U.S. position and on the status of U.S. understanding of the EMS, both among business leaders and the Administration?

Burke: Well, I think that you are much better along here in Chicago and the Midwest in terms of understanding the significance of the EMS and in taking a more positive attitude. I have talked with administration officials and with business leaders here and elsewhere in the U.S. and I unfortunately must say that there is a very serious lack of knowledge. I know that your newspapers and so forth cover these develop-

ments very little if at all, and then it seems with little understanding. I can say that very few business leaders in the U.S. seem to be knowledgeable regarding the details of the EMS. It seems that outside of you and your associates there are very few indeed. But that just makes it all the more important that those leaders here who do have an understanding of where we must be going with the new System continue to work very closely with us in Europe. It is very important what you are doing in the U.S., and together I hope that we can ensure growing American support for the EMS and for long-term expansion of cooperation between Europe and the United States. I think that today's meeting is an important step in that direction. Thank you so much and may I wish you the very best of luck.

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France, Soviets map Eurasian alliance

Bloc for peace and cooperation would supplant NATO

France, her partners across Europe from Bonn to Moscow, and Japan are quickly putting together a precedent-setting drive to replace NATO with a strategic alliance for peace, security, and economic development covering the entire Eurasian land mass.

Under the present circumstances — particularly the suicidal policy drift of the Carter Administration — this new alliance is intended to transform the political and economic realities of the area east of the Atlantic Ocean to conform with the geometry created by the European Monetary System and Fund.

French President Giscard d'Estaing is well situated to maintain a leading role in this development, given his political-strategic experience in swinging the international alliance behind the EMS. Recent French diplomatic thrusts, initiated by Giscard, into the Third World, the East bloc, and Japan, may have results that will outstrip even the historic accomplishments of French President Charles de Gaulle.

As the reports below detail, these activities have sent diplomats criss-crossing Eurasia with unprecedented intensity, with Paris and Moscow the points of convergence.

France and USSR — stabilizing Africa

In Africa, French initiatives in the Maghreb (northwest Africa) and in the Horn of Africa region are the centerpiece of diplomatic efforts with the USSR to bring stability to the various tribal and "liberation" conflicts and organize peace around political and economic entente and cooperation.

Similarly, a pro-French coup in Mauritania two months ago, a renewed diplomatic resurgence of King Juan Carlos's Spain, and a remarkable Algerian policy shift towards France are providing the basis for a compromise settlement of the Western Sahara imbroglio, which had had Algeria, Mauritania, and Morocco entangled over territorial disputes.

Japan, recently visited by French Foreign Affairs Minister Louis de Guiringaud, has a similar crucial role to play in exporting its "American system" of capital-intensive economic development. Japan has contributed to the Eurasian design in the just-concluded cooperation accords with Czechoslovakia.

The Middle East and Latin America are also being drawn into the process. Italian Premier Giulio Andreotti has just concluded a trip to several Middle East capitals in an attempt to turn attention back

toward a Geneva conference following the Camp David disaster.

King Juan Carlos's current trip to Latin America is intended to strengthen Spain's ability to be the EMS "bridge" to South American countries.

— Dana Sloan

International push for Geneva conference emerges

A renewed push for the calling of a Geneva conference this week emerged as the primary tactic of forces linked to the European Monetary System's efforts to resolve tensions in the Middle East.

The drive for Geneva, which includes a great deal of behind the scenes diplomacy as well as public statements, was announced Nov. 18 by Kurt Waldheim, the United Nations Secretary General, in New York. Abandoning his previous reluctance to speak publicly on the subject, Waldheim told a press conference that it was "dangerous" to exclude the USSR from any role in regional peace negotiations. "The Soviet Union is definitely not happy about this development," said Waldheim, who urged that the UN assume primary sponsorship of the Middle East talks and that the Palestine Liberation Organization be included.

The renewed international pressure for Geneva developed at a critical moment in the post-Camp David maneuvering over the conclusion of a separate peace between Egypt and Israel. Western Europe, Japan, and the USSR are all concerned that a bilateral pact between Cairo and Tel Aviv will destabilize the entire area — leading to a U.S.-Soviet confrontation.

So, in the interests of a Middle East peace, considered crucial — or even essential — for the successful establishment of the EMS, the Geneva initiative is underway. Already, the leading Arab states, except Egypt, have embraced the Geneva strategy. Only Israel and Great Britain, and their allies and agents in the United States, are opposed.

Who backs Geneva?

Backing Waldheim's call are the following forces:

- Prime Minister Giulio Andreotti of Italy visited the states of Libya, Egypt, Jordan, and Iraq, where, in each case he discussed Italy's support for Geneva,

according to the Italian press. In Libya, Prime Minister Jalloud explicitly praised the EMS as a good partner for the Arabs. Upon his return to Rome, Andreotti declared that his tour was completely successful and that Italy would be playing a critical role in the search for a Middle East peace.

• In an interview with the West German daily *Der Spiegel*, King Hussein of Jordan called for the convening of Geneva immediately, with the presence of the PLO, as the only possible way to avert a Middle East crisis. Hussein, who supported the resolutions of the Baghdad Arab summit that took place earlier this month, spent two weeks on a private visit to West Germany, where he consulted closely with Bonn officials including Chancellor Helmut Schmidt. According to Hussein, President Sadat in 1977 deliberately wrecked an emerging Geneva strategy, to which Syria, Jordan, and the PLO were agreed, after the Oct. 1 U.S.-Soviet joint statement on the Middle East was issued last year.

• In Paris, several important Arab diplomats and officials consulted with the Giscard government. Most important were Defense Minister Sultan of Saudi Arabia and Foreign Minister Faruq Kaddoumi of the PLO. Reportedly, Sultan pledged that Saudi Arabia would establish much closer relations with the French in view of the American support for Camp David.

Saudi Arabia and the USSR

The major Arab power backing the Geneva conference, of course, is Saudi Arabia. At the Baghdad conference, the Saudis threw their full support to the pan-Arab strategy, including the offer of a huge multi-billion dollar fund to Egypt, in opposition to Camp David.

According to highly informed American sources, Saudi Arabia this week enforced its opposition to Camp David by quietly suspending payment of subsidies to Sadat's regime — a move that reportedly terrified Sadat. "The Arabs *thought* they had made it clear that they intended to cut off payments to Egypt immediately after Camp David," said the source. "Apparently, the message did not get through. But in the past few days, it did."

Reacting, Radio Cairo — not exactly a hotbed of radical ideologues — called for a "revolution" against the leadership of Saudi Arabia. "The day is not far off when their people will rise to bring these rulers down," said Radio Cairo.

The Saudis are enraged in particular by the anti-Islamic "Egyptianization" course pursued by Sadat, who is seeking to restore the heritage of Ptolemaic-Pharaonic Egypt, when the priesthood of the Isis cult controlled the country. Paul-Marie de la Gorce, writing in *Le Figaro*, reported that a significant faction of Saudi princes is considering a move toward establishing ties with the Soviet Union, their ally in support of Geneva.

— Robert Dreyfuss

A settlement in the Western Sahara

Algerian President Houari Boumedienne's first political act upon leaving the Soviet Union after a several-week stay was to dispatch a warm message to President Giscard of France. Flying over French airspace en route to Algeria Nov. 14, Boumedienne stressed Algeria's willingness to "put Franco-Algerian relations on a more healthy and durable basis, while broadening and consolidating cooperation ties." This, he said, hinges upon a settlement, with French participation, of the Western Sahara problem, and added:

"In these times of defiance and tension, France can do much to the extent that it so decides. The powerful ties that it has been able to forge with all the countries of the Maghreb could assign France a choice role . . . giving to cooperation between your great country and the new Maghreb entity an unprecedented impulse. . . . I can assure you that you will always find in myself, in Algeria, and its leaders, attentive, imaginative interlocutors, committed to writing with you, as with all partners of the western basin of the Mediterranean, a new page in history."

At the same time, the semi-official Algerian daily *El Moudjahid* issued an extremely positive commentary on France, with particular reference to France's pivotal role in bringing about a rapprochement between Zaire and Angola following this summer's Belgian-British attempt to foment civil war in the region. To the reader aware of Algeria's acerbic cries against French "neo-imperialism" last summer, this shift will indeed appear dramatic.

Getting down to the nuts and bolts of settling the Western Sahara conflict and integrating the region into the EMS, the new Mauritanian leader Colonel Salek made his first visit to France Nov. 8 accompanied by the head of the Mauritanian central bank, and attended talks with Giscard and the French ministers for foreign affairs, defense, industry and cooperation.

Also in France between Nov. 9 and 16 was Chad's President Malloum accompanied by four ministers, for talks centering around African security and the financing of development projects.

Development to cool the African Horn

French President Giscard and Soviet President Brezhnev have joined forces to settle the conflict in the strategic Horn of Africa region, where Somalia is

making territorial claims on neighboring Ethiopia and Kenya. France maintains a strong position in the region with the presence of a military contingent in the new country of Djibouti. Giscard recently put forth a proposal for an all-parties conference to settle continued guerrilla warfare and end the potential flashpoint for regional war, and plan a concerted effort for the development of the area. This same proposal was discussed two weeks ago when Soviet Foreign Affairs Minister Andrei Gromyko went to Paris for talks with Giscard and Foreign Minister de Guiringaud.

Further headway was made towards an all-party conference this week when Giscard and Brezhnev held simultaneous talks with Ethiopian and Kenyan leaders. Brezhnev is reported to have urged visiting Ethiopian chief of state Mengistu to accept the conference-table approach proposed by Giscard. Earlier, a high-level Ethiopian delegation was in Paris Nov. 4, led by Colonel Berhanu Bayeh, where Giscard's proposal was reportedly discussed.

Giscard also held talks with Kenya's President Daniel Arap Moi and, according to *Le Figaro* Nov. 13, extended the conference proposal to include an economic development solution for wiping out starvation and epidemics in the region. Arap Moi was accompanied by his Ministers for Industry, Finance, and Defense, who met with their French counterparts.

On Nov. 14, Giscard met with Ivory Coast President Houphouet-Boigny, who is leading an Organization for African Unity (OAU) committee which has been set up to intervene in the Western Sahara conflict. Houphouet-Boigny just returned from a conference in Mali of the Economic Community of the West African States (ECOWAS), which established a Fund for Solidarity and Investment including the Ivory Coast, Upper Volta, Senegal, Mali, Mauritania, and Niger — all countries with close French ties.

Europe from the Atlantic to the Urals

The strengthening of East-West entente and cooperation took a giant step forward this week with the agreement between Bonn and East Germany on transportation and, at the same time, Hungarian leader Janos Kadar's groundbreaking trip to France.

Kadar's talks with Giscard, the first between French and Hungarian heads of state in the postwar era, were highlighted by Kadar's declaration that "we consider Europe to be an entity from the Atlantic to the Urals, and we are a force in making it so."

In a private conversation, nongovernment sources close to Moscow told the Paris correspondent of this review that the European Monetary System was the topic of extensive discussion between Ministers from

the two countries, and that the EMS is considered "the embryo of a new world economic system."

In addition, Giscard reiterated his proposal, already made to the Soviets, for a conventional disarmament conference to include all nations that signed the Helsinki accords for peace and cooperation in Europe.

The ten-year agreement signed this week between the West and East German governments on improving transportation between Berlin and West Germany thus takes on broader significance. It is an urgently needed sign of lasting improvement of relations between the two Germanies, stabilizing the issue of West Berlin, a sore spot in East-West relations since the end of World War II and often used to manipulate Cold War crises. The agreement calls for the construction of a new highway linking Hamburg and West Berlin, and for the improvement of East German waterways through which most of West Berlin's commercial traffic passes. The financing will come principally from West Germany. This ten-year accord "and the special trade conditions" already granted East Germany, howled the *London Times* Nov. 15, "make East Germany an unofficial member of the European Community."

Germany, Japan firm Euro-Asian ties

West Germany, whose Chancellor Helmut Schmidt has worked in close partnership with Giscard in formulating the Grand Design growth policies of the EMS, currently holds the Presidency of the Council of the European Community, a role which France takes over on Jan. 1 — "D-Day" for the EMS. This week, West German Foreign Affairs Minister Hans-Dietrich Genscher welcomed the five foreign ministers of the ASEAN organization (Indonesia, Singapore, Thailand, Malaysia, and the Philippines) to Brussels, with the following remarks on the roles of the EC, ASEAN, and the new EMS:

"I am particularly pleased that this first ministerial meeting between ASEAN and the Community takes place at a time when the Federal Republic of Germany holds the presidency of the summit. . . . Both have set themselves the aim of furthering the economic and social well-being of their member states. Both are, in their respective regions, major and recognized factors of stability and peace. With this conference we are adding to the regional an inter-regional dimension. This first meeting at ministerial level is a testimony to the will of both to join each other as partners in the work of building one world whose main characteristics are interdependence and cooperation.

"ASEAN and the Community have many basic convictions and many interests in common. Both view regional integration as an effective

instrument for ensuring independence, peace and progress, a barrier to the hegemonic aspirations of the major powers. . . .

"Last year the European Community celebrated its 20th anniversary We are now in the process of consolidating what has already been achieved, and carrying on from there. A common monetary system is in preparation. Its purpose is to create the necessary monetary basis for further economic integration . . . (and) increase Europe's role in international affairs. . . .

"ASEAN is ten years younger than the European Community, and yet this regional association has already become a factor of stability which is acquiring increasing importance within the political constellation of Southeast Asia. . . ."

London press speculates: Will Britain be left in the cold?

"Dropping out of Europe" by *Business News Editor Kenneth Fleet* in *Sunday Times of London, Nov. 19:*

The Government is about to turn its back on the European Monetary Union, the most important European political initiative since the Treaty of Rome and take the circuitous road to costly frustration.

. . . This week the Government is expected to produce a Green Paper on the EMS, next week the Commons will debate the subject and the week after the EEC governments will make their disposition at a Brussels summit. The Government ought to be honest about why it will not bring itself to face the requirements implied in the EMS, and how it sees the alternative working out. Otherwise we shall have passed another historical turning point in the same fog of ignorance that shrouded the EEC.

The City of London should take the same point . . . It is not too fanciful, I believe, to see in the launching of the EMS without Britain as a founder member, the beginning of the end of London as Europe's financial center.

Japanese Foreign Affairs Minister Sunao Sonoda rounded out the pattern of strengthening Euro-Asian cooperation with his trip to Czechoslovakia, after a stopover in Paris, and ending with a brief stop in Moscow where he met with Soviet Vice Foreign Minister Nikolay Firiyubin and Premier Kosygin, who himself was seeing off Polish Premier Jaroszewicz on his way to Tokyo.

In Czechoslovakia, Sonoda signed groundbreaking accords with Foreign Minister Chnoupek on scientific and technological cooperation and with Premier Strougal for the establishment of a mixed economic committee which will look into the "significant possibilities" for economic and industrial cooperation bilaterally and in third markets. It was also agreed that regular consultations on the foreign minister level would be scheduled.

Europe. In Soviet eyes, Britain no longer inspires awe, respect, affection or any particular emotion: the country simply no longer matters. . . .

Britain provides ample ammunition for the propaganda organs to paint a picture of a country in decline . . . and the Russians think of Britain as a country that does not really like them, has many influential anti-Soviet politicians and is now provocatively considering arming the Soviet Union's enemy, China.

. . . British trade is of little interest . . . Britain does not appear to carry much weight within Europe. . . . The country is a magnificent example for the Soviet public and Soviet correspondents in London lose little time pointing out racial troubles, "political oppression in Northern Ireland," the sharp class antagonisms, symptomized by frequent strikes and the problems of the aftermath of Empire. In short, Britain is a marvellous target.

. . . Finally and probably the most telling reason the Russians do not feel much warmth for the British: The average Russian regards an Englishman as cold and supercilious. Cartoons depict him as a tall, haughty colonialist now dressed in tatters. and the Russians believe their lack of sympathy is mutual.

The view from Paris

"Don't Rock the Money Boat, Warns Giscard" — *Sunday Times, Nov. 19:*

President Giscard of France will warn James Callaghan on Friday that if Britain stays out of the new monetary system, she will face great risk. Callaghan will be in Paris (Nov. 24) . . . he will receive an unsympathetic welcome.

. . . Britain's negative attitude is strongly resented . . . The French show little patience with Callaghan's plea for a "transfer of resources" from other countries to Britain to make membership easier . . . They say that Britain as Europe's third largest industrial power, with all its jealously guarded North Sea Oil wealth, has no claim to the kind of handouts being offered to the Italians and the Irish.

The view from Moscow

"Britain does not matter any more to Moscow," *London Times, Nov. 17:*

Anglo-Soviet relations are worse than Soviet relations with any other leading country in Western

East-West trade, or East-West war?

The Soviets bluntly warn of the danger of nuclear war, but affirm their commitment to peaceful cooperation

A battery of top-ranking Soviet leaders, including President Leonid Brezhnev and Prime Minister Alexei Kosygin, made clear with unaccustomed frankness to a delegation of visiting United States Senators in Moscow Nov. 16-20 that the Soviet Union above all desires peace and expanded trade and economic cooperation with the United States. Billions of dollars of potential orders await U.S. business from Soviet customers, emphasized Soviet parliamentarian and party Central Committee Secretary Boris Ponomarev to the Senate group.

The offers of lucrative economic cooperation were one of two alternative courses of unfolding U.S.-Soviet relations which the Soviet leaders presented to the U.S. delegation. The Senators' unprecedented contact with so many top Soviet leaders came at a tense moment in U.S.-Soviet relations, and the Soviets were equally frank in their warnings that U.S.-Soviet confrontation could lead to war and the thermonuclear destruction of the United States.

Blustering U.S. and British media and officials steered toward a "Cuban missile crisis" style confrontation over the weekend over the stationing of Soviet-made MIG 23s in Cuba, which they alleged were "nuclear attack aircraft" (see U.S. REPORT). At the same time, indications appeared that NATO might activate a contingency plan to intervene in Iran. Concurrent, large-scale naval maneuvers staged jointly by England and the U.S. in the Caribbean Sea prompted Cuba to put its armed forces on full alert the weekend of Nov. 18-19.

Speaking to the delegation, which Sen. Abraham Ribicoff (D-Conn.) headed on Nov. 17, Brezhnev gave an unusually direct personal warning. He denounced "stupid statements" made in the United States about the so-called "Soviet threat." According to Senator Thomas Eagleton (D-Mo.), who spoke to reporters after the Senators' hour-long meeting with Brezhnev ended, the Soviet leader said, "We do not seek nuclear war — we are not crazy. But if the U.S. launches a nuclear attack against us, we can destroy it."

Brezhnev met the Senators, although he had previously reserved the day exclusively for talks with Ethiopian leader Mengistu, when delegation members fueled the Cuba crisis. Ribicoff enraged Prime Minister Aleksei Kosygin during talks on Nov. 16, by

bringing up the presence of Soviet-built MIG-23 aircraft in Cuba, a story unleashed last week by the *Washington Post*. Kosygin reportedly exploded at Ribicoff, asking incredulously, "You are here to talk about strategic arms and yet you bring up something like this? These are defensive aircraft only!"

The government daily *Pravda* charged the *Washington Post* with trying to provoke "a new wave of mistrust and ill-feeling toward the Soviet Union, at a time when the talks on strategic arms limitation (SALT) are entering a decisive stage."

'We won't be the first'

Brezhnev, in fact, declared to the Senators that he was prepared to meet President Carter in any location — provided a SALT agreement is ready to be signed. The accord is 95 percent concluded, he said, but some people "stand in the way." They are those "who want to frustrate those talks or who seek an outcome to the detriment of the Soviet Union. That we can never accept."

The Soviet President reminded the Senators of the horrors of nuclear war, and again indicated that he expects something better from Jimmy Carter than from Ribicoff or the *Washington Post*. "In the U.S., any excuse is used to criticize and to attack the Soviet Union. I see this and I say go ahead, shout, say whatever you will Carter and I know we will both have a couple of dozen minutes after satellites tell us missiles are coming. We will never be the first to let such weapons fly. I will still have time to respond. There will be no more United States. But we will still get it in the neck."

Brezhnev then commented on the neutron bomb, for which President Carter has decided to produce components. He revealed that Soviet scientists had experimented with a prototype of this "enhanced radiation" warhead, but had resolved not to produce it. (NSIPS has received a new commentary from Moscow's Novosti Press Agency, in which a Soviet strategic expert definitively shows how the neutron bomb only fits a scheme for "limited nuclear war," which — as Brezhnev said — is an illusory scenario. The Novosti article appears in full below.)

On Nov. 18, Brezhnev spoke out personally again,

warning against any intervention into Iran, in an interview to *Pravda*:

Pravda: How do you assess foreign press reports on interference by Western powers, especially the USA, in the events in Iran and even the possibility of military intervention by them?

Brezhnev: Yes, there have been such reports, including reports on the possibility of military intervention by certain powers. What puts one on guard is the fact that officials of the states concerned actually do not deny such reports. If they deny attempts to interfere in Iran's internal affairs — as was done recently by the U.S. President — they right away make reservations which do not exclude the possibility of such interference under an appropriate excuse.

The Soviet Union, which maintains traditional good-neighbor relations with Iran, states resolutely that it is against any foreign interference in the internal affairs of Iran by anyone, in any form and under any pretext. The events taking place in that country constitute a purely internal affair and the questions involved in them should be decided by the Iranians themselves. All states should abide in this matter by the principles recorded in the UN Charter and in a number of other basic international documents, should respect the sovereignty and independence of Iran and the Iranian people.

It must be also clear that any interference, especially military interference in the affairs of Iran — a state which directly borders on the Soviet Union — would be regarded by the USSR as a matter affecting its security interests.

Warn of 'China Card'

In addition to his remarks on trade, Ponomarev assured the Senators that the USSR would view the normalization of U.S.-Chinese relations as "a perfectly normal process," if it were not the case that "such moves are accompanied by U.S. actions which push China toward war preparations and armed adventures which could start a new world war."

Ponomarev had in mind the approach known as "the China card," which is the favorite tack of Zbigniew Brzezinski and James Schlesinger in the Carter administration and of London strategists. A similarly phrased statement of policy by Soviet American specialist Georgii Arbatov, interviewed last week for publication in the *Sunday Observer* of London, sent British Kremlinologists like Edward Crankshaw into apoplexy. Ignoring the fact that Arbatov, like Ponomarev, left the door open to a non-military rapprochement of Western nations with China, Crankshaw declared that the Arbatov interview could only presage "concessions" still to come from Moscow.

The London *Economist* institutionalized this latest twisted analysis of Soviet policy, with a Nov. 18 cover story titled "China Plus the West Equals Rattled Russia." It is a calculated lie, which we may expect to see all over our American newspapers in coming days, to explain away the further collapse of Soviet-American detente and to cover up the Soviets' growing entente with continental Western European leaders and their deep concern over the blindness, stupidity, and malice that hold sway in the various sections of the U.S. administration.

— Rachel Berthoff

Soviets to U.S.: 'Let's do business'

Wouldn't the United States be better off investing in high-technology energy industries than in arms? The Soviet government daily *Izvestia's* senior commentator V. Matveev cited a study by physicist Edward Teller to answer that question in the affirmative, in a commentary Nov. 18. Teller had said that \$90 billion annually would be an appropriate energy budget, and Matveev suggested that this could potentially come from the resources currently sunk into weapons.

Matveev views Atommash, the pioneering Soviet plant for manu-

facture of nuclear reactors for export, as a paradigm for what the U.S. economy could be doing.

The *Izvestia* piece is part of a package of material being released from Moscow on the potential growth of U.S. exports in general, and particularly East-West trade. TASS reported Nov. 14 that the Canada-USA Institute of the Soviet Academy of Sciences has published a new booklet entitled "USSR-USA: Realities, Problems and Prospects." It documents how U.S. industry has lost at least \$2 billion (Soviet officials have cited higher figures since the booklet was written) in socialist sector orders, which "the authors of the booklet note. . . were switched to firms in the Federal Republic of Germany, France and Italy."

Yevgenii Shershnev, co-author of

the booklet with Rademir Bogdanov, is a long-time student of U.S. corporate leaderships. According to Richard Barnet, the Institute for Policy Studies founder, Shershnev shocked Barnet by offering the opinion that leaders of what is dubbed the "military-industrial complex" would be highly interested in conversion to civilian industrial production. Barnet reveals in his book *The Giants*, that he was unsettled to find a leading Soviet "American expert" who regarded the ballyhooed "military-industrial complex" as a myth, and who anticipated that U.S.-Soviet detente could be solidly grounded in economic cooperation, at the expense of the adversary relationship nurtured between the two nations since the Cold War era.

Who is threatened by the neutron bomb?

The following article was released to New Solidarity International Press Service by the Soviet foreign news agency Novosti.

"There exist no foreign policy considerations which could justify the American government's decision to manufacture the major components of the neutron bomb," stated Maj.-Gen. Prof. Rayr Simonyan, a Soviet expert on military policy problems, in an interview with Novosti commentator Vladimir Ostrovski.

The Soviet scientist said that this step undertaken by Washington is a direct consequence of the Pentagon's illusory conception that it is possible to conduct a limited nuclear war. But even when one admits the theoretical possibility of such a war, NATO's defense forces have no appreciable need for neutron warheads. According to Western estimates the total destructive power of the American tactical nuclear weapons stationed in Europe is comparable to 460 million tons of TNT; that makes two tons for each resident of the bloc's European member states. In addition, for every tank of the Warsaw Pact countries there are at least ten large units of NATO antitank weapons—not to mention the "small" antitank arms with which all Western troops are equipped.

Prof. Rayr Simonyan reminded us that the numerical strength of the West's armed forces, as General Alexander Haig has himself admitted, surpasses the Warsaw Pact's troop strength by 50 percent. "It is clear even from a rough calculation," the expert said, "that NATO's military potential in Europe is not less than that of the East, but even surpasses the latter in a number of significant categories. It must also be considered that NATO's long-range program to increase its armaments, which was adopted at their council meeting in Washington, has predetermined a further qualitative escalation of fire-power over the next 15 years."

What is the neutron bomb needed for? In the opinion of the Soviet expert, the Americans intend to equip NATO with this weapon of mass destruction for the purpose of assault operations in the European theater. In the USA's Field Service Regulations FM-100-5 it says outright in Chapter 10—which deals with the conduct of battle under conditions of nuclear deployments—that nuclear weapons can be utilized in order to achieve tactical superiority as a means of neutralizing the major force and the units of the enemy's secondary echelons, in order to provide fire support and to destroy his rear flank. This regulation contains the basic thesis that in all probability the United States will be the first to use tactical nuclear weapons.

According to Western estimates, the Americans want to station 5000 neutron warheads in Europe. No one can say at present when, under what conditions, with what level of intensity, in what manner and in tandem with what other weapons—possibly including nuclear weapons—these neutron warheads are to be deployed. It is therefore impossible to even roughly estimate the possible losses which would be suffered by Europe's civilian population in the event of a conflict, as well the damage to the populations of other continents because of the transfer of neutron weapons to those regions.

The proponents of the neutron weapon remain silent about the fact that its massed use would create a radioactive cloud which could bring destruction to the populations of neighboring countries.

Professor Simonyan stressed that the American doctrine of "realistic containment" puts the accent on a limited nuclear war, in order to prevent the USA from committing suicide. Hence, the neutron weapon is expressly designed to hit European cities and towns. Since the United States wants to expose Amsterdam, Hamburg, Stockholm or Milan to a nuclear strike instead of Chicago, Detroit, or Los Angeles, they intend to station the neutron warheads in Europe.

Rayr Simonyan stated that the idea of limited nuclear warfare is provoking those responsible for shaping the USA's foreign policy into acting carelessly. The illusory character of the scenario of such a war is clear even to people with no professional military experience. Even the very idea of such a war contains within it, right from the start, the risk of a further escalation of a nuclear conflict. The mortal danger it emanates must be understood not only by nuclear powers, but also by those countries who hope to remain on the sidelines. In the event of a conflict between the nuclear powers, no country's neutrality will provide it any protection against the neutron weapon, since the USA will not guarantee these countries' security.

The step Washington has made is also dangerous because it will lead to the development of many different kinds of neutron charges not even foreseen at present. Further along it will be possible to put them on top of any kind of wheels and to hang them under any kind of carrying surface. In the future it will be impossible to contain this chain reaction within prescribed limits.

The components of the neutron bomb, which are already being manufactured on assembly lines, are not only psychologically conditioning people to the possibility of a nuclear war; they are also making it more probable.

The second discovery of dynamite

The following article was released to New Solidarity International Press Service by the Soviet foreign news agency, Novosti.

Alfred Nobel, the Swedish scientist, discovered dynamite. During the 1940s the Israeli terrorist Menachem Begin made clever use of this discovery and blew up the King David Hotel in Jerusalem. The explosion was a spectacular success. But I have some doubts over whether this can be considered sufficient grounds for awarding Begin, now Israel's Prime Minister, the 1978 Nobel Peace Prize, and even less, a Peace Prize he shares with the President of Egypt.

Sadat and Begin should be paid their 750,000 Swedish crowns not with a check, but rather in shekels. For this is the currency which has been paid to the Arab people of Palestine, whom the Camp David agreement has left without their own state. It is also a personal reimbursement for the \$15 million which the Israeli cabinet has decided to invest in the expansion of military settlements on the West Bank. Some cabinet members have already received partial payment **in natura** — the Prime Minister's headquarters and the Foreign Ministry are moving into new quarters in the Arab section of Jerusalem. . . .

The two "prize winners" have already congratulated each other by telephone; the Nobel Prize Committee, however, clearly has no reason to congratulate itself. The list of persons selected by the Committee has now been supplemented by the names of people whose present actions are infamous and whose past is, to put it mildly, dubious. The true heroes of the great fight for peace will certainly have complex feelings about sharing the list with a former terrorist and an agent of the Nazi secret intelligence. The former bears personal responsibility for the "Night of the Long Knives" in the Arab village Deir Yasin. In the 1940s, a squad from the Zionist terrorist organization "Irgun Zvai Leumi" under Begin's leadership butchered more than 200 peaceful inhabitants of that village, including old people, women, and children.

The latter, according to his own admission in his recently released memoirs, admires Hitler's "greatness." With such idols an enormous amount can doubtless be accomplished to realize the vision of peace.

Alfred Nobel has only one remaining consolation which will probably keep him from turning over in his grave. Two new "owners" of the prize he established have discovered dynamite for the second time. It is indeed political dynamite which they laid down in Camp David underneath the already shaky security of the people of the Mideast.

*Vladimir Simyonov
Novosti Political Observer*

Who's behind the Jim Jones cult

Mass suicide case tied to Kennedy, 'Cartergate', and U.S. terrorism

Rupert Murdoch of the New York Post and Senator Ted Kennedy are deeply involved in the preparations and execution of the Jonestown massacre in Guyana where nine hundred brainwash victims of the so-called People's Temple perished, allegedly of suicide. The general information on the mechanics of how this and other cults are established and operate will be given below. Regarding the specific responsibility of Rupert Murdoch and Ted Kennedy in this matter, the following must be stated:

Both gentlemen are members of a highly placed political circle in the country which for over two years has been promoting the so-called hospice movement, or "dignity of death" movement in various major hospitals and foundations around the nation. This movement has two objectives: economically, to drastically cut down hospital costs by massively reducing medical services for patients that hospital and insurance companies deem "unsalvageable," and psychologically, to prepare large portions of the population to accept the "inevitability of death."

The effort to psychologically condition the population to accept

death is massive and involves classroom presentations in colleges, special courses in medical schools, radio and TV programs and major newspaper coverage. This effort is coordinated by three major institutions nationally, all of which are closely connected with the Kennedy political machine.

- **The Kennedy Institute of Bioethics** of the Jesuit Georgetown University.
- **The Foundation of Thanatology** at the Columbia Presbyterian Medical Center, which is funded and supported by Lazard Frères bank, the personal bankers of the Kennedy fortune.
- **The Billing Hospital** of the University of Chicago.

Senator Kennedy's association with this Hospice-death cult is public, official and long-standing. He and Secretary of HEW Califano were keynote speakers at this year's annual convention of the Hospice Movement. **Rupert Murdoch's** association is more long-standing. Murdoch is a British political intelligence operative deployed to influence American

public opinion through the *New York Post*. He is a political crony of **Lazard Frères** and the **Emergency Financial Control Board**, which are behind the **Foundation of Thanatology**. He, as an intelligence operative, obeys a chain of command which is headquartered in London. The Hospice-death cult of the United States was launched from London, specifically the Tavistock Institute of Psychological Warfare and the Hospice of Saint Christopher of London.

Jim Jones' cult, the People's Temple, has notorious, long-standing connections with the Democratic Party's national leadership. His cult was accepted in Guyana on the basis of letters of recommendation from Mondale, Califano, Mrs. Carter, Hubert Humphrey and others. All these letters of recommendation were made public, but Senator Kennedy's name was not on the list. This omission is significant. How come all of the Senator's rivals for the Presidential nomination are implicated in the massacre of a death cult that the Senator's political machine ultimately controls, while the Senator goes scot-free?

The following report on the Jim Jones "People's Temple" cult, and the implications of its members' mass suicide, was contributed by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.

Every official and ordinary citizen should be forewarned of the basic, relevant facts concerning the People's Temple cult of the Reverend Jim Jones. The two most essential sets of facts are: (1) The People's Temple is a pseudo-Christian cult modeled in every essential detail on the same Ptolemaic Cult of Isis

worshipped by the Scottish (Ashmolean) faction of Freemasonry and also worshipped by the inner circles of the Knights of St. John of Jerusalem of Canada, Britain, and the United States. (2) The bloodbath in Guyana is being used for the twofold purpose of (a) launching a Cartergate against Senator Edward Kennedy's rivals in the Democratic Party, and (b) providing a cover for a religious-cultist imitation of the German Baader-Meinhof gang in the United States.

It is also a fact that the bloodbath in Guyana was

timed to coincide with the Nov. 20 launching of an attempted destabilization of the Forbes Burnham government of Guyana, a destabilization coordinated by British intelligence services.

We give the citizen a brief, thumbnail list of the basic facts he or she needs to know to understand each of the two main points to be kept in mind.

The Isis cults

The cult of Isis was created as a synthetic religion under the Ptolemaic conquerors of Egypt. The cult was created by the priests of the Delphic cult of Apollo, who used preexisting deities of the Egyptian pantheon to construct a new religious cult based chiefly on Babylonian and Hellenic models. The creation of the cult of Stoicism by the same priests during the same Ptolemaic period represents the same ideology as the cult of Isis in a semi-religious form.

The Ptolemaic cult of Isis and the Stoic cults were the ruling pagan cults of Imperial Rome, introduced to Rome by the same priest of Apollo who had ruled the Roman republic throughout the literary-historical period. Roman and Alexandrine sections of the Isis and Stoic cults were key in promoting the Jewish Sadducees opposed by Philo of Alexandria, by Jesus Christ, and by St. Paul. The same Isis-Stoic cultists created such pseudo-Christian cults as the Gnostics, Arians, Manichaeans and Donatists of the patristic period of Christianity. They also created the Asharite cultism on the Manichaean-Donatism model within Islam.

This tradition has been kept actively alive within the Coptic church of Egypt, within Ashmolean Freemasonry, and through the Oxford Movement launched during the first half of the 19th century in England. It has also been kept alive through those anti-Vatican factions among Jesuits which are allied with Oxford University and the Ashmolean Museum. In the development of the B'nai B'rith as an arm of British intelligence, under Lords Shaftesbury and Palmerston, and the Jewish, professed Jesuit Benjamin Disraeli (of the Ashmolean Museum) during the last century, the ancient cultism of the Sadducees was promoted around the theme of cabalism as a Jewish version of the same Isis-cult worship.

In creating the cult of Isis, the priests of the cult of Apollo at Delphi used the selected names of deities from the Egyptian pantheon to create a cult combining the Babylonian cultism of Apollo with the Orphic and Dionysian cults of Greece. The Orphic (death) cults of Greece were centered around the figure Osiris. The Egyptian goddess Isis was given the legendary and personal properties of the mother of Dionysus, and the oedipal-incestuous mythology around the three combined figures, Osiris, Isis, and Horus, was based on the mythology of the Phrygian cult of Dionysus — or, the Roman equivalent, the cult of Bacchus.

The central facts of the mass suicide at Jonestown were reported in a Georgetown press conference by

eyewitness Mark Lane, a principal attorney for the Jones cult. These two key facts were the prolonged enunciation of the "Right to Die" rituals, and Jones's prayer to "Mother, Mother, Mother..." as the moment for mass suicide approached. This is pure Orphic-Dionysian cultism dredged out of the time of the rabid environmentalist-cultist Hesiod.

The key elements of the People's Temple profile from long before the Jonestown communal colonization are the following: (1) It is a Hesiodic, "back to nature" cult, like the environmentalist Dionysians of the first half of the first century BC. (2) The Orphic "death cult" features. (3) The "mother" image in the cult's inner religious outlook.

We cannot, of course, verify as of yet that Jones created a force of "two hundred avenging assassins." We note that the mass suicide in Jonestown followed by assassins returning from the rural commune to murder representatives of the cities is the kernel of Dionysian cultist doctrine and practice. All the known, verified features of the cult coincide with such an added feature.

These internal features of the Jones cult coincide exactly with Jones's initial associations in Indianapolis, Ohio, and California. The parallel of Jones's migration from Indianapolis to California with that of the Symbionese Liberation Army's Harrises is no mere coincidence. The central point of reference is the same aspect of the University of Chicago which intersects the creation of the Blackstone Rangers, the "Black Israelites," and the various deployments of the Rangers and Israelites to Brooklyn, the Bronx, Philadelphia, Hartford, and into the Black Panther Party, for the creation of various sorts of ghetto-gang operations on the Chicago Model pioneered by Saul Alinsky and his collaborators. This intersects both the Chicago School of Economics and the religious training center at Chicago, through which many of these cults were spawned. California's Cesar Chavez is a cult-leader of the same spectrum of antecedents.

Jones's early association with the Fellowship of Reconciliation and with Rabbi Maurice Davis (presently of White Plains, New York) are important investigative leads. Pending fuller development of those and other important leads, Jones's evolution into a leader of the pseudo-Christian back-to-nature cult modelled on Isis-cult principles is well documented at present, and the auspices under which the cult was developed and deployed are also well-known generically.

The Cartergate playback

It is true that Jones was a significant part of the Democratic Party's liberal-machine faction in the San Francisco area, a key part of the machine of cult-kook Governor Jerry Brown and an integral, major part of the machine of promarijuana Mayor George Moscone. He was also a major component of the San Francisco campaign organization seeking a Democratic presidential nomination for Walter F. Mondale, and a key part of the San Francisco end of the "Operation Big

Vote" which Mondale headed up on behalf of the Carter election campaign.

As a result of the many such services Jones performed for various candidates, he accumulated a substantial number of "bread-and-butter" thank-you letters from prominent Democratic rivals of Senator Edward Kennedy.

There is no doubt that the local Democratic Party machine was adequately informed of the character of Jones and his cultist practices long before Spring 1977. Jones and his cult belonged, specifically, to that aspect of the Democratic Party's radical-liberal fringe interlinked with such figures as Thomas Hayden and under the umbrella of the Raskin-Barnet Institute for Policy Studies (IPS). IPS is the "mother" organization for the spectrum of various nonreligious and religious varieties of "left" environmentalist and proterrorist cults in the United States and Caribbean area.

Perhaps Mrs. Rosalynn Carter's explanation of her campaign "thank-you" letter to Jones is correct. It is impossible that intelligence-witting Dr. Peter Bourne did not know exactly what Jim Jones was at that time.

The key to the Cartergate playback of the Jonestown bloodbath into the United States is British intelligence's own Rupert Murdoch. Murdoch, a protégé of the late Lord Beaverbrook, is not a self-made man, but a client of the British secret-intelligence service, who has been handed his press empire as the tools of his assignment in service of the British Queen. Beginning with a series authored by British-Jesuit agent Michael Novak, Murdoch opened the way for the Cartergate of Carter via Dr. Bourne and Bourne-linked cultist Ruth Carter Stapleton weeks before the prearranged slaughter in Guyana was set into motion. The exposure of Jones's wide circles of patronage among leading Democratic figures conspicuously emphasizes all of the chief rivals of presidential-aspirant Senator Edward Kennedy.

Any general spread of terrorist assassinations attributed to the Jones cult would, in the ordinary course of a Murdoch-led press hoax, suffice to bring about President Carter's resignation. If the truth concerning Murdoch and Jones were exposed, the result would be rather different, of course.

Heidelberg mental patients collective

The second generation of the terrorist Baader-Meinhof gang was recruited from a London Tavistock Institute, NATO intelligence-linked project known as the Heidelberg Mental Patients Collective. This project was based on the work of R.D. Laing and Cooper at the Tavistock Clinic subdivision of the Institute, and was conducted through various channels, included elements of the Sozialistische Büro and figures associated with the Frankfurt Sigmund Freud Institute.

The project, run with the aid of state funds at the University of Heidelberg, recruited about 200 mental patients for a special indoctrination and training program. They were indoctrinated in the argument

that they had a right to their mental-behavioral peculiarities, and were encouraged to regard those who told them they were neurotic or psychotic as "oppressors." This "mental patients liberation movement" was organized into various projects, including one section of poor loonies specializing in constructing bombs and collection and use of weapons. When the project was taken off the state funding, under atmosphere of scandal, the 200 loonies dispersed throughout Germany, a hard core joining the Baader-Meinhof gang as the terrorist group's second generation.

The Jones cult has similar features, such that any "avenging angels" from that cult must be viewed as desperate assassins more devoted than the Baader-Meinhof loonies in respect of willingness to kill and be killed. Loonies of the Heidelberg Collective type are very bad; combine lunacy with Dionysian cultism in religious form, and one has the most irrational, worst sort of force willing to engage in random assassinations without any controlling features of conscience to delimit their actions.

However, any authority who argues that such loonies are virtually uncatchable is either incompetent or lying.

The key is drugs and drug money. No matter how lunatic persons are, they require money and safehouses for weapons and other elements of logistics. The logistics available to assassins moving northward from Guyana are deployed via Montreal, Toronto and Vancouver in Canada, and involve British-Canadian penetrations of Guyanese circles overlapping the Rastafarians and drug networks running, inclusively, to People's Temple circles in California and drug networks inclusively based in Brooklyn, New York, under coordination from Toronto, Canada. It is through these and related channels that funds are squirreled away for use of assassination groups, and other forms of technical assistance and services provided by elements under the control of British-Canadian intelligence.

The chief difficulty in attempting to stop the terrorist deployments will be the fact that the Zionist lobby is the principal cover for drug-related criminal operations of British-Canadian intelligence in the United States and Caribbean. There are also elements centered around the Office of Naval Intelligence in the U.S. intelligence establishment, which were created as extensions of British-Canadian intelligence, and are tied to Major Louis M. Bloomfield of Montreal to the present date. The problem will be that of preventing Kissinger and Brzezinski from intervening to block law-enforcement agencies from putting the relevant Zionist and other conduits under surveillance, to stop the terrorists before they commit their murders. ONI must also be watched very closely as a source of potential interference in law enforcement work, and Brzezinski's release of NSA information to British and Zionist circles is also potentially a major source of frustration of honest law enforcement work.

Is a fight ahead over Carter's budget?

The President's defense priorities are modeled on Nazi Germany's 'Goering Plan'

As yet unconfirmed reports that Office of Management and Budget Director James McIntyre plans to recommend to President Carter that he scale down a planned \$12 billion-plus increase in defense spending in fiscal 1980 are the first signs of an organized resistance to the "guns, not butter" 1980 budget. That budget is now getting its final going over before submission to the new Congress in January.

The budget will contain some \$15 billion in real dollar cuts (when factoring in inflation) in such categories as Social Security and pension benefits, Medicare, Medicaid, education, welfare, and so on to meet the Administration's austerity criterion of a budget deficit "below \$30 billion." McIntyre is said to feel that Cabinet departments, and more importantly Congress, will explode in open revolt when they make "value comparisons" measuring some of the items included in the military budget against expenditures dropped from domestic spending.

Ike's definition of U.S. strength

... I patiently explain over and over again that American strength is a combination of its economic, moral and military force. If we demand too much in taxes in order to build planes and ships, we will tend to dry up the accumulations of capital that are necessary to provide jobs for the million or more new workers that we must absorb each year. Behind each worker there is an average of about \$15,000 in invested capital. His job depends upon this investment at a yearly rate. . . . If taxes become so burdensome that investment loses its attractiveness for capital, there will finally be nobody but the government to build the facilities. . . .

Let us not forget that the Armed Services are to defend a "way of life," not merely land, property, or lives. . . .

President Dwight D. Eisenhower
letter to Everett Hazlett
dated Aug. 20, 1956

However, the real crime of the projected Carter budget is not to be found in a line-by-line analysis, but in its clear shift toward emphasis on military preparations in what the President has decreed as "a period of national austerity." Carter is following in the footsteps of Nazi Germany from 1933 on, particularly following the 1936-37 transition to the Goering Plan which prepared Hitler's legions for "blitzkrieg war." The goal then was to capture "looting rights" to the rest of Europe before the financial austerity policies designed by Finance Minister Hjalmar Schacht totally destroyed the German industrial capacity and labor force.

Past U.S. Presidents deeply concerned with strong national defense have understood, albeit in attenuated form, that the guns not butter policy is not only politically difficult in a democracy, but actually impairs overall U.S. political and military strength by reducing and skewing capital investment and weakening the skill levels of the labor force. President Eisenhower, for example, conducted a virtual crusade on this point throughout his term in office, referencing it repeatedly in his speeches and private correspondence (see box).

Making war on the U.S. population

Those supporting the policy now admit in their more candid moments that what they are sponsoring is not increased U.S. military strength against the Soviet Union, but an undeclared war on Europe, Japan, and the American people. Circles around British intelligence "leaker" Robert Moss last week were retailing the line that West German-Soviet strategic agreement on the European Monetary System and its global economic development perspective represented an intolerable "threat to the West." Such a threat could be averted only by a NATO dictatorship over Europe and a far-reaching military buildup, they claimed. *New York Times* editor James Reston, in a column entitled "The Present Danger," inquired "What is the 'present danger' anyway? Is it a military threat from the Soviet Union, or an economic threat from some of our allies who are outworking and outproducing us?"

In a series of editorials, the *Times* further elaborated its concern that Carter will not successfully put the policy across. "There is no

Carter's 'guns, not butter' budget

In the month of November, the Carter Administration has announced through official statements and semi-official leaks to major newsmedia the following budgetary measures:

- A fiscal 1980 military budget authorization of approximately \$136 billion, including \$123.8 billion in actual budget outlays (payments). This latter figure represents an increase of approximately \$12 billion over fiscal 1979 outlays — a 3 percent increase in real dollars on top of a built-in inflation escalator of 7 percent.

- A supplementary budget for fiscal 1979 of \$2.2 billion, including funds for full-speed-ahead development of the MX mobile missile and the Trident submarine missile. Both are regarded as major new weapons systems. The MX program, expected to cost at least \$30 billion by the mid-1980s, is widely regarded as a potential "destabilizing" element in future arms control negotiations. Mobile missiles may prove difficult to identify and count according to presently known verification procedures, especially if they are deployed in

underground silos or trenches, plans consistently favored by Pentagon planners in both the Ford and Carter Administrations.

- A \$2 billion civil defense program to be completed by 1985, more than doubling present expenditures by the Civil Defense Preparedness Agency and possibly boosting civil defense budgets to the level of \$1 billion a year thereafter. Administration officials have emphasized that the decision to pursue a high-profile civil defense effort "represents a significant turnabout in American strategic policy," according to Richard Burt of the London-based International Institute of Strategic Studies, who reported the civil defense story in the Nov. 13 *New York Times*. Since the early 1960s, U.S. officials have held the view that no affordable civil defense effort could conceivably protect the bulk of the U.S. population from full-scale nuclear attack. In contrast to previous fallout shelter construction programs, the Carter Administration's effort is premised on plans to evacuate tens of millions of Americans from urban centers.

doubting the need for the United States to meet its commitment to NATO," editorialized the *Times*. "Soviet forces in Europe have been improved dramatically, not so much in numbers as in their ability to wage short, intense non-nuclear campaigns using large, modernized forces with relatively little advance preparation. Surprise attack has become more feasible. . . ."

Should Carter fail to make a U.S. war buildup credible, the *Times* continued, "Washington would lose any capacity to press the NATO allies to do their part. . . ."

But the *Times* thereupon criticized the Administration for "wasting defense billions" and "policy confusion." A followup editorial complained that "a President saying 'I have decided' decides nothing for this huge society. A prescription of pain is not heeded until the patient accepts the diagnosis."

To the end of convincing the U.S. population that austerity and war danger are its inevitable lot, the diet of "Soviet threat" scare stories was supplemented this week with a new "Cuban missile crisis."

Meanwhile, Carter was threatened with a

"resurgence on the right" in his own party, as the Zionist lobby-Cold War crowd around Senators Henry Jackson and Daniel P. Moynihan were touted as the new powers in a British "political realignment" scenario.

The game began with a broadside from Institute for Policy Studies cofounder Marcus Raskin, who suggested that the total annihilation of Vice President Walter Mondale's liberal faction in the 1978 Minnesota elections meant that Mondale would have to be replaced on the 1980 ticket with a "Solzhenitsyn Democrat," Pat Moynihan. On Nov. 21, both the *Washington Post* and *New York Times* ran columns by Moynihan accusing the Administration of being insufficiently anti-Communist in its language and insufficiently Zionist in its Mideast policy.

Almost simultaneously, New York Governor Hugh Carey, politically close to Moynihan and Jackson, suggested that the 1980 Senate race in his state should be fought out between Henry Kissinger and Bess Myerson, advisor to New York City austerity mayor Ed Koch and a member of Paul Nitze's anti-Soviet Committee on the Present Danger.

— Don Baier

'Cuban missile crisis' staged to provoke war

Front-page headlines last week heralding a new Cuban "missile crisis" over the presence of some 15 Soviet-built MIG 23 jet fighter aircraft in Cuba were a British-orchestrated provocation against the Soviet Union and the United States.

The purpose of the hoax, as its perpetrators freely admitted, was to administer the death blow to the stalled U.S.-Soviet SALT II arms control talks, and to further whip up hysteria fueling a U.S. military buildup for "limited nuclear war" according to the theories espoused by James Schlesinger during his tenure as Secretary of Defense.

Initial announcement of a "new Cuban missile crisis" was actually made a year ago by Britain's *Daily Telegraph* correspondent Robert Moss, reputed to be Evelyn de Rothschild's personal intelligence

The Administration's civil defense fraud

The Carter Administration deliberately ducked negotiations with the Soviet Union in order to launch its \$2 billion civil defense program.

According to a report filed with the *Washington Star* by Henry Bradsher, who is frequently a conduit for circles associated with the anti-SALT II lobbying groups, the Coalition for Peace Through Strength and the Committee on the Present Danger, "Carter announced March 30, 1977 that the two superpowers had agreed to establish a group 'to study the means by which we could mutually agree on foregoing major efforts in civil defense . . . we would like for both of us to agree not to expend large sums of money on this effort'."

Bradsher continued, "The main responsibility for getting the talks started has been American. Since they were a U.S. idea, the Soviets have been waiting for this country to put something on the table that the two sides could discuss. But the Administration has been unable to formulate a proposal."

The Administration appears to prefer a campaign to reinstall 1950s "atomic attack psychosis" in the American people to certain disarmament negotiations.

operative. At that time Moss predicted eyeball-to-eyeball confrontation between the U.S. and USSR over Cuban military presence in Africa.

When that failed to materialize, the British oligarchy, acting through their networks in Brussels and Washington, organized the "Shaba II" invasion of Zaire, lyingly certified by CIA Director Stansfield Turner and National Security Advisor Zbigniew Brzezinski as Cuban-backed, despite an official refusal to confirm that estimate by the U.S. Senate Intelligence Committee which viewed Turner's so-called evidence.

New version of an old hoax

The newest version of the missile crisis hoax was issued in the Nov. 15 *Washington Post* by syndicated columnists Evans and Novak, frequent leakers for Brzezinski-Turner operations. Citing a secret memo from Defense Secretary Harold Brown to President Carter, Evans and Novak claimed that MIG 23s known by the U.S. government since at least last summer to have been stationed in Cuba were "nuclear attack aircraft." Unless Carter demanded that Moscow remove the planes forthwith, said the columnists, he "would violate the doctrine laid down by John F. Kennedy during the Cuban missile crisis and by the Nixon-Kissinger strategists in 1970."

The mention of former Secretary of State Henry Kissinger was calculated to make Carter cringe with fear over the prospect of his testifying against SALT II in the Senate. Kissinger is fond of equating a claim he "forced" the Soviets to stop building servicing pens for nuclear submarines in a Cuban port with the 1962 Kennedy-Khrushchev agreements which removed Soviet nuclear missiles from Cuba and U.S. Jupiter missiles from Turkey.

If the Administration reported that the Soviets were merely upgrading the Cuban air force, Evans and Novak continued, "his hopes for SALT II may turn to dust" as an angry Senate would reject the treaty after another example of "Carter's weakness."

In an almost instantaneous response, the State Department announced that it was "investigating" the deployment of the planes and implied that the Soviets might indeed be violating commitments against stationing "offensive weapons" in Cuba made during the Kennedy Administration.

Within 48 hours, it was further revealed that the U.S. had resumed SR-71 high altitude spy plane flights over Cuba for the first time since early 1977. Secretary of State Vance raised the matter of the MIGs with Soviet Ambassador Anatoly Dobrynin.

It was then reported that the U.S. and Britain were conducting jointly "the largest coordinated air and naval maneuvers near Cuba since the 1962 missile crisis."

By Nov. 21, the U.S. press was reporting that Cuba had gone on full military alert, fearing possible U.S. airstrikes, when the maneuvers had gotten underway. (Tough warnings from Soviet President Brezhnev

against any U.S. military intervention in Iran issued the same weekend may well have been related to the MIG 23 incidents. See the report in SOVIET SECTOR.)

All this, over what Administration and press virtually proclaimed from the rooftops was a hoax: no one asserted that the MIG 23s were armed with nuclear weapons, nor even outfitted for the purpose, and even if they were, officials conceded, it would make no difference in the overall strategic balance of forces.

A *Washington Post* editorial delivered the "soft version" of the British line: the hoax must be used to make "the Kremlin . . . help the Administration . . . to make a complete accounting to the public" for its actions or face the prospect of "an immense crisis."

Subsequently President Carter announced that he had received "assurances" that the planes were neither armed with nuclear weapons nor deployed against the United States, clearing the atmosphere somewhat. But he added that "investigations" would continue.

The money behind Murdoch

How a British publisher moved in on the U.S.—and why

Two years ago Australian-British publisher Rupert Murdoch purchased the *New York Post* from aging Kuhn Loeb heiress Dorothy Schiff. Since then, the *New York Times* reported Nov. 6, Murdoch's increasingly lurid *Post* has lost a thumping \$18 million, despite its monopoly of the afternoon newsstands. He only paid \$30 million for it in the first place.

Murdoch, unfazed, has continued to snap up publications across the country. In New York he is organizing his entry into the morning newspaper field, a horoscope-sex-and-violence paper for "youth and ethnics" called *The Sun*. That entry, along with his *Post*, *Village Voice*, *New York* magazine, and *National Star*, will mean that easily half the major publications New Yorkers see on their newsstands will be Murdoch-owned.

Where does Murdoch get his money? The *New York Times* claims he gets it from the internal profits of his international publishing operations. But as a spokesman for the *Daily News* put it privately, "That SOB puts down \$30 million for the *Post* and \$12 million for *New York* magazine and the *Village Voice*. No real publisher puts in, or can put in, that kind of money expecting to lose \$18 million of it."

Arthur Ross, one of the two financial fairy godmothers whose sale of stock to Murdoch was key to the *New York-Village Voice* takeover, is reported to have said that Kuhn Loeb's decision to sell the *Post* to Murdoch was taken because "it was felt that New York needed something different — something more in line with Big MAC, more gruesome." Ross's remark betrays the secret of Murdoch's apparently unlimited financial resources. Murdoch is not a publisher at all. Just as Big MAC and the Emergency Financial Control Board were the instruments for the financial reorganization of New York on the model of British-style austerity economics, Murdoch was the

blunt instrument for the accompanying social and psychological reorganization.

Murdoch's systematic debasing of the population of the city of New York is not particularly a question of his own taste. It is a social pact. He was brought into New York by Big MAC and the EFCB, and he in turn has hired most of his senior staff from those two agencies.

Murdoch's financial agent in New York City is EFCB board member Stanley Schumann of Allen and Co. investment bankers. He has recently hired EFCB Executive Director Donald Kummerfeld as his new chief international operating officer and president of his American publishing firm, News America Publishing, Inc.

And Murdoch's banking friends are at the center of the international "Big MAC" operation — the gamut of British policy from wrecking the dollar to propping up the London-run international illegal narcotics business. The Allen and Co. investment house has worked with gangster Meyer Lansky to set up casino gambling resorts (Allen and Co. later claimed they did not know of Lansky's involvement), has underwritten Las Vegas and Hollywood investments with friends from the Democratic Party, and has acquired a reputation for shady business deals. Allen's recent purchase of Columbia Pictures took place amid allegations of criminal activity.

Abroad, Lord Catto of Cairncatto sits on the board of Murdoch's international holding company News Ltd. Lord Catto is also a board member of the Hongkong and Shanghai Banking Corp., which has been accused of heavy involvement in drug dealing. Also on the News Ltd. board is P.B. Hamlyn, publisher of Mandarin Books, which is backed by Jardine, Matheson and Co., the British concern that openly held the lion's share of the opium trade in the Far East

and is still today accused of coordinating it.

Edgar Bronfman, one of the stockholders who gave control to Murdoch in the *New York* magazine deal, comes from the Bronfman liquor interests that ran gangland crime during Prohibition and are now reputed to be the major conduit for Montreal and Vancouver-based narcotics smuggling into the United States. Bronfman controls the Bank of Montreal and is a powerful figure in the Loeb, Rhodes investment house in New York, which was founded by his father-in-law and through which he sold his *New York* magazine stock to Murdoch.

Murdoch's International Austerity, Inc.

Murdoch made his move into the New York City media, with the offer of Kuhn Loeb's *New York Post*, at the end of 1976. He had already set up the *National Star*, claiming, according to *Newsweek* magazine, that existing competition *Midnight* and the *National Enquirer* had become too staid. Clay Felker of *New York* magazine introduced Murdoch to Dorothy Schiff of Kuhn Loeb, then publisher of the *Post*; to Felix Rohatyn of Lazard Freres bank and the Municipal Assistance Corp. (MAC); to Arthur Ross of Argus Corp., then a hefty *New York* magazine stockholder; and to the rest of the network out in the Hamptons. Kuhn Loeb decided it didn't want the *Post*, and decided Murdoch should have it, apparently for the reasons Arthur Ross is reported to have given. The *Post* began conditioning the population to Big MAC austerity.

The New York magazine takeover

Clay Felker buddied around with Murdoch in the Hamptons and apparently interested him in the slick-sensational image of Felker's *New York* magazine and *Village Voice*. When East Side socialite Carter Burden decided he wanted to sell his stock in New York Magazine Co. and went looking for buyers, Murdoch was there.

Felker, financially trapped and probably misled, desperately tried to head off Murdoch's financial backers with his own deal with Katherine Meyer Graham, Lazard Freres heiress and *Washington Post* publisher. Graham called in her banker, Felix Rohatyn, head of New York's MAC.

The fight, carried on in the daily newspapers for a couple of weeks, was between factions with identical interests, and it wasn't hard to see, in Big MAC's New York, that whichever side pushed the most debased line would win out. And the most debased line was being pushed by Murdoch's friends from the drugs and gambling business. Edgar Bronfman's representative John Loeb, a stockholder in his own right, backed Murdoch. Arthur Ross, another major stockholder, either went with Carter Burden or manipulated him, and sold out en masse to Murdoch's group.

Murdoch was welcomed with open arms by New York City's publishers in 1976, to help eliminate their "union problems" — ignoring his penchant for Cold War raving headlines, sensationalism and pornography in print, and his notoriety for dirty dealings against his political "allies" in Australia.

But Murdoch's activities in the recent New York newspaper strike made it clear that his goal in New York was to take over the biggest daily newspaper readership in the country from the Chicago Tribune Company's *New York Daily News*.

After convincing the financially troubled *News* publishers that he could solve their "union problems" with a strike through the slow month of August, Murdoch pushed a "hard line" in negotiations in his capacity as president of the Publishers' Association, and dragged the strike on into October. With the entry of labor mediator Theodore Kheel into negotiations as an advisor to the unions in late September, and with other signs that the *News* especially was anxious for a settlement, Murdoch suddenly called off negotiations, protesting Kheel's presence, pulled out — and made his own separate peace settlement with the *Post*'s pressmen to return to work under a "me too" agreement in which they would get whatever the other two newspapers subsequently settled for.

Murdoch's duplicity not only gave him a headstart return to the newsstands, and in time for profitable Columbus Day advertising business, but allowed him to use the situation to begin plans for moving into and taking over the morning newspaper market from the strikebound *Daily News* with his new morning tabloid *Sun*.

The move will have only marginal effects on the *New York Times*, which has a special role as a national newspaper and does not compete with the *Post* for readers or advertising, but it bursts the *Daily News*' illusions of using Murdoch to negotiate for a hard-line contract of manpower cuts and "productivity" increases. Because of their vulnerability to antilabor profiling by Murdoch, the *News* now stands to lose the most, having lost money on the strike and on prestrike plans to expand circulation into suburban New York and New Jersey — plans which have since been dropped.

But Murdoch didn't get what he wanted from the strike. The deliverers' union refused to handle the *Sun* without some effective guarantees on the future of the *Post*, something Murdoch has been unprepared to give. Finally, negotiators prevailed over the stupidity of the *News*' executives and the paper was back on the streets right before election day.

The *Sun* has yet to rise, and an enraged Murdoch has filed a multimillion dollar conspiracy suit against the mail handlers union and the *News*.

— Fay Sober and Mark Cooke

The British press invasion of the U.S.

Murdoch's newly appointed international executive Donald Kummerfeld reports that he is leaving the czarship of the EFCB in order to join Murdoch's empire because: "Murdoch is in an expansionary mode . . . (he) definitely plans to expand in the U.S. . . . News American Publishing, Inc., is going to be a growing enterprise."

Murdoch is only the front-runner of British-intelligence media fronts "moving into an expansionary mode in the U.S." The year of 1978 has euphemistically been called the "year of the European press invasion" by American publishers. The London *Economist*, which announced the "Buy America, Cheap" campaign on its cover at the beginning of the year, is one of the invaders. Others include the London *Financial Times*; Lord Northcliffe's publishing heir, Vere Harmsworth; and British Lord Thomson's Canadian-based American press chain, which controls 50 American newspapers and is still growing; and an array of lesser lights. At the same time, American newspaper firms like Scripps-Howard, which have been seeking to consolidate operations or diversify into electronics media in order to financially secure their newspaper investments, have been targeted for "anti-conglomerate" suits instigated by the Justice Department and Congressional pressure, which severely threaten their solvency. A spokesman for the Scripps-Howard chain recently pointed to the fact that such decen-

tralization measures are enabling "foreign" and "nonpublishing" interests to take over the U.S. media field.

The following British press expansions into the U.S. are planned for this fall alone:

The Economist:

The *Economist's* American agent, British intelligence corps veteran Clive Greaves, has addressed the Overseas Press Club, met with U.S. subscription services, and is planning a visit to Phoenix, Ariz., to discuss arrangements for *The Economist's* planned "fall offensive" in the U.S. Circulation for the antidollar magazine in the U.S. is now running at 30,000. *The Economist* expects to double this in two years, or as Greaves has said, in time for "the approaching presidential elections."

The Economist also owns Penguin Books in the U.S. and syndicates its articles through United Features. Its board chairman is Evelyn de Rothschild.

Financial Times:

The London *Financial Times* is launching a U.S. weekly magazine edition called *World Business Weekly* this fall, to be "distilled from the daily *Financial Times* and supplemented by special reports that will be written for and focused on the needs of Americans," according to its spokesman.

Over the past year, the following acquisitions have taken place as well:

Esquire magazine:

At the same time that Murdoch moved into New York and took over the *Village Voice* and *New York* magazine from publisher Clay Felker, Felker in turn was funded by Murdoch's "rival" Vere Harmsworth of the Lord Northcliffe British press dynasty, to take over and redo the trendy *Esquire* as a "fortnightly news journal" for its new British backers. *Esquire* recently attacked the Colombian government of Turbay Ayala for its efforts to halt illegal Colombian marijuana production for export.

Harmsworth also purchased controlling ownership of the *Village Voice's* counterculture and pornography competitor in New York, the weekly *Soho News*.

The Pittsburgh suburban press:

In Pittsburgh, Pa., the little-known *Liverpool Daily Post and Echo Co., Ltd.*, of Liverpool, England, last month purchased the suburban area Dardanel newspaper chain of nine papers.

The Thomson organization:

The mammoth international Thomson chain, which owns the London *Times* but bases its operations in Canada, is run by a host of members of the Most Venerable Order of the Knights of St. John of Jerusalem, associates of Edgar Bronfman's Canadian interests, of Arthur Ross's Argus Corp., and British and Commonwealth financial and business interests. It operates throughout the Commonwealth and with a vast chain of newspapers in the U.S. It is reliably reported to be constantly on the lookout for more U.S. media acquisitions, and last year bought the Brush-Moore chain of Midwest newspapers.

'We need a profound crisis'

Two interviews reveal NATO's shock treatment for Europe

As we near Jan. 1, at which time the first phase of the new European Monetary System is scheduled to begin operations, it was predictable that Europe would be stricken by a new round of upheavals, crises, and destabilizations, including terrorism. Behind these counter-EMS destabilizations lie the international politico-economic forces whose power base will collapse as the new monetary system is successfully put in place.

The *Financial Times*, for example, has repeatedly emphasized that the International Monetary Fund and its adjunct World Bank, whose dominant policies are set in London, will be made obsolete by the New European Monetary Fund and its complex of inter-related political treaties and agreements. Similarly, West German Defense Minister Hans Apel has made clear in numerous public statements over the past weeks that West Germany will either successfully take over control from NATO from Britain, thereby ensuring the nullification of the Alliance's current role as an in-place organ of British-dominated intelligence and operations capability, or consider some more suitable arrangement for ensuring West Germany's strategic safety.

NATO, which is supposed to be protecting Western Europe, kicked off the last few weeks' countdown to the Jan. 1 EMS inauguration date with destabilizations across Europe's "southern flank," including a coup plot in Spain (see THIS WEEK). Italian Senator Massimo De Carolis gave an exceptionally frank interview to the *Executive Intelligence Review's* Milan correspondent Muriel Mirak indicating that that wasn't all NATO's Secretary-General Luns had in mind. De Carolis, who functions effectively as the voice of NATO in Italy, declared that what Italy needs is "a profound national crisis," stressed the possibility of one coming from the current unrest in Iran in the form of a new world oil crisis, and attacked the Andreotti government's economic plans.

De Carolis is no minor publicity seeker. He heads the Christian-Democratic Party's right-wing "100" faction, a group funded by Fiat's Agnelli family and close to Italy's overtly fascist party, the MSI. Although only just on this side of political respectability, he travels frequently to the United States and

enjoys easy access to Henry Kissinger and his inner circle at Georgetown and to leading figures at the New York Council on Foreign Relations. De Carolis's authority to speak on NATO comes from his ties with Agnelli in a country where Agnelli and NATO have long been synonymous. He is the leading apologist in Italy for the Lebanese Falange and is a trusted retainer of the "black noble" Pallavicini family — a member of which is now being sought by the police for the kidnapping of ex-Premier Aldo Moro. In this interview, he brings all of his credentials to bear in his remarks on the European Monetary System, the Middle East, and Italy's internal political situation.

De Carolis's "predictions" are borne out not only by the heightened tension around the implementation of the European Monetary System and the pace of events in the southern flank, but by the related "prophecies" from "terrorism expert" H.H.A. Cooper, who remarks we feature in a second exclusive interview.

De Carolis on terror and other political methods

Executive Intelligence Review Milan correspondent Muriel Mirak's interview with Italian Senator Massimo De Carolis provides useful insights into the methods and perspectives of political destabilizers. Most extraordinary was the Senator's freewheeling discussion of the uses certain interests could make of terrorism, and why they should frequently wish to en-

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courage it. De Carolis is a Christian Democratic deputy from Milan. The interview took place two weeks ago, but De Carolis has proved to be ominously prescient.

EIR: What do you think of the European Monetary System?

De Carolis: Well, the widespread attitude in Italy is

divided between those who are favorable to the new monetary system for political reasons, and those who are against it for economic reasons. That is, the somewhat unique aspect of this question is that from the political point of view, there are many favorable positions because the EMS is seen as a way to better realize the political integration of Europe. Therefore those for whom motivations of a political character prevail are, in general, favorable. Those, on the other hand, who by mental set or because their work is mainly purely economic — the case of the Bank of Italy for example, or Confindustria or the big firms — pay more attention to strictly economic questions and make political decisions on the basis of economic considerations, are generally hostile. Therefore it seems to me that already this first beginning of the debate has demonstrated that there are political reasons that argue for the EMS and economic reasons that argue against it.

What is my opinion? I think it would be very good if Italy could adhere to the EMS without damage; from a political point of view this would be the optimum solution. But probably Italy is destined to suffer serious damage. It is somewhat the same problem that occurred on the theme of the enlargement of the European Community to include Portugal and Spain. It would be very good if one could quickly achieve the enlargement of the Community to Portugal and Spain. And Italy from the political viewpoint has an interest. From the economic point of view, however, it would take a loss from it, a very serious loss.

So the question is to find a way between these two exigencies, which at this point are, regarding Italy, very much opposed. We run the risk of being crushed, in the EMS, by the greater force of the German monetary system; the European system would in reality be an alignment of the European structure upon that of Germany, which is the strongest. Therefore we would risk putting Italy on the sidelines.

EIR: If you consider the EMS, then, as a pivot of a new world monetary system, including the dollar, on the basis of which to massively expand world trade, it is clear that, as many have said, it also involves the question of coordination of European economic policy,

and not only monetary stabilization measures as such. In the United States the promoters of "free enterprise" try to project into this perspective the danger of a new "dirigism." Do you think that this question would be in the minds of the Italians who are against the EMS?

De Carolis: Well, I think that whoever is in favor of a "free enterprise" economic system could of course be worried by a solution of this type. That is, there is no doubt that the creation of a common system of this kind increases the importance of the political levers of the system; in other words, there is no doubt that we are getting close to a more controlled system — an economic system more controlled by the political system.

EIR: Do you mean that it would be controlled on a European scale by West German political power?

De Carolis: Yes. I think that the new European organisms that should control this mechanism, if there is an agreement, would be strongly conditioned by the German presence, because it is clear that it is the strongest nation. Germany would be determinant in this new context. Now is this good or bad? I think that the risks are very grave for Italy today. That is, in my opinion we are not now sufficiently strong to be able to resist the new pressures which will dominate in the new system.

So I have to say that I do not share the relatively optimistic position of the Italian government on the state of the Italian economy. Even recently (Prime Minister) Andreotti has maintained that our situation is on the way to a clear improvement; that the evening-out of the balance of payments is now definitive, that the lira is strong, demonstrated by the fall of the dollar, according to Andreotti, that our economy has overcome the worst moment. I really don't share this optimistic position.

EIR: Why?

De Carolis: Because in my opinion even if certain things are going better, above all the balance of payments, we have accumulated contradictions, structural weaknesses in our economic system which in a short time will produce serious negative effects.

For example, the balance of payments today is in surplus. Why? Mainly because there have been strong reductions of imports and because all the Italian companies, finding the internal market ever more difficult, have turned to exports. For example, the shrinking of imports in the long term, for a changing country like Italy, will produce an economic crisis. Therefore even if in the short term we could have a good situation in the balance of payments, this can't go on forever, in a situation like ours.

EIR: But isn't this restriction of imports determined by conditions imposed by the International Monetary Fund?

De Carolis: I wouldn't say so. It has been a decision by Italian businessmen, especially in the last months. That is, business executives have decided on a policy of austerity even within the companies. For example, they have reduced their inventory, they have imported less because they could pay less, they could invest less. They have, for example, reduced investments . . . All of this has resulted in a diminution of imports. I think that this cannot go on for long without an economic crisis.

Crisis in Italy, crisis in Iran

EIR: Don't you think that the general monetary instability has had an influence on the shrinking of imports?

De Carolis: You could say so, one could say that everyone is betting on the weakness of the dollar. Yes, yes. But there are also clouds on the horizon that for a weak country like Italy could produce very negative effects.

For example, this situation in Iran (where a military government had just been formed in response to an oil workers' strike and widespread unrest — ed.). It threatens to mean blackmail above all for Italy, because these days there is already a tendency for increase in the price of diesel oil. So even if the official OPEC prices are maintained without change — as you know these are the prices of reference — still if you must go to the market to buy tons of diesel oil, you must pay the price that is asked. In the last few days there has already been an increase in the price of diesel oil. Italy is the world's biggest supplier of petrochemical products to Iran. If Iran has a crisis, Italy and its chemical industry find themselves in a double danger, both as sellers to Iran and as buyers of Iranian oil. Now this is a difficulty that will hit all the industrialized countries, but Italy is the weakest of the industrialized nations. That is how it happened in the 1973 oil crisis — it hit the whole world, but more in Italy than in the other countries.

EIR: Speaking of Iran, today a military Government was created, and it is thought that the Shah will succeed in getting this uprising under control, this

uprising which very much seems to . . .

De Carolis: . . . to be organized by someone from the outside . . .

EIR: Even the Shah has said so. But who do you think is behind it?

De Carolis: It's easy to imagine: the Soviet Union. That is, I think the most immediate interest would be the Soviet Union. In politics it is always difficult and risky to reason on the basis of the role of who benefits, which is talked about so much in Italy regarding terrorism. However, there is no doubt that a destabilization, or better, a coup d'état in Iran, would be to the advantage of the USSR. I don't know if this is enough to say that therefore it is the USSR behind the revolt in Iran, but that the advantage is to the Soviets is clear.

EIR: I don't agree.

De Carolis: Then who is behind it, the West?

EIR: The political situation is a good deal more complex than the old saws about the West versus the Soviet Union, and . . .

De Carolis: This I agree with, but in my opinion today the opposition of Iran makes trouble above all for the Soviet Union.

Camp David and the Mideast

EIR: Surely you know that in the opinion of many American politicians it is the Carter Administration's Camp David policy that has created a situation in the Middle East favorable to the Soviet Union, in as much as all the Arab countries, even the most pro-American, have denounced or criticized the separate peace. We are seeing Syria and Iraq, which are overcoming disagreements lasting years, Iran and even Saudi Arabia distancing themselves from the Carter policy.

Since I know that you have close contacts with the Christian community in Lebanon and have traveled in Lebanon often, I would like to ask you what you think of the separate peace about to be signed. What do you think will be the repercussions in the region and the world of this accord, seen globally — that is, considering that Israeli Prime Minister Begin continues to announce settlements, etc.?

De Carolis: Camp David has had one fundamental result, that is, of closing the most dangerous of the Israeli fronts, that with Egypt; and to reach an accord — because there undoubtedly is an accord on this — to resolve the problem with the Egyptians, making many other problems worse, that is, severely exacerbating the conflict between Sadat and the other Arab leaders. This was seen a few days ago in Baghdad (at the summit of Arab nations — ed.). Therefore I think that this is enough to say that Camp David has been a great Israeli success.

The Israelis have had the greater advantage in the game between Egypt and Israel. Egypt also has substantial advantage, I think, because evidently one part of these accords are not well known, but evidently they have reached an understanding with the U.S. and have a promise of very substantial aid from America — financial and military. Therefore I think that while the advantages for Israel are primarily in relations with Egypt, the advantages for Egypt are above all in relations with the Americans . . . Egypt would get economic and military aid from the U.S. as compensation for peace with Israel. So the most striking result of Camp David is that Egypt has come to be part of the group of countries under the influence of America.

EIR: But doesn't that leave it the only country apart from Israel under American influence?

De Carolis: There is also Saudi Arabia.

EIR: Which however does not support Camp David, in fact.

De Carolis: But it does not agree with Camp David because Saudi Arabia cannot forget that it is the spiritual head of the Arabs, and therefore cannot align itself in a pro-Israel position. But I would say that the Saudi position is very delicate — it has not declared itself in agreement, but it would not be able to declare itself in agreement without provoking a reaction from the Arabs. It has done what could be done, that is, it has the most moderate attitude possible . . .

EIR: Do you think the Camp David accord will get on its feet?

De Carolis: With Egypt, yes; with Egypt, yes, and the Camp David accord is *with Egypt*. The other hypothetical parts of Camp David, on the other hand, are probably not in any way convincing . . . there remains the problem with Syria, with Jordan, with the Palestinians. Therefore the Camp David accord is not an agreement between Israel and the Arab countries, it is an agreement between Israel and Egypt, and that's what it is. The accord between Israel and Egypt itself has caused more serious problems with the Palestinians, with Syria and Jordan. On the whole, therefore, the situation can be considered worsened, but the Israelis now have at least one secure frontier, and it was the most dangerous, because the greatest military power in the Middle East is Egypt, certainly not Syria or Jordan.

EIR: Numerically, you mean?

De Carolis: Also in terms of armaments. The Syrians are not particularly efficient.

EIR: And the military accord that the Syrians have with the Soviets?

De Carolis: But the problem of military efficiency is not only that of having supplies of arms. To make an army is a very complex thing.

EIR: Perhaps in making reference to the secret clauses of the Camp David accord you are referring precisely to the creation of a NATO in the Mideast, that is to the Middle East Treaty Organization, or METO, proposal of Edgar Bronfman?

De Carolis: It is an idea that was circulating . . . yes, I've read it. That is, look, I haven't been in the USA after Camp David, I haven't had direct contact with the USA, therefore I don't know exactly . . . I know what I read in the papers. However the news, the idea (of METO) was circulated in the American papers.

EIR: But the idea is extremely dangerous, don't you agree? It would create a grave crisis . . .

De Carolis: Yes, that is, in fact this would be like creating a kind of Warsaw Pact, that is it would serve to create a crisis of the Warsaw Pact immediately, at this moment; in sum, it would create tension . . .

EIR: What about the situation in Lebanon?

De Carolis: In Lebanon certainly Syria is trying to annex Lebanon, and the road by which it should arrive at this result is the neutralization of the Christian majority; that is the Lebanese Christians who are the majority, are 54 percent of Lebanon, become isolated, destroyed, killed; that is, this Syrian pressure has by this time been going forward for some months. There is a very weak president, Sarkis, who does not react. The solution for Lebanon, I think, is the replacement of the Arab deterrent force with a United Nations corps. It doesn't make sense that the UN would send soldiers to Namibia, Southwest Africa, and on the other hand does not send them to Lebanon where the situation is much more serious.

EIR: You pin the blame completely on the Syrians?

De Carolis: I was in Beirut during the bombardment, and the cannon shells came from the Syrians.

EIR: And the role of the Israelis, and of Chamoun? You know the position taken recently by France; French Foreign Minister Guiringaud condemned Chamoun as responsible for the fighting in the south . . .

De Carolis: Israel helps the Christians in the south of Lebanon and now and then pulls some pressure action in Lebanese territory. But what happens in Beirut is something that does not concern Israel. There is no doubt that the Israelis are not in Beirut; it's the Syrians that are in Beirut. The Christians, that is Chamoun and Gemayel, sometimes also make provocations, have an overly hard attitude, but there is no doubt that the aggressive intention is that of Syria. Who has destroyed Beirut? The Syrians. Is that too hasty a conclusion? But it is the case.

EIR: Therefore the French position . . . ?

De Carolis: The French moved themselves very late.

EIR: I refer to naming Chamoun as responsible for the fighting.

De Carolis: This is an absolutely absurd position. It's like saying that I meet someone on the street who steps on my toes, and I shoot him and kill him, and then I say, "But the fault is his because he stepped on my toes." Chamoun is a very difficult person to negotiate with, and hard, fastidious, and sometimes he has taken questionable initiatives, on this there is no doubt. But that this would be a justification for a foreign army to militarily occupy the country and destroy the Christian quarters . . . what are the Christians to do? Chamoun is in his territory, and the Syrians? Why are the Syrians there?

EIR: To repulse the Falange.

De Carolis: But on whose account? The Arab minority? If we Christian Democrats were to begin to murder Communists on the street, would it be just for the army of the Soviet Union to arrive? I don't think so. That is, I am for non-interference. Why does Syria intervene in Lebanon?

EIR: One could respond, why does Israel intervene in Lebanon?

De Carolis: Yes, in fact Israel has also intervened in Lebanon. It seems to me that the Israelis intervened only in response to the Palestinian attacks, or to impede the destruction of Christian positions in the south. Therefore it is a question of limited intervention. Apart from the bombardment of some Palestinian positions in the south, the Israelis have never bombed Beirut, they have never debarked an expeditionary force. They have sent planes, artillery. If you go to Beirut, you will see that the Syrian presence is much more complex.

The uses of terrorism

EIR: Regarding the Palestinians: you said that some Italian magazines have made known links in Lebanon between Italian and German terrorists, with terrorist training camps. Can you say more, including from your own sources?

De Carolis: It is known that there are well-known Italian terrorists in Palestinian camps, especially in two, Sabra, south of Beirut, and the fort of Bofora in the south, on the Israeli border. It seems to me normal enough. I start from the presupposition that in Italy the Red Brigades are a political party; clandestine, but nonetheless a small political party. Like all political parties they need a foreign policy; that is, they would feel diminished if they did not have a foreign policy, would not exist as a party without a foreign policy. So you tell me, how one is to make a foreign policy for a clandestine terrorist political party like the Red Brigades? Who do they have contact with? What would they do, take a friendship trip to Holland? The only thing they can do is make contacts with the Germans, the Japanese, and the Palestinians. . . .

Therefore it seems to me normal that the Italian terrorists would have contact with the Middle Eastern terrorists. The Middle East today is the center, the focal point of the international terrorist presence, the change of course, all these things.

EIR: And the links with the Israelis? Do you exclude them?

De Carolis: What do you mean?

EIR: It is well known that the Arafat wing of the PLO, splitting from the terrorist extremists, has accused them of being linked to Israel. Then there are the various agents like the notorious Klein, that sprouted from the Israeli kubbutzim . . .

De Carolis: Listen, the normal mode of functioning of an efficient secret service is the infiltration of agents into adversary ranks. Any secret service, that is one that functions — in fact the Italian one doesn't do it, because it doesn't exist — but if a secret service is efficient, it cannot leave aside that particular operative technique of infiltrating an adversary; this

Italian Guelph scion is

The capture by the Italian carabinieri special police of Paolo Ceriani Sebregondi on charges of participation in the murder of a judge two weeks ago should be a warning to the rest of Italy's Black Nobility terrorists and terrorist-supporters.

Paolo is the 31 year-old scion of an alliance between a family of counts, the Ceriani-Sebregondi, and the Resta-Pallavicino family, which has contributed ladies-in-waiting to the House of Savoy (the family of the ex-king of Italy). Paolo's father, Giorgio Ceriani Sebregondi, has historical links with the Agnelli Foundation, and with the neo-fascist Fanfani grouping inside the Christian Democratic Party (DC); he entered the PCI (Italian Communist Party) in 1950 and was expelled a few years later. Sebregondi participated in the drawing-up of the "Vanoni Plan," the first economic austerity plan for Italy, and was the Italian representative to the EEC when he died in the mid-1950s.

Paolo's mother is the former Fulvia Dubini. Her mother was a Resta-Pallavicino, and a "Queen's Lady." Fulvia Dubini Sebregondi presided over the family's "left turn" in 1966.

Paolo is now in the hospital recovering from a police bullet wound and under arrest in a political assassination case; his brother Stefano, 25 years old is wanted in the Aldo Moro kidnap-murder case and has fled the country. Their younger sister,

is the primary aim of a secret service. So if you tell me, "Ah, so there are Israelis under false identities inside the Palestinian camps," I say that I would be amazed if there weren't, because the Israelis have an efficient secret service. So the first thing they must do is infiltrate agents into the Palestinian camps.

EIR: But doesn't this mean that the Israelis, having so many people infiltrated, would know the terrorist plans of the adversary, and therefore have the greatest possibility of preventing them?

De Carolis: Very good. Look, this brings up another rule of the secret service: all efficient secret services are forced in certain circumstances to leave the initiative to the adversary to create favorable results. That is, to a certain point, I am an agent infiltrated in the Red Brigades. . . .

EIR: Oh, let's hope not!

De Carolis: I find out that the Red Brigades want to kidnap Fanfani (a leader of the Christian Democracy — ed.). It could be the case that the secret service for

which I work thinks it would be useful to the country to let Fanfani be kidnapped. Likewise, let's suppose that the Israelis found out in advance about the last raid on Haifa, for example. It could be that they let it happen. Because sometimes the interests of the nation demand that even if they foresee the death of certain persons, it would be better to let it happen.

EIR: In order to permit reprisals?

De Carolis: For example, if it is in the interest of the country to make reprisals, it could be just to allow some terrorist act. That is, while normal police action should always prevent — that's the job of the police — the job of the secret service is different. The secret service has the job of guarding in the most general sense the interest of the state. Therefore if I am a policeman and I find out that tomorrow a bank is going to be robbed, it is my duty to stop it from being robbed. If I am a counterespionage agent and I find out that tomorrow Fanfani will be kidnapped, it could be in the interest of my secret service to let him be kidnapped. Therefore we cannot judge the secret service by the same criteria as the police.

EIR: Do you think that anyone knew about the kidnapping of Aldo Moro before it happened?

De Carolis: Known by the Italian secret service? I start from the premise that there is no secret service in Italy, therefore that's my answer, and that is enough.

EIR: By the police?

De Carolis: No, no, because the functioning of a good secret service is not possible if there is not a strong political power. If the Italian secret service had known about the kidnapping of Moro, even if they had known about it before — and they didn't know about it because they weren't competent to know it, because they aren't efficient enough to know it — but even if they had known before, they would not have been able to decide to let it happen, for example, because they could then not have withstood the wave of political opposition.

That is, a secret service functions only if there is a political power behind it that covers it, that assumes the responsibility for that which the secret service does, no? Now if I want to send a spy to Moscow, and I am the Italian government, comes the day when it is discovered that I have sent a spy to Moscow, then the government falls. The Communists say, "What, us send a spy to Moscow?" Therefore I cannot make a secret service. . . . In Italy there can not be a secret service because there is no political power.

EIR: But is that the fault of the Communist Party?

De Carolis: The fault? Bah, that is the strength of the Communist Party. The PCI has destabilized the country. Here in Italy we cannot have a president, we can't even nominate a president of a bank, it takes months to pick one person. . . . Figure out if we can

jailed for terrorist murder

Maria, is married to Enzo Caputo, the Maoist "student leader" from the University of Milan.

Italy's Ma Barker

Fulvia Dubini Sebregondi is categorical on the matter of her son Paolo's innocence. She claims she had no idea what his political activities were and has no idea how the keys to a car, used in the murder of Judge Fedele Carvosa two weeks ago, ended up in Paolo's pocket. However, while British-controlled rags such as *La Repubblica* gush over her noble dignity and courage, even *Corriere della Sera* has to admit that Paolo lived in her house and that she was completely up-to-date on her boys' political activities.

Stefano, Paolo's brother, meanwhile, may have fled to Mexico. According to the Mexico City daily *El Sol*, on Nov. 16, Stefano Sebregondi telephoned the Italian press agency ANSA and protested his innocence of charges that he was part of the Moro hit team, and wrote letters to two Mexican newspapers on the subject. Stefano's presence in Mexico makes perfect sense, in that Mexico harbors a branch of the Pallavicini family rotating around Princess Beatriz of Savoy, who keep in touch with their Italian cousins through periodic visits by Amintore Fanfani, the DC head of the Italian Senate and destabilizer of the Andreotti government.

make such serious decisions as deploy a commando or infiltrate an agent or allow the kidnapping of a politician or send a spy.

EIR: The PCI has declared itself to be in favor of the formation of secret services.

De Carolis: Yes, but a secret service according to the notions of the Communists is no secret services. A secret service controlled by a parliamentary commission in which even the opposition participates, such as we have in Italy, is no secret service. We must understand terms. A secret service that is not secret is not a secret service.

EIR: Do you think it is possible to construct a secret service in Italy?

De Carolis: No, not until we construct a governing majority in Italy.

EIR: That is, with the PCI in the opposition?

De Carolis: Or with the PCI in power. If the PCI comes to power we will immediately have a secret service . . . a very efficient one.

Hoping for a crisis

EIR: Then your prediction for Italy? If the secret service doesn't exist, if there is no government that makes itself respected, if the economy collapses, as you say, then we are going to the slaughter . . .

De Carolis: Yes. But that's not to say that to go to the slaughter is always negative.

This means that we are heading toward a grave national crisis, first of all political and also economic. This crisis can lead in different directions. That is, it's not a given. In 1943, too, there was a grave national crisis, but fascism fell; it needed two more years, but then it fell. Therefore it is not a given that the national crisis will take us to communism. The national crisis could indeed save us from communism. It remains to be seen how the crisis will be conducted. That is, how the crisis will be maneuvered.

So the thing to be afraid of is not the crisis, the crisis could even be useful. I personally consider it very useful. Less useful than political stability, but more useful than the systematic destabilization that we have had in these last two years. I prefer a profound national crisis.

EIR: A political crisis, a crisis of government?

De Carolis: Even of government — I prefer this to the present situation which is not crisis, but neither is it government.

The crisis in itself doesn't worry me; what worries me is that the crisis might be managed badly, that we would come out of the crisis going in the wrong direction. Now what worries me is that the DC does not tell me exactly in what direction it wants to get out of the crisis, when we do. The DC pretends to believe

that the crisis that is coming can be put off until infinity. But sooner or later it will arrive. Then the problem is to prepare oneself to get out of it in the best possible way. That is what the DC is not doing. I was the only one holding this thesis up to a little while ago. Yesterday Forlani said it at the convention . . . Forlani said, "We don't have a political line." For two years I was the only one in Italy saying that. Forlani and Fanfani and others said that the emergency is not a political line. For two years only I said it. Now they are saying it too.

EIR: Are you saying that the DC should ignore the big chunk of society represented by the Communists' votes?

De Carolis: We pay too much attention to the Communists. For two years we have been talking about relations with the PCI. It seems to me that we have given the Communists all the attention that we mean to give them. More, in fact. We talk only about the Communists. Now we are discovering that there are also other parties, the Socialists and even the minor parties. This seems to me to be something positive.

EIR: You talked in Bruzzano about the role of Catholicism's "Pauline mystique" in politics. Can you explain it to me?

De Carolis: I spoke about the transposition of the Pauline conception of pluralism, that is of the Church as the mystical body with autonomous members, which however find the purpose of their unity in the supreme direction that is in Christ. This, which is the scheme of the Church according to St. Paul, transferred to politics, immediately becomes the Communists' democratic centralism. That is, autonomy, but the party is the supreme interpreter of all the social forces.

I am worried by the Catholic integralist question first of all because from the Catholic point of view I maintain that integralism is an error. But from the political point of view because the Catholic integralist immediately becomes disposed to an agreement with the Communists, because he takes into politics the same general conception of society that he has as a Catholic. It is true so much that the true inventor of the historical compromise is not so much Berlinguer as Rodano, who is a Catholic communist.

EIR: Or Paul VI?

De Carolis: No, I wouldn't say Paul VI.

EIR: I'm referring to the ecumenical policy of Paul VI.

De Carolis: Oh, the Ostpolitik (positive policy toward the East bloc — ed.). Well, that is a more complicated conversation. However, the Catholic Communists are the most favorable to the historical compromise (between the Communists and the Christian Democrats — ed.), and I understand the reason, which is that they have the same mental scheme.

'The organizing process is like the Nazis' '

Further insight into the sort of destabilization threatening Europe is provided by an interview, made available to us from an independent investigator, with Mr. H.H.A. Cooper. Known as an "expert" on terrorism, Cooper in fact coordinates aspects of terrorist deployments through a number of international institutions, among them the Aberrant

EXCLUSIVE INTERVIEW

Behavior Center in Houston, Texas. The interview, a part of which appears below, focuses on the coalescence of regional separatist-terrorist networks in Europe's Alpine region, a process just given new impetus by the "coronation" of neo-fascist Franz Josef Strauss as Minister President of the "Free State" of Bavaria. (In 1949 Bavaria voted en bloc against West Germany's federal constitution.)

Q: Why has there been so much terrorism in the South Tyrol and Alpine sections of Europe? Could the movement to create a "Europe of the Regions" in that area, which was the theme of the recent regional meeting of state governors at the Cini Foundation in Venice, be a pretext for a new outbreak of Alpine terrorism?

Cooper: As you know, ethnically speaking, and in terms of geography, that region has never been satisfactorily settled. Take the entire region stretching from Italy, the South Tyrol, and going right into Yugoslavia, that hodge-podge of ethnic breeding, that whole corner of the globe, and you get a very depressing picture.

The people there have a sort of ethnic uncertainty that is closed, particularly when you realize that the area, although very important, has little development in it, it's like Appalachia. The area is so depressing that when you travel through it by car you don't even want to get out, and yet it is on the main highway from Munich to Milan. And so the tensions build up, ethnic tensions going far back into the past, beyond the 19th century, and they engage in primitive terrorism.

What I mean by primitive terrorism is not the refined terrorism you see today, but things like blowing up telegraph lines or mail trains.... that's what the South Tyrol had happening to it in the early 1960s, similar to what the Scottish Nationalists were doing during the same period. It's really not terrorism, but a kind of protest, an announcement that they exist but are still too undeveloped to know what they want to engage in anything else.

So I don't think it is a cover for anything of importance. The South Tyrol section is rather

compressed, lying between the Red Cell terrorism in southern Germany, and the Red Brigades in Italy, I don't think this region is capable of the organization needed to carry out terrorism like the German Red Cells do.

Q: Strauss is friends with Otto von Hapsburg, the president of the Pan-European Union, and the Pan-European Union is calling for a "Europe of the Regions" just like the Alpine ethnics...

Cooper: You have this Pan-European Union concentration on the Europe of the Regions as the equivalent of our states' rights movement. What all these regions want is self-government on a factionalized scale, they want an ethnic substitute for government, but they still want the benefits of larger associations. And they have the problem that their units are so very small that they are not really viable without the benefit of larger associations.

Now 20 years ago the big thing was the Treaty of Rome (which created the European Community — ed.), while today the Europe of the Regions is the real concept. And the politicians are trying to capitalize on this. These people, take Strauss, are following the adage "If you can't beat them join them." And so every one is rushing to join the movement the British call devolution.

Q: There must be some links then between Strauss and the South Tyrol separatists who were ethnic terrorists in the 1960s. At his inauguration, by the way, he had an honor guard of the members from one of the South Tyrol sharp shooting associations.

Cooper: I'm sure there are. Look at the organizing principle in those regions — look at how the Nazis took power in that region. They soon learned that all the power is held by the political bosses called *caciques* in Spanish. And the Nazis would organize the two or three *caciques* in each area around there, and all their people would be called Nazis. But in reality, the *caciques* still held the real power, not the Nazis.

The same holds today. Politicians will do anything for votes, even ally with people the way Strauss does.

Q: Isn't there a similar alliance involved in the co-operation between the Austrian right-wing and the Austrian environmentalists in defeating the Zwentendorf nuclear reactor in the recent referendum?

Cooper: That could very well be. I hadn't thought of it that way, but if you look at terrorism as a power struggle you can see how these kinds of people achieve their ends. And remember both the environmentalists and the right-wing have a very similar philosophy.

Flank of assassination plot exposed

LaRouche traces 'hit' networks of Mossad, Perminindex and FBI's Division Five

Division Five of the FBI and the interchangeable U.S. Office of Naval Intelligence came under heavy scrutiny this past week through gridding of developments uncovered in Paris, Rome, and Milan, as well as U.S. and Canadian locations.

The first breaking development of the week was that reported in the last issue of *Executive Intelligence Review*, in which a gang of between 20 and 40 hooded goons believed to be the Betar terrorist forces of Israeli intelligence assaulted the NSIPS office in Paris with tear gas grenades and other weapons. The details of this attack were reported to the press by the office of Paris Mayor Chirac, but publication of the official report was suppressed through complicity of Zionist-linked editorial officials within the news agency Agence France Presse.

Later this week, following the AFP officials' suppression of the official report, a foreign intelligence service, representing a nation which does not immediately border France, telephoned orders to its agents in Paris to make a bomb threat against the NSIP Paris office. The threat was made as ordered by local agents of that foreign intelligence organization at 3:02 p.m. Paris time on Nov. 17. As of Nov. 18, heavy harassment actions by Zionist-allied forces in Paris continued.

Meanwhile, in Milan and in Rome, Italy, there was a pattern of developments which leading Italian anti-terrorist and intelligence agencies correlated as coordinated with the Paris incidents. In Milan, there has been a coordinated heavy harassment of the European Labor Party by organizations self-associated with terrorist groups and by the terrorist sympathizer-riddled Milan organization of the Socialist Party of Italy. In the same city, there has been a pattern of three terrorist shootings in the immediate vicinity of the NSIP's Milan office, plus a terrorist shooting of a person immediately in front of an executive committee member of the European Labor Party.

In Rome, several related developments turned up. The Rome events centered around a continuing, two-part libel against the U.S. Labor Party carried in the daily newspaper *Repubblica*.

Repubblica is owned by Count Carlo Caracciolo, a brother-in-law of Kissinger-allied Gianni Agnelli and also a leading, overt supporter of both the Italian

"environmentalists" and of the terrorist Autonomi. The Caracciolo family, which was linked to the creation of the Mafia by British intelligence during the 19th century, is a Naples-based family closely allied with such "black nobility" families of Rome as the Pallavicini and Colonna. The Princess Pallavicini, otherwise the principal patron and mentor of schismatic, profascist Archbishop Lefebvre, is related to two aristocratic brothers charged with high levels of complicity in "left" terrorist assassinations in Italy, and linked to the circles which conducted the kidnapping and assassination of former Italian Prime Minister Moro. Count Caracciolo's recently deceased father, Prince Filippo Caracciolo, was also under investigation in connection with the Moro assassination at the time of his death, as was also Prince Johann von Schwartzberg, the Hapsburg-related Ambassador of the Order of Malta to Rome — who also died shortly after the death of Moro, during the same time-frame as Prince Caracciolo.

With the aid of undercover operatives and a cooperating American journalist visiting Rome, some of the inside story of the *Repubblica* libels was discovered. According to undercover operatives deployed, the author of the slanders volunteered the *Business Week* libel line on the U.S. Labor Party, referring to LaRouche with an Italian translation of the "LaRouchies" line cooked up by cooperation between *Business Week's* Bill Wollman and terrorist sympathizer Harvey Kahn. Referring to LaRouche himself, the *Repubblica* author added, "the one who was shot."

Several European and U.S. official and private intelligence and security officials independently volunteered the estimate that the foregoing and several related other developments correlate almost certainly with an escalation of the projected assassination of U.S. Labor Party Chairman LaRouche.

Although the British Secret Intelligence Service and complicit leading elements of the Order of Malta (e.g., Mont Pelerin Society) are known to be the guiding hand behind the various attacks and deployments, it is circles centered in the New York Council on Foreign Relations and Israeli and Zionist intelligence organizations who are being put up front to take the blame for the pattern of events leading toward the projected assassination.

The projected assassination of LaRouche by Zionist or organized crime forces under Zionist direction is an open secret among all witting elements of intelligence and related networks internationally. Official and other friendly agencies have supplied us with massive information on this, and most of the information so received has been borne out on cross-checks. It was in the process of making such cross-checks that we turned up the witting status of Jeremiah Novak (one of Senator Jacob Javit's controllers). The outburst of ADA's Joe Rauh, Jr. — "We're going to shoot him, shoot him!" — before witnesses in Washington, D.C. is only one of many such outbursts obtained through U.S. Labor Party representatives or undercover operatives during recent weeks.

The forces behind the assassination are the same networks behind the attempted operations against the Fusion Energy Foundation through the cut-out facilities of the "Nuclear Club of Wall Street," the same networks involved in Israeli drug- and gun-running from Hong Kong, via Israel, New York City, and into Argentina and the Republic of South Africa; the same networks behind the Investors Overseas Services operations, and behind the Bank of Nova Scotia's "black financial warfare operations" against the U.S. Labor Party. These are also the same forces behind the PROD, TDU and FASH operations against the International Brotherhood of Teamsters, and earlier behind the "Get Hoffa" operation which British and Canadian secret intelligence ran through the combined resources of organized crime and Bobby Kennedy. These are interlocked with the forces behind sewer-pipe Jack Anderson, the ownership of the *Washington Post* and the British intelligence black propaganda conduit known as the Fund for Investigative Journalism.

These are the same forces which control the Israeli intelligence agency Mossad, and which, through the Mossad and other Zionist intelligence operations, control international-terrorist deployments, including most PLO terrorist deployments.

This Israeli intelligence coordination of international terrorism has been known to principal Western European intelligence and security services since 1969, information which has been kept from official public statements for purely diplomatic and related reasons. One of the principal reasons it is

impossible to get effective antiterrorist and antidrug legislation through the Congress and State Department is that no one has yet found a formula which could attack terrorism and drug traffic without also leading to indictment of the Israeli government.

The Zionist nexus

The overall operation is directed by the British monarchy's intelligence services in intimate collaboration with allied elements of the Order of Malta (e.g., von Hayek's Mont Pelerin Society). However, the bulk of the deployment is run either under Zionist covers or under the auspices of organized crime forces immediately coordinated by Zionist agencies. This modus operandi provides the British monarchy with the option of throwing the complicit Jews to the wolves of indictment in case of a political counterreaction against the projected assassination.

This is the same principle British monarchy forces employed in such cases as the attempted assassination of de Gaulle, and the Kennedy assassination.

In the case of de Gaulle, the visible political side of the projected assassination of de Gaulle has been identified by former French Prime Minister Michel Debré as centered around present NATO official Joseph Luns. It was the Zionists — Rothschild, Bronfman, the Israeli Mossad, et al. — who played a red-handed role in backing the OAS attempts on de Gaulle's life.

In the case of the de Gaulle attacks, the coordinating Zionist agencies set up to take the fall — if necessary — were the Israeli Mossad and a Bronfman-sponsored firm convicted of conduiting funds to various fascist organizations, the Switzerland-based Permindex organization. The key figure in that entity was Major Louis Bloomfield, plus Clay Shaw, Ferenc Nagy, and others.

The Permindex entity in Rome was closed down as a precautionary measure following the assassination of President Kennedy, and Permindex ousted from Switzerland under French complaints against Switzerland's harboring an entity engaged in aiding the assassination of de Gaulle. The next major operation against de Gaulle was launched through the notorious "millionaires club" meeting in Israel during 1967.

That meeting led to the 1968 destabilization, in which elements of the Red Cross played a decisive supporting role in such exemplary matters as the safehousing and transportation of Daniel Cohn-Bendit.

In the case of the Kennedy assassination, the plotters had three levels of fall-back positions.

The first fall-back position was the "lone assassin" fraud perpetrated through the Warren Commission hoax. The second, which would have been deployed had Walter Sheridan (presently of the Meyer Lansky-linked Intertel organization) failed to wreck the investigation of Attorney James Garrison, was to set up "southern rim conservatives" such as the Hunt family for the fall — in case Garrison's exposure of Permin-dex's role in the conspiracy could not be suppressed. If Hunt and others could not be successfully caused to take the fall, the British and Maltese Order were prepared to throw Bronfman and Major Louis Bloomfield to the wolves, to protect the relevant portions of the Queen's own anatomy.

Although many notable names are involved in the overall Israeli-Zionist assassination, terrorist, drug-running, organized crime, and other operations of that quality, the point on which all Zionist aspects of North American nasty operations converge is the person of Major (ret.) Louis Bloomfield. It is Bloomfield who brings us directly to the cases of the Office of Naval Intelligence and the FBI's Division Five.

The ONI angle

We reach down from the British monarchy to the FBI's Division Five through the following steps.

At the next to top level, working down through the Jewish-name leg of British SIS and the Royal Institute of International Affairs, we reach first Round Table chief Lord Evelyn Rothschild and Lord Caccia of the Montefiore (as in "M") nasties. This is the underside of the British-Canadian "SOE" deployment against the United States, the element which virtually runs the USA through a nasty little group perched inside the inner circles of the New York Council on Foreign Relations. Immediately below the top levels on the Canadian side, we strike the level represented in earlier times by Beaverbrook protégé Sir William Stephenson, the figure who ran the Atlantic side of the British "SOE" operations against the USA during and immediately following World War II.

Immediately below Stephenson we strike Major Louis Bloomfield, the top legal, etc., figure for the Canadian Bronfman interests.

This same leg will, in due course, bring to our attention the true "Son of Sam," Westchester County's Edgar Bronfman. That will prove a most interesting and instructive connection.

During and following the war, Major Louis Bloomfield's assigned function under Stephenson was to

coordinate U.S. counterespionage. This coordination took the form of Division Five of the FBI, the special counterespionage division. According to highly placed intelligence sources, Bloomfield maintained a controlling connection to Division Five into the period of the Kennedy assassination.

Although Division Five is nominally a subdivision of the FBI, it is in fact an element of British intelligence laundered through an FBI cover into the innermost structures of the U.S. intelligence establishment. The other name for Division Five is the U.S. Office of Naval Intelligence (ONI). The two organizations are wholly interchangeable, and both functionally branches of British secret intelligence within the U.S. intelligence community, under control via British-Canadian "SOE"-pedigreed elements of British intelligence.

This Janus-faced British-controlled entity is a foremost subject of interest in connection with the Kennedy assassination, and also with various other black operations — including events leading to the conviction of two alleged Soviet spies in New Jersey and a recent conviction of a low-level CIA employee in Illinois.

According to authoritative Atlantic intelligence-community sources, the arrest and conviction of the two Soviet U.N. employees charged with espionage in the New Jersey case "smells to high heaven." There is every indication that the convicted Soviet personalities were not guilty in fact.

According to intelligence sources, the two Soviet personalities were also functioning as conduits from high-level elements of the U.S. intelligence community. One of the major functions those personalities had performed prior to their arrest was the transmission of U.S. Labor Party materials prepackaged by elements of the U.S. intelligence community, as part of existing courtesy arrangements between the Soviet and U.S. intelligence services.

From early in 1977 until the arrest of these two, they had been under heavy surveillance by the FBI's Division Five and ONI, and were fully aware of such surveillance. This surveillance was conducted on the nominal direction of Zbigniew Brzezinski, who was determined to secure pretexts for closing down all courtesy channels between the Soviet and U.S. intelligence services. Both were, according to reports, highly trained persons, and therefore would not, under any circumstances, have put themselves knowingly into a position of receiving unlawful information of the sort classifiable as espionage.

The charges against the two were reportedly based entirely on FBI-ONI counterespionage activities.

The second case, the recent conviction of a low-level CIA employee on charges of passing a high-level National Security Agency codebook to the Soviets, has similar aromas. According to Atlantic intelligence sources, there is no conceivable way in which the accused could have come independently into posses-

sion of such a codebook. Again, it is the ONI-FBI counterespionage team which shows up in this astonishing case.

What is known is that since spring 1977, Brzezinski has been on a rampage against the clandestine services forces of the U.S. Central Intelligence Agency. In the course of this rampage, CIA operatives in the Middle East were blown to Moshe Dayan, et al. and neutralized to the point that the CIA no longer had any qualified covert operatives in place in Israel. Meanwhile, the ONI went on its own rampage in the Middle East and other locations, cleaning out retired CIA clandestine operatives working under corporate assignments. All of this coincides with a British intelligence operation aimed at reducing U.S. independent intelligence and other positions in the Middle East, while building up British operations under corporate and other covers on a large scale.

In general, the British-controlled ONI and Division Five have been on a rampage, framing up CIA and other clandestine services operatives, closing down conduits, and so forth, in a pattern which coincides with British efforts to throw an intelligence smokescreen around the U.S. intelligence community.

The chief intelligence entities known to have the largest degree of complicity with the ONI and its British coordinators in this operation are the National Security Agency and Air Force Intelligence, as well as complicit elements — such as Admiral Stansfield Turner — in the CIA and a virtual British-Israeli takeover of the National War College.

Gridding all of these developments together with our present knowledge of the various deployments against the U.S. Labor Party internationally, the ONI-FBI link comes up prominently.

Combine the SOE-pedigreed elements in and around the New York CFR and their British, Canadian and Zionist network resources. Fit this with the established patterns of known covert operations run against the U.S. Labor Party internationally through those networks. Now, take the established fact of the George Franklin (CFR-Trilateral Commission) role in the escalation of Brzezinski's deployment of the NSA against the U.S. Labor Party for operations including illegal telecommunications surveillance and mail-theft operations. Note the crucial interlink between bank-fraud operations against the Labor Party through entities such as the Bank of Nova Scotia and the Brzezinski-NSA operation. Note the interlink between these two and the entire scope of the FIST

and SWEEP operations launched against the U.S. Labor Party under Brzezinski's and Henry Kissinger's auspices during 1977. There is one element in the official U.S. intelligence community which corresponds exactly to the point of operational coordination triangulated through such gridding of overlays: the Janus-faced ONI-Division Five operation of British intelligence. The name of Major Louis Bloomfield defines the final proof of "closure" of the overlay's results.

This is the key to the assassination of President John F. Kennedy, the key to the attempted assassination of Charles de Gaulle (with support from networks associated with James Jesus Angleton), the assassination of Martin Luther King, and with every feature of the profile of combined forces implicated in the projected assassination of the U.S. Labor Party's Chairman.

Taking the pedigree of Allen Dulles into account, and also taking into account the Mexican side of the Order of Malta and its capabilities, we know how the assassination of John F. Kennedy was set up and how the Warren Commission hoax was rigged. We also know the names of most of the principal addresses from which the projected assassination of LaRouche is deployed.

If the assassination occurs as projected, there will be no successful coverup of this one.

The 'Son of Sam'

The case of the ONI brings us directly to Edgar Bronfman, "Son of Sam" Bronfman, of New York's Westchester County.

The former key ONI operation in Westchester County was the National Training Laboratories, a center specializing in brainwashing, on which directorship squatted such entities of interest as Marcus Raskin, currently of the Democratic Party's policy-making staff, and former cohead of the proterrorist Institute for Policy Studies.

When these premises were liquidated by ONI, the purchase was made by the Bronfman interests, which premises are used as a training center for the Moonies.

We recommend these facts to all serious law enforcement and related agencies.

— Lyndon H. LaRouche, Jr.

EMS targeted in bank war on LaRouche

The politics behind the Bank of Nova Scotia theft

Lyndon H. LaRouche, principal architect of the new European Monetary System, and the U.S. Labor Party he heads, the only visible institutional support for U.S. participation in the EMS and its development programs, are under a relentless and escalating financial attack by the EMS's opponents: British financiers and their financial, political, and drug-running networks internationally.

Of late, as many as five incidents of theft of funds from organizations associated with LaRouche are recorded daily. In addition, ongoing financial policy manipulations within the Carter Administration and outright banking warfare against "uncontrollable" banks and institutions are being waged by the same networks.

As of Nov. 21, the U.S. Labor Party reported that mail to Atlanta from a New York vendor has not been received for three months; registered mail from Chicago to New York has not arrived; and a check for \$60 was returned to the sender. Recent estimates by U.S. Labor Party staff members indicated that mail theft and banking fraud against LaRouche and associated organizations has reached \$500,000 to \$1 million over the past four years.

Similarly, mail sent from the NSIPS office in Paris to Wiesbaden, West Germany headquarters has not arrived in two weeks, during which time 20 to 30 goons, believed to be the BETAR terrorist forces of Israeli intelligence, launched a violent attack on a Paris NSIPS meeting exposing the workings of international drug traffic.

As has been detailed in this journal (see *Executive Intelligence Review*, Nov. 14-20, 1978, Vol. V, No. 44), terrorist violence, drug traffic, and anti-EMS financial warfare against the United States are all aspects of a single commitment to maintain financial and political control in the "royal" tradition of power: a bloody, cultist rule that has perpetrated the grimmest experiences of human history.

The various pieces of this ruling oligarchy all fall into place, however, when it is understood that virtually any act of terrorism, drug traffic, or illegal financial practice can be traced back to the same source: a tightly interconnected, intermarried family tree, so to speak, which has ruled for centuries; a lineage that deploys itself to retain financial control — at any price.

What we are presenting here is evidence of the

extreme, and risky, lengths to which the British will go to stop Lyndon LaRouche and the EMS.

The Nova Scotia heist

In September, a court decision was awarded to the Bank of Nova Scotia in Canada, after the bank filed a law suit against the National Caucus of Labor Committees.

That the Scotiabank is taking the front line against the NCLC, the cadre organization out of which the U.S. Labor Party was formed, is no coincidence. Behind the austere, conservative image of the Bank of Nova Scotia sits a group of men whose activities and associates could, if known, easily explain the presence of drugs in North America, the collapse of the dollar, and international terrorism.

The board of directors of the Bank of Nova Scotia, and the other Canadian banks, make up a North American command operation section for the political-intelligence networks deployed by the British monarchy through such "umbrella" institutions as the Most Venerable Order of St. John of Jerusalem, the Mont Pelerin Society and the Jerusalem Foundation.

Eagle Star, London's ninth largest insurance company, whose board of directors encompasses a healthy cross-section of the British crown networks, owns 25 percent of the capital of the Bank of Nova Scotia's major income-generating subsidiary — the Bank of Nova Scotia Bahamas.

On the U.S. side, Britain's "family" control dates directly back to the dirty tricks networks run by Max Aitkin (Lord Beaverbrook), MacKenzie King, and Sir William Stephenson, who was operations warfare officer for Winston Churchill in the Western Hemisphere. Churchill's Special Operations Executive (SOE) branch in North America was headed by Stephenson, who in turn controlled the notorious Division Five of the FBI under Louis Bloomfield.

Major Bloomfield, the crossroads

During and following the war, Major Louis Bloomfield's assigned function under Stephenson was to coordinate U.S. counterespionage. This coordination took the form of Division Five of the FBI, the special counterespionage division. According to highly placed intelligence sources, Bloomfield maintained a controlling connection to Division Five into the period of the Kennedy assassination.

Although Division Five is nominally a subdivision of the FBI, it is in fact an element of British intelligence laundered through an FBI cover into the inmost structures of the U.S. intelligence establishment. Division Five of the FBI interfaces with the U.S. Office of Naval Intelligence (ONI). The two organizations are wholly interchangeable and both functionally branches of British secret intelligence within the U.S. intelligence community, under control via British-Canadian "Special Operations Executive"-pedigreed elements of British intelligence.

Thus, the appropriate perspective for the Nova Scotia claim against the NCLC is to view the bank's theft of NCLC funds from the standpoint of international politics. In this case, as in others, British banking and control of U.S. intelligence agencies have cooperated to throw their financial warfare and terrorism-assassination capability against LaRouche to prevent U.S. entry into the EMS.

The following affidavit by NCLC Director of Organization Warren Hamerman provides an insight into the legal power available to stop a British-planned depression in the United States. This affidavit supports the NCLC's urgent motion demanding basic discovery and questioning of the Bank of Nova Scotia so that the trail of evidence of financial warfare can be pursued.

— *Barbara Roberts*

Text of the Hamerman deposition

WARREN HAMERMAN; being duly sworn, deposes and says:

1. I am director of Organization for the National Caucus of Labor Committees (NCLC). This affidavit is submitted in support of NCLC's Motion for Reconsideration of the September 1978 Order of this Court which granted Bank of Nova Scotia (BNS) summary judgment.

2. The Court's September 25, 1978 Order was based on the allegations of the Bank of Nova Scotia that it mistakenly transferred \$89,093 instead of \$89.03 into NCLC's bank account at the Marine Midland Bank in Buffalo, New York on December 30, 1976 and discovered its "error" on January 25, 1977. The Court ruled that these allegations were not controverted by NCLC. NCLC stated in its opposition papers its belief that the \$89,093 was an anonymous contribution, similar in nature to many that organization received previously. NCLC stated in its opposition further that it had established reliance on those monies during the period between the transfer and BNS' discovery of its "error". It asked the Court to permit discovery to look behind the banking documents involved in the

transaction, many of them facially altered, which BNS had produced to support its allegation that the \$89,093 transfer was the result of a banking error and not in fact a contribution.

3. In view of the material discussed below in this affidavit, based upon NCLC's re-evaluation of the transaction and investigation of the motivation and capabilities of the BNS, a foreign bank, NCLC believes that standard banking practices and integrity cannot merely be assumed by this Court. It is for that reason that NCLC believes discovery both vital and equitable to its defense.

4. Since the time of the Court's said ruling, as a result of an intensive dating from November 1, 1978 when another Canadian bank, the Canadian Imperial Bank of Commerce (CIBC) claimed \$25,000 in NCLC funds in a remarkably similar situation, NCLC has come into possession of new facts and evidence bearing directly on the impossibility of Bank of Nova Scotia allegations that the money transferred into NCLC's Marine Midland account was the result of "error."

5. These new facts and evidence controvert BNS's allegation that it was simply a bank transfer unjustly suffering the consequences of the human error of one of its employees. NCLC can establish that BNS had both the motivation and the capability to withhold information which might tend to confirm NCLC's position that the money represented an anonymous contribution from a political supporter. The information indicates that the management of BNS is comprised of longtime, bitter political adversaries of NCLC whose skill in waging financial warfare against their opponents dates back to World War II. Further, NCLC has discovered certain confirming information indicating that BNS has employed financial warfare tactics against certain other political opponents (see below).

6. The Bank of Nova Scotia effort to claim the \$89,093, asserting a "banking error" which NCLC has had no opportunity to controvert, is only one aspect of a financial warfare campaign against the NCLC which has included harassing those companies with which it does business. Martin Read, BNS' New York agent, BNS attorneys Shearman & Sterling, and NCLC's New York Bank, Citibank, on January 26, 1977 conspired to seize the bank account of an NCLC vendor, without legal process, in an attempt to "recover" the funds which BNS retroactively claimed as theirs. This action against NCLC vendor Campaigner, Inc. resulted in an overnight freeze of Campaigner's account. BNS and Citibank desisted only when threatened with immediate legal action by Campaigner's attorneys (See Exhibit A). As well, BNS and their attorneys mysteriously came into possession of deposit slips made out by Campaigner, Inc. without any discovery process or other legitimate request (Exhibit B). These matters were not brought before the Court because Campaigner was not made a

party to this suit following Bank of Nova Scotia's pre-complaint discovery proceedings.

7. However, a recent transaction involving the NCLC and the Canadian Imperial Bank of Commerce (CIBC), whose internal features closely paralleled the BNS-NCLC transaction caused the NCLC to reevaluate the BNS transfer and to reexamine its own financial history. On Monday, October 29, 1978 a Seattle NCLC representative went to the CIBC office there to effect the transfer of \$22,000, on deposit in the NCLC account at that branch office for six weeks. The sum was to be wired to other NCLC accounts for payment of expenses. The bank approved the transaction and verified the transfer. On November 1, 1978 the \$22,000 had not been credited to the NCLC accounts to which it was to have been transferred. CIBC officers then informed NCLC representatives, in three different stories replete with contradictions, that the \$22,000 had been erroneously credited to NCLC six weeks before. Upon examination of its own financial history NCLC discovered that at least eight such incidents have occurred since 1974, with five occurring between the end of 1974 and the beginning of 1975 and three occurring in the summer and fall of 1978. The very number of instances and the pattern of occurrences seems persuasive that a thorough investigation into the origins of these transfers is indicated.

8. Moreover, the finances of the NCLC until September 1977 were investigated by the FBI, which at that time concluded that no further basis existed for investigation. However, apparently during the period of investigation, the Bank of Nova Scotia and possibly other banks were enlisted by the FBI to monitor NCLC finances. NCLC discovered BNS's original request for pre-complaint discovery in this matter was one of the FBI documents releasable to it under the Freedom of Information Act (Exhibit C).

Political Adversaries

9. In the case of Bank of Nova Scotia, any agreement to monitor NCLC finances for the FBI could not have been merely good civics, for BNS directors and officers have been bitter political adversaries of NCLC members. The 1977 Annual Report of the Bank of Nova Scotia indicates that Clarkson, Gordon & Co. are the auditors of BNS and its controlled corporations as well as the auditors of CIBC and its controlled corporations. (See Exhibit D). Walter Lockhart Gordon, a founding partner of Clarkson, Gordon & Co. and also an owner of the *Toronto Star* newspaper, is a longtime, active political opponent of NCLC and its members in Canada. In January 1974 the *Toronto Star* carried an incredible, slanderous front page banner headline story, making the entirely unsubstantiated charge that the North American Labor Party (the electoral party of the NCLC members) was the same as the

terrorist Symbionese Liberation Army. They were unable to provide any source for this totally erroneous and extremely damaging story. NCLC members believe that this attack was made on them in response to their exposure that Mr. Gordon and his proteges within the Royal Canadian Mounted Police (RCMP) were involved in drug running. In the spring of 1974 Canadian NCLC members publicized information made available to them indicating that Mr. Gordon, and associates of his within the Canadian Institute of International Affairs (CIIA) had helped to found Black September, a notorious international terrorist organization. In January 1977, an NCLC member testified before the McDonald Commission (a Royal Commission investigating abuses within the RCMP) that Mr. Gordon and his CIIA associates were involved in international terrorism, gunrunning, and facilitating drug running. The NCLC members also published this testimony in pamphlet form and sold 500 copies in the vicinity of Toronto. The *Toronto Star* responded with extremely unfavorable coverage of the NCLC and the North American Labor Party, (NALP) culminating in several articles impugning the character and motivation of Rick Saunders, an NCLC member running for mayor of Toronto in an upcoming election.

10. Bank of Nova Scotia employees have shown themselves similarly antagonistic towards NCLC members. On November 6, 1978 a rally was held by NCLC members at the headquarters of Bank of Nova Scotia in Toronto. One well-dressed man, wearing a pin with the emblem of BNS approached an NCLC member and warned, "You're running Rick Saunders. He won't live till election."

11. The adversary relationship between BNS and the NCLC outlined above goes significantly beyond single incidents. The NCLC has since 1974 urged the adoption of an economic program based upon re-organizing the international monetary system to insure investment in industrial production, the development of new technologies and scientific advances including nuclear fission and fusion power, stabilization of the dollar, and investment to create an industrial infrastructure in the underdeveloped sectors of the world. BNS, CIBC, and the Canadian Institute for International Affairs have mandated diametrically opposed policies including maintaining the austerity standards of the International Monetary Fund and World Bank, the denial of advanced industrial technologies to the underdeveloped nations in favor of the "Chinese model" of labor intensive production, and the collapse of the dollar as the international reserve currency. The contest between these two diametrically opposed policies has been bitter in the extreme, including even the involvement of associates of BNS directors in an assassination conspiracy targeting NCLC founder Lyndon H. LaRouche, Jr. (See Exhibit E).

The courtroom proof

Exhibit A— affidavit from *Campaigner* officer in regard to an attempt by Bank of Nova Scotia and Citibank to seize NCLC bank account.

Exhibit B — *Campaigner* deposit slips acquired from Citibank by Bank of Nova Scotia without prior consent or disclosure.

Exhibit C — New York FBI transmission announcing release of document under the Freedom of Information Act which includes the Bank of Nova Scotia complaint against the NCLC. The letter also reported that ten other documents have been withheld and placed under national security wraps.

Exhibit D — annual report of the Bank of Nova Scotia which indicates that Clarkson, Gordon & Co. are auditors of *both* the Bank of Nova Scotia and the Canadian Imperial Bank of Commerce.

Exhibit E — *Campaigner Special Report*, "The 'Black International' Terrorist Assassination Plot to Kill Lyndon H. LaRouche, Jr."

Exhibit F— Sir William Stephenson, *A Man Called Intrepid*.

Exhibit G — Warren Hamerman, "Scotiabank, NSA Wage Finance War on LaRouche," *Executive Intelligence Review*, Nov. 14-20, 1978.

12. Walter Lockhart Gordon is not merely a major political opponent of the NCLC. He is an expert in financial warfare, having worked in the Canadian Finance Ministry during World War II intimately with Sir William Stephenson and Lord Beaverbrook. Sir William Stephenson was the founder of OSS in the United States and the chief representative of British Secret Intelligence Special Operations Executive (SOE) in the Western Hemisphere. Lord Beaverbrook as Minister of Allied War Propaganda created an intelligence service interfaced with Stephenson and SOE. SOE and Stephenson's operations included, on the public record, arranging for the manufacture and circulation of counterfeit money, and waging both economic and political warfare against corporate interests, for 1935 until 1942, who opposed U.S. entry into the war. (Exhibit F).

13. As the NCLC is widely credited for having exposed, the Stephenson and Beaverbrook operations, which graduated a number of individuals who still act as a political faction in Canada, Great Britain and the United States, comprised one significant aspect of an

overall effort to preserve the policies and existence of the British Empire, in a new organizational form, in the postwar period. Two organizations, the Royal Institute for International Affairs (and its subsidiaries such as the Canadian Institute for International Affairs), and the Order of St. John of Jerusalem have been crucial centralizing, policy-making points for that effort. It is the continued existence of the British Empire and its associated policies and organizations which has been the major political target of the NCLC.

14. Mr. Gordon is a leading member of the Canadian Institute for International Affairs. Personnel for Stephenson's and Beaverbrook's World War II SOE operations were largely recruited from this Canadian institution. The CIIA itself represents an informal policy-making association of the most influential individuals in Canada. As cited above, it has long acted on policies diametrically opposed to the NCLC. Mr. Gordon's already close connection to Bank of Nova Scotia through his accounting firm Clarkson, Gordon & Co. is strengthened by his close connections to the five leading CIIA members on the Board of Directors of BNS (John B. Aird, Henry R. Jackman, R.M. McIntosh, Norman A.M. McKenzie, Sir Kenneth Keith). Sir Kenneth Keith, as director of political intelligence for the British Foreign Office in World War II, and Norman A.M. McKenzie, as chairman of the Wartime Information Board, both worked directly with Mr. Gordon in Stephenson's SOE operations.

15. Mr. Gordon's similarly close connections to CIBC (Clarkson, Gordon & Co. are also their auditors) is strengthened through a leading CIIA member on its board of directors (Henry Borden).

16. Mr. Arthur Ross of New York City, a second individual with very close ties to BNS, and with equally close ties to the adversary political faction described herein, also had compelling reason to damage the interests of NCLC. On December 30, 1976 Mr. Ross' son Alfred provided the NCLC with \$50,000 to support its educational efforts. Mr. Ross himself is well known as a protégé of Lord Beaverbrook. He is the director of Domtar, a subsidiary of a large Canadian holding company, the Argus Corporation. H.N.R. Jackman, the son of Henry R. Jackman, Bank of Nova Scotia director, is a director of Argus Corporation and its subsidiaries. Domtar and Argus are also heavily represented on the board of CIBC. (John McDougald, Robert and A. L. Fairley, all Domtar and Argus board of director members, are also CIBC board of directors members).

17. Although it is clear that the CIIA members on the boards of directors of both BNS and CIBC have ample reason to believe themselves political adversaries of NCLC, and the NCLC has demonstrated that a number

of individuals associated with those banks are also expert in financial warfare and the manipulations of financial transactions associated with that, BNS directors are involved in yet another grouping which is a direct adversary of NCLC. That is the Order of St. John of Jerusalem (see Exhibit G) who were directly implicated in an assassination conspiracy directed against NCLC founder LaRouche. Three members of the Board of BNS are Knights of the Order of St. John of Jerusalem (John B. Aird, Sir Kenneth Keith, John Jodrey).

18. Not only are the directors and auditors of BNS political adversaries of NCLC and financial warfare experts, they have used this expertise for political purposes. Banking sources in New York indicate that it was the Bank of Nova Scotia which forced the Jamaican government to bend to IMF austerity conditions (including growing marijuana as a cash crop for export) by organizing a flight of capital from the island in 1976. As Exhibit G demonstrates, in fact, the financial warfare extends beyond the matters in dispute in this case. It includes fraudulent banking practices, mail tampering, intimidation of vendors and outright theft of funds belonging to the NCLC.

Summary

19. In summary, this Court has been asked to believe that one of a statistically improbable series of banking errors by Canadian banks deeply involved with

political intelligence networks with known financial warfare capabilities in openly hostile political opposition to the NCLC can be judged by the standards of integrity presumed to be present in American banking practices. Clearly this is not the case. In fact, as a result of its investigation on November 6, 1978 the NCLC filed complaints with the U.S. Department of Justice, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Bureau of Investigation, the New York State Banking Commission, and other appropriate state agencies, as well as asking the committees and subcommittees of the U.S. Congress which exercise jurisdiction in banking, interstate and foreign commerce, to conduct a full investigation of BNS and CIBC for violations including bank fraud. While the NCLC pursues these complaints and will seek other civil remedies, equity demands that, through a consideration of the new facts detailed herein, this Court reconsider its Order summarily awarding \$89,093 to the Bank of Nova Scotia.

20. *WHEREFORE*, this Court should reconsider its Order, hold a hearing to take further testimony on BNS and NCLC's claims as to the circumstances surrounding the transaction and the adversary relationship between the BNS and NCLC, and upon such a hearing deny the Bank of Nova Scotia motion for summary judgment and grant the NCLC the discovery necessary to prove its claims.

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