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Featuring This Week:

The Atlanticists' Tactical Blunder

a full report on the now famous Schmidt remarks on Italy and their aftermath includes: what Schmidt said and why plus international reaction featuring exclusive translation; plus a report on the new Italian government and its program; report on Gaullist mobilization featuring exclusive translations of Debre, Sanguinetti

Bankers Boast Of Their Peru Coup Success

Latin America Newsletter includes: exclusive translations of Le Monde articles; also Rockefeller launches genocide drive against Mexicans with interviews with top cabal genocide planners

Stage Set For Soviet Intervention Into Lebanon

features translation of Brezhnev letter to Assad; Assad and Sadat speeches plus exclusive interviews with top Kissinger advisors

International Terrorism Report

featuring this week: Atlanticists' new terror offensive; exclusive interviews with terrorist controllers: Olympic terror; California kidnap

Eurodollar Market Hangs On By A Thread

International Markets Letter features exclusive interviews with New York and European bankers on crisis of confidence; the gold price collapse; breakdown of North-South talks; transfer ruble

Int'l Press Opens Fire On Wall St's Jimmy Carter

features exclusive translations from Western European and Socialist Sector press; plus excerpts from U.S. press

Also:

NSIPS Labor Letter

"Tarbaby" Option In Southern Africa

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The Press Opens Fire On Wall Street's Jimmy Carter

July 24 (NSIPS) — Selected international and domestic press have begun to open fire on Democratic Presidential candidate Jimmy Carter in the wake of the U.S. Labor Party's widespread exposure of Carter's "Clockwork Orange" manufacture by Atlanticist psychological warfare specialists, his ties to the Rockefeller family's Trilateral Commission, and his fascist program.

Whereas a month ago New Solidarity International Press Service and the Italian Weekly L'Europeo were the only press publicizing Carter's credentials as a tool of Wall Street, this past week a broad spectrum of opposition ranging from Pravda to the conservative Chicago Tribune, has surfaced to attack the Rockefeller candidate. Not coincidentally, the attacks are coming from press which represent those forces in Western Europe, the Socialist sector, and the USA which would rapidly coalesce around a program for a new world economic order, as specified in the USLP's International Development Bank proposal, if the Atlanticist command structure were destabilized by Third World debt moratoria.

In Western Europe, Exormisis, the newspaper of Greek socialist leader Andreas Papandreou, mounted the sharpest assault on Carter, backed up by Il Fiorino, the financial newspaper linked to pro-development Italian industrialist Eugenio Cefis, who is negotiating with Soviets to ensure Italy's oil lifeline against Atlanticist economic warfare. The London Times, evidencing the desperate circumstances which bankrupt Britain finds itself as the Dollar Empire crumbles, also clearly identified Carter as a tool of Rockefeller.

Among the nations of the East Bloc, both the Czechoslovak daily Rude Pravo and the Soviet government newspaper Pravda broke with recent Eastbloc "face value" coverage of Carter as a liberal to the extent of clearly identifying his adherence to the Kissinger-Brzezinski "politics of tension" policies against the Comecon sector and the Third World.

In the U.S., strong criticism of Carter surfaced in press reflecting the views of midwest, west coast, and southwest industrial forces, notably the Chicago Tribune, the St. Louis Post Dispatch, the Dallas Morning Star, the New Orleans Times Picayune and the Los Angeles Times.

International Press Grid

Il Fiorino On Carter: "Who Are Carter's Four Economic Brains?"

July 22 (NSIPS) — *The following is extracted from an article which appeared in the July 17 edition of Il Fiorino, an Italian financial daily.*

If Georgia's ex-Governor goes to the White House we will hear a lot about Lawrence Klein, Lester Thurow, Albert Sommer, Martin Feldstein...about Keynesian theory in an isolationist version and a nostalgia of war echoes...

...Commonly, Klein is considered an "interventionist" and in his position as number one economic advisor of a possible American president — Jimmy Carter — it can be taken for granted that Americans will see the strengthening of the tendency toward regulating the economy to reduce unemployment... A supporter of (the late British economist John Maynard) Keynes, Klein is convinced that certain parts of a war

economy can be used in a prosperous economy to reduce unemployment without causing inflationary effects...

Thurow is a theoretician for the equitable distribution of income in so far as equality is one of the fundamental objectives of a government. In any case, equality has decreased in the United States only two times before: during the 1929 crisis and during the Second World War

L'Europeo: "Carter's 'Left Hand'"

July 22 (NSIPS) — *The following article was printed today in L'Europeo, a major Italian newsweekly. In an earlier article, the same author exposed Democratic Party Presidential candidate Jimmy Carter as a synthetic product of David Rockefeller's Trilateral Commission.*

by Guido Gerosa

I am convinced that Carter did not hesitate for one second about choosing Mondale. I was so sure that this was going to be the case that I could have bet anything on the Minnesota Senator . . . just because I'd thought about a detail that escaped other commentators. That is: that Walter Mondale is, just like Carter, a member of the Trilateral Commission. None of the politicians that Carter was said to be taking into consideration for the vice-presidency was really being considered It was a fantastic job à la Frankenstein.

I think that Carter is the only modern example of a political leader constructed in a laboratory by the most witty of the wizard's apprentices. . . . It is logical that it pleased the Trilateral's mentors: the Averell Harrimans, the Brzezinskis, the Cyrus Vances, the Gardners.

At least for the politologists, Mondale had an advantage over Carter: he was a progressive liberal. . . . Only recently Mondale decided to admit that he had withdrawn as a candidate, when he realized "that I cannot win." Maybe the truth is something else. Maybe somebody realized that the choice of the candidate Carter was lame, that the homunculus created in the Trilateral witches' laboratory might come out defective in one of its parts. Therefore, the job proceeded, but in another direction.

In spite of his evangelical liberalism, Carter is a substantially right-wing man. And now we ask ourselves: Why has he harmed his possibilities by associating himself with a left moderate? Probably his Trilateral mentors decided that they could not do otherwise. Carter's success is based on a very broad consensus: to continue to have black, unemployed, and women's support. . . . Peter Kaye, Ford's spokesman, has said, "Mondale is a 100 per cent die-hard leftist. Finally, he offers us a tangible target. Fortunately, we have stopped fighting with a peanut vendor that walks on water." . . .

As long he was on the right, Carter enjoyed an extraordinary opportunity; in fact, if Ford were nominated as the Republicans' Presidential candidate in Kansas City, up until yesterday many would have preferred to join Carter's camp and vote Democratic out of spite against Ford, and because basically, Carter's ideas are not too different from Reagan's. But today they will not vote for Carter since he chose a leftist vice president, and for Carter, this could be millions of lost votes. . . .

In my opinion the Trilateral men are thinking of something

big. Probably they are about to launch a new line in which the notions of "right" and "left" converge and are confused in a dangerous way. This outlines that other notion of "Caesarism" mooted by Prof. Walter Dean Burnham. Probably the Trilateral has a big Caesarism design in its head for the United States and the world.

This would start from the following: the rejection of the traditional notions of right and left, and the installation of many authoritarian, republican monarchies of a unique model. In this foggy hunt, Carter represents the head of a task force: in his physiognomy as a progressive conservative reigning with the support of heterogeneous forces like the Council on Foreign Relations — a Rockefeller creature — and the followers of Andre Young — a student of Martin Luther King — the landowners and industrialists from the South, the populists and the big international financiers. In my opinion the Trilateral Commission is cherishing an important and fascinating design. . . .

Pravda On "J. Carter" Nomination

July 22 (NSIPS) — What follows is the "U.S. Section" of the "International Week" column by Mikhail Domogatskikh in the July 18 Pravda, the official newspaper of the Communist Party of the Soviet Union.

The 37th national convention of the Democratic Party of the USA, which took place last week, marks a new phase of the "presidential race," the victor of which will become known only in November, when the American election for head of state takes place. At this convention, the Democratic Party nominated Jimmy Carter for President and Walter Mondale, U.S. Senator from Minnesota, for Vice President.

Former Georgia Governor James Earl Carter — the "peanut farmer," as the American press calls him — is a new name on the American political scene. And this, paradoxical as it may seem, apparently aided the rapid growth of the authority of this new candidate for the White House chair. The candidate is not stingy with his promises. He promises to lower unemployment, reduce the military budget by \$5-7 billion, carry out tax reforms, and institute other social measures. In proclaiming this program, which is not so very different from that of his Republican opponents, Jimmy Carter does not reveal by what concrete paths he will solve these tasks and of course does not mention that he is not the first to have posed them.

To a certain extent, Jimmy Carter's foreign policy program takes into account the mood of the American people in favor of detente and peace. But it also contains contradictions. On the one hand, the program says that it is necessary to seek ways to "further lessen tension in relations with the Soviet Union," and on the other hand, speaks of "tough talking" with the socialist countries, and the strengthening of "the American military deterrent." The program considers that "the further development of broader economic relations between the United States and the Soviet Union can be of considerable benefit to both societies." At the same time, bowing to the far right wing of reaction and the Zionists, the candidate spoke of the necessity for the U.S. to exert "economic pressure and urge its allies to exert such pressure" on the Soviet Union, in order to achieve American foreign policy goals in various regions of the world. J. Carter in this case ignores the fact that his statement is an attempt to interfere in the affairs of other states, and this has nothing in common with the spirit of Helsinki (Conference on Security and Cooperation in Europe — ed.). Years past have shown that the fruitfulness of Soviet-American relations depends above all on the honesty and good will of the American side, and not on useless attempts to dictate something to the Soviet Union or the other socialist countries.

Rude Pravo On Carter

July 22 (NSIPS) — The following are excerpts from an article appearing in the July 21 Rude Pravo, official organ of the Czech Communist Party, under the byline of Milos Krejci.

....Presently, many of his (Carter's) views reflect the interests of those circles in the Democratic Party which are allied with the military-industrial complex.... Carter also has the support of major Wall Street groups including the Rockefeller and Morgan interests and the most important part of the pro-Zionist forces, who shifted to him from Senator (Henry) Jackson....

Among Carter's foreign policy advisors are Dean Rusk and Zbigniew Brzezinski. Rusk was the president of the Rockefeller Fund and the Secretary of State. Brzezinski is the head of the anti-Soviet center at Columbia University and the director of the so-called Trilateral Commission, which is the association of the most important industrialists, bankers and commercial dealers from the United States, Western Europe and Japan, which strives for a coordination of imperialist policy.

....It is sometimes said that, should Carter become President, Brzezinski would be his Secretary of State. In Washington, however, this is considered unlikely. But, it is extremely probable that he would remain his advisor. It is also said that he could play a role in the administrative system of national security, thus in the National Security Council, where (Secretary of State) Kissinger began under Nixon, or in the Defense Department. His influence on the foreign policy of an eventual Democratic government is nevertheless not to be excluded.

Greek Socialist Paper: "Carter Is A New Kind Of Fascism"

July 23 (NSIPS) — An editorial in the July 16 issue of Exormisis, the weekly newspaper of Greek socialist leader Andreas Papandreu, denounced the nomination of Jimmy Carter as Presidential candidate of the Democratic Party. Excerpts from the editorial, which was signed "A.P." appear below:

A new kind of fascism emerges together with Carter. The oppression will not have the form we used to know, but it will be the 'depoliticization' of all citizens in the U.S., and the generating of all power in the executive branch, that is, the Presidency, without the President giving any account to the Congress or anybody else except the multinationals, which have financed Carter's campaign.... The accession to power of Carter, who tries to present himself as the protector of the poor and the weak, would mean a new era of dictatorial policies.

London Times On Carter: "By No Means An Innocent"

July 24 (NSIPS)—Following are excerpts from an article in the July 17 London Times by Louis Heren.

"Governor Jimmy Carter, the 1976 Democratic Presidential candidate, has for reasons known only to himself professed to be an innocent abroad, but the record is somewhat different. As Governor of Georgia, a state aspiring to be the centre of the New South, he led the state trade missions abroad. While in London in the autumn of 1973 he dined with another American visitor, but by no means an innocent, Mr. David Rockefeller of Chase Manhattan Bank.

"Mr. Rockefeller was then establishing, with the help of Professor Zbigniew Brzezinski of Columbia University, an international study group now known as the Trilateral Commission. He was looking for American members outside the usual catch-

ment area of universities, corporation law firms and government, was impressed by the Governor, if only because he had ventured abroad, and invited him to join. Governor Carter, perhaps because he was already eyeing the White House from afar, was only too happy to accept."

U.S. Press Grid

July 24 (NSIPS) — Following is a grid of U.S. press response to the nomination of Jimmy Carter as Democratic candidate for president:

New Orleans Times-Picayune, July 17: Editorial, "Now Nominee Carter," states: "For Carter now finds himself in a somewhat embarrassing bind. His carefully constructed image is that of an accomplished politician inconncted with the Washington scene and thus free to criticize the long records of others. Yet he sought to be and now is standard bearer of a party that has been an integral part of that scene and that record.

"His complaints about inactivity on tax reform, for example,

point the finger at the Democratic Congresses. Decrying a now dead war in Vietnam as a failure of leadership recalls that President Kennedy and Johnson — the latter despite his own campaign pledge — led us into it and that a Republican Administration led us out. If Watergate is tied to Republican President Nixon, "scandal" as a general condition also covers some Democrats recently caught in the Flagrante..."

Dallas Morning News, July 17: Editorial charges that "the liberal intellectuals...Brookings institution and other fixtures in past Democratic Administrations await the summons."

St. Louis Post Dispatch, July 18: article entitled "Inexperience and Fuzziness on the Issues May Undo Carter" charges Carter is a "liar" and "cynically ruthless."

Chicago Tribune, July 18: Lead editorial, "Midsummers Night's Dream," says the convention was "dripping with so much unity" that was "unreal". "There is a place in political life for dreams and for the ability to inspire unity and a willingness to sacrifice. This ability enabled great leaders like Churchill and de Gualle to do wonders for their country. It also enabled Adolf Hitler to do immeasurable damage...What will he (Carter) have to offer when the novelty wears off?"

What Schmidt Said And Why

July 24 (NSIPS) — After extended meetings with Henry Kissinger during a visit to the U.S. last week, West German Chancellor Helmut Schmidt told a July 18 press conference in Washington, D.C. that "the U.S., West Germany, France and Britain have reached an informal understanding to bar further loans to Italy if Communists hold cabinet posts in any new Italian government," according to the next day's New York Times. The decision, Schmidt "leaked," was reached on the sidelines at the June economic summit meeting in Puerto Rico. "It makes no sense to throw money down the drain," Schmidt quoted U.S. Treasury Secretary William Simon as saying, according to the Washington Post.

It was immediately evident that this declaration of economic warfare was not aimed against the Italian Communist Party, itself widely acknowledged to be a mere instrument of Atlanticists, but at the nascent Andreotti government of Italy itself. The political formation represented by Andreotti — the pro-growth industrialists around Andreotti and ENI's Cefis with their growing ties to the socialist bloc and the Third World, plus the working-class mobilization powers of Socialist Party leader Giacomo Mancini — is not only an immediate threat to bankers' austerity demands but a potential political wedge for international suspension of debt payments.

Understanding this "domino" threat, Schmidt was simultaneously warning the rest of Western Europe and handing a Kissinger fait accompli to President Ford, many of whose industrialist backers in the U.S. have expressed firm and even enthusiastic tolerance for proposed moratoria against debt held by New York financiers. To get an embarrassed Ford into lockstep with his gunboat diplomacy, Kissinger even had the UPI wire service run a fabricated story on the President's agreement with Schmidt's Puerto Rico "leak," though Ford and the White House have not upheld any direct threats against Italy.

To back up Schmidt's verbal blitzkrieg, the West German central bank ordered large West German holders to dump their gold and drive the price down, it was revealed July 22 by the Journal of Commerce and Manhattan banking sources. This was intended to devalue the gold collateral put up by Italy and Portugal for prior loans and, in coordination with the U.S. Treasury, to "scare the markets" away from the preconditions for the remonetization of gold favored by anti-Atlanticists, especially the French Gaullists.

Plan Backfires

Schmidt's blackmail backfired. The Andreotti government has continued its drive for consolidation. Worse, the Gaullists not only jumped to the defense of Italy but raised the head of the Atlanticists' most dreaded bogeyman — a Gaullist government based on an anti-Atlanticist accord with the French Communist Party. By the end of the week, the friends of Kissinger and Schmidt were wishing that Schmidt had never opened his mouth, and — in the case of the State Department's reply to inquiries — pretending he hadn't.

The political breadth and depth of the counterattack was unprecedented. An editor of the usually pro-Atlanticist Milan daily, Corriere della Sera, identified Schmidt's terror attempt as one impelled by American bankers' fear of a debt default crisis. Gaullist parliamentarian Alexandre Sanguinetti exposed the Schmidt-Giscard proposals for a united Europe as nothing but a U.S.-sponsored Fourth Reich. Making it clear that the Gaullists were talking about more than Schmidt's past in the Hitlerjugend, former French premier Michel Debre blasted the core of fascist economic and military policies.

The harshness of the Gaullist reaction to Schmidt and Kissinger has been fueled by the speculative attack on the French franc which the New York banks began last week. The attack turned into a full-scale run on the currency, which French companies themselves are forced to dump in order to get dollars for installments on their \$25 billion worth of external debts. The intensity of opposition, however, forced the Atlanticists to buy time to regroup. The franc shot up ostentatiously on the New York market starting July 20 as the U.S., West Germany and Switzerland began to support its price in a tactical decision not to push the Gaullists too far.

The New York Times advised Schmidt to stop "hectoring" Andreotti and instead persuade him to collaborate with the Italian Communists for an austerity program. The Times was echoed by Le Figaro and Le Monde, who claimed that Schmidt was jeopardizing the smooth installment of a supranational, Atlanticist-run Europe. The French and British governments found it best to "dissociate" themselves from Schmidt's claim that they had joined a pact against Italy. In West Germany itself, the government and the controlled press were divided between retreat and nose-thumbing. The Süddeutsche Zeitung and other papers deplored Schmidt's roughness while

the foreign ministry actually issued a statement to its embassies saying the American press had lied about Schmidt; he merely reaffirmed the distaste of America and West Germany for Italian Communism without any Puerto Rico threats. Foreign Minister Hans-Dietrich Genscher himself blandly refused comment. Schmidt's press spokesman, Armin Gruenewald, however, insisted that of course a tight and justified blackmail club existed against Italy. The July 23 Frankfurter Rundschau editorialized that "interference" is both possible and necessary. New York bankers — though audibly nervous about the "domino" threat — maintained with equal bravado that the Gaullists are simply spouting off, and the loan bait can be used to enforce austerity and devaluation in France and Italy.

A definite method produces the diplomatic madness of Schmidt's indelicate conduct toward his Common Market partners, commented the right-wing West German daily Die Welt. This is indeed the case — not because Schmidt wants to prove his anti-Communist commitment in an electoral year, as the West German press insists, but because since spring he and his Social Democratic Party have been assigned the role of "the ugly Germans," terrorizing European resistance to Kissinger. In mid-April, it was Schmidt who attacked the conservatives of the continent for having fostered social disorder; on May 11 it was Schmidt who announced that the policies of Schacht and Hitler were the official policies of West Germany and its American patrons. At the same time, trial balloons were floated for a German-funded "Marshall Plan for Europe" based on austerity demands, and the Federal Republic led the undercover planning sessions for European-wide slave labor programs.

The Italian Christian Democrats and the Gaullists briefly protested Schmidt's insults to their parties, and French Socialist Party (PSF) agent François Mitterrand proceeded to launch a bogus campaign against political repression inside West Germany. Pro-development forces in Italy lay low. The bludgeon had worked.

This time the Atlanticist club not only failed, but it impelled the opposition into a new critical mass. The same post-June 30 financial extremities that prompted the Schmidt attack are recognized by its targets, and the escalation of political provocations outside Europe is meeting a resistance that fuels anti-Atlanticism on the continent. "A brick was thrown into the pond of French politics," as the Quotidien de Paris described the Schmidt stunt — and the Gaullists threw it back. Schmidt and Kissinger had been perfectly aware that their latest atrocity would create a great deal of noise; but they counted on focusing it around the issues of Italian sovereignty and the Italian Communist party. Instead of a lineup on Communism, they found themselves at the end of this week facing an unmanageable shift in the entire balance of European forces, with local Atlanticists in their weakest position since the consolidation of the Giscard and Brandt-Schmidt governments. The gravity of the post-June 30 financial crisis leaves the Kissinger commandos scant "soft-cop" posture to fall back to.

NSIPS Exclusive Translations

Gaullist Leader Responds To Schmidt's Italy Blackmail

July 22 (NSIPS) — The following statement was issued by Alexandre Sanguinetti, Gaullist leader and former General Secretary of the Gaullist UDR party, in response to blackmail threats made against Italy by West German Chancellor Helmut Schmidt. The text of Sanguinetti's statement appeared in Le Quotidien de Paris, July 19.

I disapprove of the declarations of Mr. Helmut Schmidt concerning the presence of Communists in the Italian government, as much in its form as in its content. Gaullism always taught us to recognize states and nations and to leave people free to their political choices, which concern them only. It is true that the French government participated in that decision at the Puerto Rican summit; a supplementary proof is thereby

brought to bear that increasingly, day by day, we distance ourselves from the Gaullist conception of power to become no more than a defense association for an economic and social system under the protectorate of the United States.

I add that Mr. Helmut Schmidt, who calls himself a Social Democrat, sometimes takes on curious youthful remembrances and National Social accents. And it is with such men and with such sentiments that we are invited to dissolve ourselves into Europe.

French SP Leader Joxe On Schmidt

July 22 (NSIPS) — Pierre Joxe, a leading member of the French Socialist Party and the son of Gaullist deputy Louis Joxe, issued the following declaration in response to West German Chancellor Helmut Schmidt's declaration that his nation, the U.S. and France had agreed to cut off credits to any Italian government in which Communists participated. The text appeared in the July 19 Quotidien de Paris.

First of all, it is necessary to obtain clarifications from the French government on its role and its positions at Puerto Rico. But as socialists and internationalists, the declarations attributed to Mr. Schmidt pose specific problems for us...This would reveal the ambiguity of the German Social Democracy, for a long time at the very summit of the European workers movement, and today led by men forgetful of a glorious past of class struggle, on a path which goes beyond domestic class collaboration to attain, at present, collaboration with imperialism on an international level...Finally, this would pose the problem of the consequences to be drawn from this episode for the French Socialist Party. Our party, in fact, has constituted study groups with the SPD to investigate certain common problems. These groups will have only one thing to do: to first of all, determine if the SPD feels itself committed to the statements of Helmut Schmidt.

Wall St. Banker

"I'm Not Worried About Italy — Look At Peru!"

July 20 (NSIPS) — The following interview with an international partner of a major Wall Street investment bank was conducted today following reports of significant new motion in Italian political circles toward a moratorium on Italy's foreign debt.

Q: What is your reaction to the article appearing in Corriere della Sera yesterday on an Italian debt moratorium?

A: You know, Walter Wriston (Chairman of Citibank) is worried about a report put out last week by First Albany Corporation, an Albany banking analysis firm, which rates the major commercial banks 1A to 4 on the soundness of their loans; Morgan is 1, nobody is in 1A and all the rest — Chase, Bankers Trust — are in 4. Citibank made it to 3. The bank's paper is being called into question, and I fully agree with you that another British-style free loan would be terrible for market confidence.

So it's in everybody's interest now to call a spade an excavating tool — that is, not to make it clear that while Mr. Wriston may seem to have made a lot of money in Italy, he hasn't collected any of it yet. We're not going to force Italy. Peru had a government change, didn't it? Didn't it? Andreotti is pretty well shot down, the Italian Communist Party has seen to it that he is having trouble putting together a government of the kind you mentioned (for debt moratorium). I'm not too worried about Italy — look at Peru! Look at Argentina! It has a trade-union movement and a population as big as France!

Q: What about French Gaullist support for an Italian debt moratorium?

A: I know (Gaullist leader Alexander) Sanguinetti. Sure, let them talk. France has a lot to lose. They have a lot of money in

New York banks. Even the money they put in British banks ends up as credits on the accounts of New York banks and is easily impounded. Let them go on borrowing and supporting the franc as long as they can, they they'll have to devalue extensively, and after that, we'll see about a British-style loan...maybe.

Q: What you're saying will result in surrounding the Soviets with Schachtian fascist states, won't it? Have you ever heard of the Schlesinger Doctrine? Do you know about Brezhnev's letter to Assad?

A: Sure, and I wouldn't like to repeat what Assad must have answered over the phone. The Soviets' position in the Mideast is not good. Assad has his own interests, and he knows it. The Soviets don't need to intervene, although they may. They have other alternatives. I don't believe in limited nuclear war, but I don't think the Soviets need to go that far. I discount that.

Q: They have the alternative of supporting an Italian debt moratorium, don't they?

A: Sure, they might even default themselves. But that alternative means not eating this year. Do you know what their grain bills are? Ask not for whom the bell tolls, it tolls for thee, if they go out and try to destroy the capitalist system. I agreed with Jimmy Carter fully on the food weapon.

Q: What do you think they will do?

A: I think this situation will make them count their alternatives, and realize they have to negotiate higher loan rates, and cut back some imports, but cutting back is a lot different from starving.

Q: Or not being around at all?

A: Yes...but then, neither will you or I be.

Italian Christian Democratic Leader's Response To Schmidt

July 20 (NSIPS) — Following are the comments of Flaminio Piccoli, president of the Christian Democratic fraction in the Chamber of Deputies of the Italian Parliament in response to the report by Chancellor Helmut Schmidt of the Rambouillet agreement to deny Italy credit in the event of a left-wing government.

According to a front page article in *La Stampa*, July 19, titled "Explosion of the Schmidt Case," Piccoli asked that "the event (Schmidt's statements) be verified officially." Noting that it appears that the decision was made at Puerto Rico during a restricted meeting, Piccoli decried "the absurdity and the risk of speaking about Italy in a 'summit' at which our leaders are present in a sort of sideshow conference, outside of their presence. The question is not one of procedure, but of substance in the relation among free and sovereign allies."

Schmidt Backs Down On Attacks On Italy

Following the sharp denunciations directed at West Germany from French and Italian political circles in particular, Chancellor Schmidt issued an official statement on July 20 that he had never threatened Italy with a loan cutoff if Communists enter the Italian cabinet during his press conference with American journalists. According to a statement issued by the Federal Republic's Foreign Ministry to their diplomatic corps, Schmidt's reported statements were distorted by the Washington Post, and the picked up by other news agencies around the world.

The statement gives the following account of the Chancellor's July 14 press conference with American journalists with Schmidt:

The Chancellor began by remarking that any statements he

might made about other nations would be strictly off the record. Asked about the possibility of his country giving financial aid to Italy, he emphasized that any new loans to Italy would have to be put together on a multilateral basis. A journalist present remarked that the United States "does not take a fancy to Italian Communist Party" participation in the new cabinet. Asked if he agreed with the American position, Schmidt remarked that he believed the Germans, French and British were in agreement. The journalist questioned further, asking if the Italians were aware of the attitude in the rest of Europe, and Schmidt answered, "I think they have discovered that in the meantime."

UPI Lies About Ford Support For Schmidt Blackmail of Italy

NEW YORK, July 24 (NSIPS) — In a totally lying report on Presidential Press Secretary Ron Nessen's official press briefing July 20, a United Press International dispatch quoted Nessen as saying that President Ford was in agreement with West German Chancellor Helmut Schmidt's blackmail proposal for cutting off trade credits to Italy if the Italian Communist Party enters the Italian government. To the knowledge of NSIPS, which received word of the report from European press contacts, the UPI wire never appeared anywhere in print. But it did serve to shape the minds of many journalists concerning the situation.

Late in the evening on July 20, the White House denied the UPI story when contacted by NSIPS. The following day, the UPI reporter who attended Nessen's briefing and covered the story told NSIPS that Nessen had never said what was reported by UPI. "Nessen said there is no policy... The State Department is handling it... there is a lot of confusion here (at UPI-ed.) about what's happening," the UPI reporter said. He confirmed that this was the content of the story filed with UPI's Washington bureau from Nessen's briefing.

However, the UPI desk editor in Washington, Mr. Taylor, confirmed that his desk did issue a story, allegedly filed from Nessen's briefing, falsely quoting Nessen to the effect that the President is in agreement with Schmidt's policies. But July 21, this false report was already conduited to leading Italian newspapers from their Washington bureaus.

Further obfuscating the truth, the U.S. State Department, which was said to be "now handling" the situation as of July 23 officially denied that Schmidt ever made his widely-quoted statement on Italian credit restrictions.

Le Figaro: Schmidt Doesn't Give a Damn About Europe

July 24 (NSIPS) — *The following are excerpts from a July 20 French daily Le Figaro editorial by the normally loyal Atlanticist mouthpiece Xavier Marchetti, the paper's editor.*

If we wanted to upset all the political circles in Europe, distress all the Chancelleries and put back into doubt at the highest level the notion of international coordination itself, Helmut Schmidt fully succeeded. His revelations concerning the Puerto Rico summit will certainly not be remembered as a beautiful example of political subtlety.

No doubt the German Chancellor does not give a damn and that's his own business, but he is not the only one involved.

The confusion in Paris and London speaks for itself... If there

are no more guarantees of a common restraint, nothing really concerted is possible on Western scale... The problem begins with the attitude one wants to adopt when confronted by such and such new situations. Helmut Schmidt does not want to be bothered by details... Not to help Italy when she is in trouble would lead to a weakening of this Community (the European Community — ed.), which, in the final analysis, only sticks together because of financial solidarity... To exclude any national member from the community from temporary financial support would lead to its progressive elimination from the European Community... Helmut Schmidt, to say the least, has not clarified anything. The trouble in which he has placed his partners (except Washington) is a sizeable political mistake. It cannot but have aftereffects.

Quotidien de Paris: Schmidt Is Kissinger's Henchman In Europe

The following is excerpted from a commentary from the July 19 Le Quotidien de Paris, following West German Chancellor Helmut Schmidt's statements on Italy:

Helmut Schmidt's declarations are all the more scandalous that they only break an open secret. They are a brick thrown in the pond of French politics, indeed, for the Gaullists, to learn that at Puerto Rico, (French President) Giscard has approved of an international plan of interference into Italian internal affairs, means to receive a new proof of the resoluteness with which the holy national independence is torn to pieces by the successor of late French President Georges Pompidou. It is especially a confirmation of the renaissance of French atlantism. The Socialist Party, for its part, is in a delicate situation. How can it be explained in effect that Helmut Schmidt, a member of (Second) Socialist International, like François Mitterrand (head of the French SP), is Mr. Kissinger's major henchman in Europe?

Corriere della Sera: On Schmidt

July 22 (NSIPS) — Excerpted below is a July 20 editorial from the Italian newspaper of record, Corriere della Sera, by Associate Editor Michele Tito. Tito's editorial was entitled "Schmidt, Italy and the PCI in the Government: Whom Does the Puerto Rico Blackmail Really Serve?" Mr. Tito is referring to the results of the recently concluded Puerto Rican Economic Summit.

Does the "Puerto Rico blackmail of Italy" exist? A right wing playing its own game and a left which loses all sense of proportion because of excessive mistrust have blown up a huge scandal. The scandal has no basis: technically the four Western bigs — Americans, French, English and Germans — made no decision on aid to Italy in case of Communist participation in the government...

This stated, the substance remains... It is not scandalous that the responsible leaders of the Western countries talk (about the possibility of a communist government in Italy) around the edges of their international conferences or elsewhere. But there is an ambiguous side: the allies — above all the American and Germans — with their confirmations, clarifications and denials have tended to make the Italians understand that if they want aid they had better exclude the Communists from power. This is indirectly damaging to our sovereignty... However, there is

something more immediately dangerous and perhaps more seriously damaging to our sovereignty and to our real interests...

The West German Chancellor Schmidt has with a maximum of bluntness done everything possible to make appear as a "diktat" determined by himself that that which may be the basic orientation of Italy's allies. Why has he done it? In Germany there will be elections in October. The Social Democracy is threatened by the Christian Democrats... with charges of weakness towards European Communism. In a Germany that accepts the hardest repressive laws existing in the West, these charges are dangerous....

Schmidt's problem is not to lose the advantages gained in the past and to appear today as the unflagging champion of anti-communism in Europe. It should not be a mystery that the Italian Communist Party was informed since the beginning of the year about Schmidt's demands and fears. It is not a mystery any more that between February and March the Chancellor was under the threat of the United States supporting the Christian Democracy against him. The Italian question was becoming a pretext for games of influence between American and German parties. It still is...

We do not want to reduce this huge question to a shrewd game between leaders in electoral campaigns. The question is very serious and of utmost importance... The truth is that at this moment the problem of aid to Italy does not exist: we have not requested it, we have no need as yet to do so...

However, there exists a problem, which is a very old fear of the United States: Italy has a 16,000 billion lire foreign debt outstanding through very complicated ins and outs with the American banks; if Italy was unable to pay its debt, the American financial system would be threatened by a crisis.

The truth is also that Chancellor Schmidt, head of the biggest European financial power, has been firm since he took power on a precise position: Germany must not pay for the others; Italy is living beyond its own means, it must drastically reduce its expenses and its standard of living.... Schmidt is more defending an economic line rather than being ideologically intransigent. And the German economic power always renders him tough and severe on behalf of the logic of the accounting and against consideration of what is politically possible...

There is an important point that the Communists overlook. The problem of aid most likely can be solved if one day, when we have a large reorganizational plan, we have need for it. The big financial bodies do not have to take into account things which are sometimes vital for political leaders. The problem of a fixed view of the demands of Western defense, of security, of international equilibrium, and even the contradictory and complex relationships with the East Bloc, is the real problem which counts for the United States. Kissinger's fear is that while looking for stability and economic strength, Italy may overlook, with the Communists — even though they are capable of agreeing to sacrifices — the military and security demands of the Western alliance.

Kissinger's incredible plan proposing various degrees of Communist participation in power in order to fix the limits between what is tolerable and what is not reveals everything: the economy, the civil life, the society of a country like Italy are worth nothing in view of the necessity for a world equilibrium. The real problem for our independence is this: we cannot prevent the allies from not caring about how we live as long as we are a certain way. The higher reasons of world strategy: Can we ignore them? Can we sacrifice our destiny to them?...

Italy: Schmidt Blackmail Fails To Stop Progress Toward Andreotti Gov't

July 23 (NSIPS) — The blackmail attempt contained in American financiers use of Helmut Schmidt to deliver an austerity ultimatum to Italy earlier this week has failed to slow the steady progress of Christian Democrat Giulio Andreotti's effort to form a new, pro-development Italian government. Whatever the shape of Andreotti's cabinet, the barely concealed intent of his government will be to declare a moratorium on Italy's \$15 billion foreign debt at the earliest possible moment to clear the way for renewed industrial growth in Italy — the real cause of the West German chancellor's outrageous July 16 statements.

Andreotti is now expected to present his choice of cabinet ministers, likely all Christian Democrats, to the Italian parliament for a successful vote of confidence early next week. Having consolidated his position within the DC and received confirmation as Premier July 13, Andreotti undertook consultations this past week with all major Italian political parties. By the end of the week, he had discussed his "draft program" with the various party leaderships, without significant opposition being voiced by any, largely because he had brought significant pressures to bear on such rabidly pro-austerity forces as the NATO-agent Communist Party (PCI) leadership by successfully approaching trade union, farmer and municipal leaderships for support on an independent basis.

Of equal importance, Andreotti's principal political ally in the struggle for a pro-development government, Giacomo Mancini of the Italian Socialist Party (PSI), made significant headway in consolidating his own factional position within the PSI, reflected in a statement by the newly installed PSI General Secretary Bettino Craxi that he would consider Andreotti's program "with the greatest interest and respect." It is upon Mancini's success in consolidating his power over such pro-austerity agents as Craxi and related "left" counterinsurgency groups in the PSI that the success of any pro-development government in Italy will finally depend.

Under the immediate circumstances, "there is no realistic alternative" to Andreotti's formation of a new "government of necessity" wrote Italy's newspaper-of-record, *Corriere della Sera* July 22. Courting no obstacles, Andreotti submitted to the political parties a program described by some as a "laundry list" of the issues, deliberately designed to minimize criticism from the pro-austerity opposition by omitting to specify whether the actual content of government measures ("youth employment" for example) would be slave-labor or high-technology and development oriented.

Nevertheless, it was Soviet and Third World trade arrangements preparatory to a government development program made by industrialist Eugenio Cefis which in large part tipped the political balance in Andreotti's favor.

Andreotti himself, shortly after his July 13 confirmation as DC choice for premier, released a statement emphasizing his commitment to policies of industrial growth.

Andreotti added to his political leverage by tapping the debt moratorium sentiments of Italy's peasantry, represented by the DC's own Coldiretti farmers organization, composing 80 per cent of Italy's small landholders. The Coldiretti's call for an agricultural debt moratorium in Italian agriculture significantly destabilized the Italian Communist Party's pro-austerity campaign, as the Coldiretti proceeded to conduct discussions around the debt issue with the PCI's powerful Peasant Alliance organization, composed of equally drought-stricken farmers.

The debt moratorium motion by the farmers was joined and reinforced by similar demands from the mayors of Italy's bankrupt cities, in particular the PSI-controlled administrations. Subsequently, Andreotti met and received an expression of confidence from five leading mayors of the National

Association of Municipalities, promising them government steps in favor of "local debt consolidation" quite apart from his discussion with their parties.

Queried by NSIPS on the meaning of Andreotti's "debt consolidation" statement, a prominent writer for *Corriere della Sera* said that, if Andreotti delays a foreign debt moratorium, he is almost certain to call "internal" debt moratoria soon after the formation of his government.

On July 20, Andreotti met and reached a similar "independent" programmatic agreement with the nation's trade union leaderships. He thus rendered it extremely difficult for the PCI to refuse him support on programmatic grounds.

Accordingly, the PCI has been forced to maintain a tentative opposition on purely formal grounds. Enrico Berlinguer, of the PCI leadership and the American CIA, has demanded that Andreotti "officially request" an abstention rather than a PCI "No" vote to his proposed cabinet. If the PCI votes "No" Andreotti cannot form a government, but Andreotti can hardly agree to "official consultations" as Berlinguer wittingly demands. The DC gained a plurality of the votes in the May general elections on the basis of a largely anti-Communist campaign.

Berlinguer's wrecking posture, however, continues to grow more difficult. In a feature interview in the July 20 *Corriere della Sera*, National Secretary Lettieri of the giant metal workers confederation (FLM) attacked the slave-labor "youth employment" program of the PCI, and proposed increased youth education, the employment of youth in a national literacy campaign, and youth's employment otherwise in regular industry at regular union wages — significantly corresponding to Andreotti's own public statements on such issues.

Not coincidentally, the same issue of *Corriere della Sera* reported that Cefis's Montedison had proposed a campaign of collaboration between industry and the national university system for industrial development. We must turn out "high-quality labor-power," a Montedison spokesman said, for "we need creativity." "And you can't get creativity out of machines."

But the most critical support for Mancini has come from the direction of the PSI's Giacomo Mancini. On page one of today's *PSI Avanti* newspaper, Mancini spokesman Nino Neri launched a blistering attack on the so-called "left-wing" of the Christian Democracy under Benigno Zaccagnini for failing to back Andreotti wholeheartedly. In a related move, Mario Dido, a PSI member and a National Secretary of the CGIL trade union confederation, issued a public statement endorsing Andreotti and his future government.

Such statements represent a major factional fight now raging within the PSI itself. At a PSI Central Committee meeting early last week, rabidly Atlanticist PSI agent Riccardo Lombardi resigned his position, taking with him the rest of his faction. The tactic was aimed at threatening a party split, and forcing Mancini into a compromise position on an Andreotti government and development program. The resignation of PSI General Secretary de Martino followed.

Mancini has not capitulated, but dangerously allowed Bettino Craxi, an Atlanticist agent in his own right, to assume the position of party general secretary, from which Craxi can potentially maneuver against PSI alliance with Andreotti.

However, Mancini has within his capability a tactic which he may use to short-circuit the entire agent-operations in his party. Resting among those would-be wreckers is the exposed flank of Francesco Alberoni, the rector of Trento University during the 1968-70 period during which that institution under the direction of sociologist Alberoni himself, brainwashed the members of the notorious "Red Brigades" terrorist gangs which have been used

by leading Italian Atlanticist Gianni Agnelli to disrupt Italian political life for months.

Were Mancini to launch a full investigation into Alberoni and the PSI "intellectuals" associated with him — and Mancini associates began just such an investigation through the

magazine *Tempo Illustrato* in May — it would immediately throw a large monkey-wrench into the Atlanticist "invisible government" networks not only throughout the PSI, but all of Italy. The maneuvering room required by Mancini and Andreotti to openly propose and put across a debt moratorium and development program would be quickly provided.

France

Giscard Didn't Need Schmidt's Statement

July 24 (NSIPS) — Infuriated Atlanticist spokesmen were quick to recognize that Helmut Schmidt had made a major blunder when he spoke of a U.S.-European agreement in Puerto Rico not to grant financial aid to Italy except under certain political conditions. Typical of those reactions was *Le Figaro* editorialist Xavier Marchetti who said, in more polite terms, that if Mr. Schmidt could not keep his mouth shut, he should go straight to hell with his European unity plans, and everyone might as well stay home and not bother about summit meetings anymore. The repeated criticism of Schmidt was that his behavior showed absolutely no concern for his partners, and primarily French President Giscard d'Estaing.

There were good reasons for the angry reactions. Schmidt's remarks came in the midst of an exchange of complementary messages between prominent Gaullist leaders and the Soviets. These messages indicated a similarity of views and a common determination to hit the Atlanticists in the weakest spots: the dollar and the Giscard regime.

Having very little support in the country, Giscard's strategy to subject France to the dollar empire and Schachtian economics can be summarized as following the Italian dictum: "Chi va piano va sano" (who goes slowly, goes safely). The Schmidt statement represented a definite threat to the successful realization of this doctrine, as it provided the necessary fuel for the Gaullists to go all the way in their denunciation of Atlanticism.

Gaullist Baron Michel Debre was quick to point out the danger of a resurgence of fascism in Germany, and the threat this is posing for the balance of forces in Europe and for detente generally. Other Gaullist spokesmen did the same, the Sanguinetti brothers, military figures like General Binoche, Foreign Policy Institute thinkers like de Coursac, denounced the Schmidt declaration in turn. They developed the argument that the Chancellor's remarks showed that any European unification constitutes a danger for the national independence of France, as it has been shown to be the case for Italy. The French Communist Party, waking up from its sleep, mobilized around those themes, with militants distributing half a million leaflets in the Paris region alone. Opening the campaign 6,000 PCF militants demonstrated on behalf of national independence in Paris.

It is exactly that kind of 'Jacobin' ferment among the Gaullists and within the PCF which the Giscard government wanted to avoid. It immediately imperils the French government's European and economic policy, destabilizing the regime at a time when French business is angry at its failures in monetary policy and the trade unions refuse to accept any austerity plans. The prominent financial daily *Les Echos*, which represents the point of view of a large fraction of the business community, has praised Gaullist Baron Michel Debre's call for a Gaullist government of "national emergency" as a solution of last resort should the present government continue to be indecisive in dealing with the worsening economic situation, a declining franc and a heavy trade deficit worsened by the European drought.

Debre, praised last week by *Izvestia* as the French political figure with a 'realistic' understanding and commitment to detente, proposed in *Le Figaro* a Gaullist dictatorship as the sole alternative to the Atlanticist-dollar dictatorship being imposed now. Debre's conception of the tasks of such a government: eliminating internal and external inflation, coincide with Rude Pravo's warnings about the wild inflationary situation and its advocacy of gold for a sound monetary system. The Soviets and Gaullists also share the same concerns on the question of defense and European organization. While *Pravda* praised Baron Couve de Murville for his farsighted remarks on the importance of good Franco-Soviet relations, Foreign Minister Sauvagnargues, then in Moscow, was subjected to intense interrogations by Soviet Foreign Minister Gromyko on whether France adhered to detente and what exactly was its defense policy. Military strategist General Pierre Marie Gallois, interviewed in *Le Nouvel Observateur*, poked fun at the 'kiddy war' doctrine of Giscard (that of Schlesinger) in the face of the Soviet' allegiance to a strategic war-winning policy. Gallois stated that the only way a united Europe could come into being would be through a Gaullist-governed France, with a greatly strengthened force de frappe or nuclear dissuasion force. Such a Europe would be on good terms with the USSR, if we are to interpret Gallois' evident feelings of trust and friendship towards that country.

The recurring theme of all concerned Frenchmen, Gaullists and Jacobins among business and working class layers alike is that Giscard is "unfit" to rule. Mr. Giscard did not need Mr. Schmidt's statement, to say the least!

NSIPS Exclusive Translations

Gaullist Leader Debré: "Inflation Leads To Dictatorship"

July 22 (NSIPS) — Gaullist Baron Michel Debré, a former French Prime Minister under General Charles de Gaulle, made the following statements in a July 21 article, excerpted here from the Paris daily *Le Figaro*.

A long period of excessive inflation leads a nation into an abnormal situation. When it becomes a habit not to react, or to react insufficiently, the effort which must be furnished to go back to the norm is so great that it goes beyond the means of a political power established in ordinary forms. A period of full power, and perhaps a form of dictatorship then appears ineluctable. (Public) opinion, as agitated as it often is with contradictory sentiments, expects this and fears it at the same time.

This process is in France on the verge of being set off in an irreversible manner. Five years of over-inflation, of uncertain and, at best, mediocre perspectives: the situation deserves a long moment of reflection on the part of our responsible officials.

Without a doubt, we have aligned ourselves on general renunciation and accept without protest the consequences of a break — wanted by the United States — of the parapet constituted by the international monetary order based on gold. The

disappearance of this order facilitates the anarchy of currencies, thus price increases and the partitioning of trade — in a word, feeds and encourages pernicious worldwide inflation with its redoubtable consequences for peace.

But to this worldwide inflation, we add our internal state of over-inflation. We drive ourselves deeper in the error which consists of spending more than we produce and sell, more than we can reasonably envisage producing and selling. . . .

Neither can limiting oneself to seeking a balanced State budget achieve a serious result. Without a doubt, the axe of savings can be brought down on the budgets of defense, foreign affairs, cultural affairs, research and justice, and in a general as well as blind manner on equipment. The future is thus, from year to year, sacrificed all the more to the present. Over the years, increases in salaries, pensions and other costs prevent all new efforts, all projects for the future, all state necessity, whether it be in military or social questions, whether it be a question of worldly influence, science or housing. . . .

Not to react — what is called reacting in the best sense of the term — is to condemn France to indebtedness, thus to the loss of all outside influence and credibility. It is to impose on French society the debilitating rhythm of “stop-go-stop,” successive alterations and slowing down with a backdrop constituted by increased unemployment. It is to increase for each man and each woman, for each household, the sense of living only for today — the most profound psychological cause of declining birth rates — a phenomenon which then becomes a major cause of inflation. It is to leave our children with a France in which internal divisions are exacerbated, in the image of Italy, a France whose external authority will only be facade, in the image of Great Britain, a parcelled France in a Europe in which Germany will hold the key for its own profit.

To act is to attempt a difficult task, one which at its start may even be unpopular. We are reminded of the revolt of the Queen, the Court, the Parliaments and the corporations against Turgot (Minister of Finance who was expelled for having attacked the nobility's privileges for Louis the XVI — ed.). But Turgot could have spared a revolution. Occasions have been missed over recent years. The brook has become a river. To channel it back into its riverbed it is insufficient to build dams. Much more is needed. It is all the more indispensable to accompany the necessary policy with measures which, without having an important anti-inflationary effect, are psychologically and even sociologically necessary to give the nation a feeling of collective and shared general effort.

Let us not speak of a so-called right dictatorship which only intervenes in our country after a defeat or the excesses of a revolutionary anarchy.

A so-called left dictatorship is seemingly cast aside by the tactic of the Communist Party. The Communist Party will not accede to power to fail. However, success will depend on a strict revenues policy, a great effort of production and reasonable management of finances. . . .

Unless there is recourse to the third form of dictatorship, that which is specifically and profoundly Republican It is a procedure which is delicate to handle and which needs well-tempered hearts, a firm will and a great spirit of independence. If we were under the Third or Fourth Republics we would already be speaking of it openly. . . .

It seems to me that it is possible to say the following: unless we accept full powers during a limited period of time and make good use of them, we run the risk after the 1978 (scheduled legislative) elections of a much less Republican thrust toward another type of full power. This is why I repeat what I wrote in these very pages last March: it seems to me that the notion of public safety from now on must inspire thoughts and decisions. To postpone the deadline is to deteriorate France, without benefit for the French, who one day, to put it in ordinary language, will have to pay the bill. The more we wait, the less

reason will be capable of dominating excess.

“Is Germany Becoming A Danger Again?”

July 24 (NSIPS) — The following are excerpts of an article by Gaullist baron Michel Debre appearing in yesterday's French daily *Le Monde*.

An ungrateful, absurd and scandalous judgement on General de Gaulle, an untimely declaration on the internal affairs of Italy: again we feel the roughness of German leaders when they are sure of themselves.

But it is still a matter of appearances, albeit revealing. There is something more serious.

The “recartellization” of the steel industry in the north of Western Europe, under German leadership, does not only raise the question of the Brussels Commission's capacity to enforce a treaty of which it is the guarantor.

Thirty years after the end of the Second World War and the thirty million dead for whom Hitler is responsible, we must above all wonder if Germany is again becoming a danger for the balance of forces in Europe and therefore for peace.

It was not only because the great cartels had been the instruments of Germany's exceptional industrial power. It was not only because they had for four years been the first and shameful beneficiaries of the forced, inhuman and mortal labor imposed on millions of deported slaves. It was because the leaders of these cartels, and these cartels themselves, had been the spearhead of the German will to dominate Europe that it had been decided to divide them and to forbid their reconstitution. At a certain level of power, a cartel is no longer an element of the economy: it becomes the motor of a policy. Insane is the man who forgets this law, who ignores this reality!

In this year 1976, a step has just been taken. The new planned cartel is gigantic. It guarantees to the leaders of German steel a European predominance whose political consequences cannot be measured. The silence of other governments, without exception, and the hesitations of the Brussels Commission speak eloquently of the respect now displayed toward the richest country in Europe...Our government, spurred on by oral and written questions, reacted and demanded explanations...which have not been given to it. The last intergovernmental communiqué is simultaneously salve and holy, kingly, water...Recartellization is not formally forbidden.

The only argument invoked not to apply the Treaty (on the European Coal and Steel community) on this point is the following: there is no longer a German danger.

It is true. The situation is not what it was for one century. Germany is divided... Nonetheless, it remains that West Germany has realized, such as it is with its labor and seriousness, a recovery which deserves to be admired and represents one of the noticeable traits of European history this century. It is only stained by a deep fall of the birthrate. But...the millions of German refugees from the East brought, through their labor and youth, a new active population whose contribution to German progress represents by itself alone a denial to the inconsiderate theses of demographic Malthusianism preached today to European nations. However, a chipping away process is beginning: it is the Achilles heel of a giant.

One will also say, correctly, that German military power remains limited...However, we must know, as experience taught us so cruelly, that such a situation can change radically in a few years...German diplomacy lets its industrialists question the value of the Treaty of the coal and steel community which it signed in 1950. Tomorrow, which other treaty will be questioned, which other signature will be denied? In addition, certain forms of scientific cooperation between Germany and other partners of the Atlantic Alliance could facilitate this turn.

We have not reached that point, I will also be told. And rightly

so. Germany is therefore not a danger, and if you want to avoid that it be one, make Europe! Enrolled, surrounded by the nations of Western Europe, Germany will lose its ambitions and turn its eyes away from East Germany and from the Donau valley, Alsace and Lorraine...The years have passed when such a language could be spoken and when such thoughts were credible. Europe will be, as it always has been, what the elements composing it are. The strongest and the richest element will win...

Perhaps we can consider that, despite notable differences, France and Germany must find themselves side by side in the face of numerous difficulties today, tomorrow. That is also true. The agreement between Paris and Bonn is a key, one can even say the key of European entente...However, one must know that agreement does not go without saying... It is a surrender to chimeras not to see the singularity of each nation.

One thus reaches the eternal conclusion. Germany will not represent a danger if France is strong. It is not by chance that French-German entente progressed and culminated in de Gaulle's time, whether the forgetful Chancellor of today likes it or not...These days, if we were firm and strong, the Brussels Commission would not have hemmed and hawed to such an extent before condemning the recartellization envisaged for Germany in steel. It would already have been done! But we are on the slope of weakness: a currency eaten away by inflation, and industry whose investments have ceased being on a par with future exigencies, public powers which hesitate on the conduct to adopt even in essential domains, without vigor in regard to France's interests abroad, and in the background, the tragically falling birth-rate of a country whose awakening, in the quarter century following 1945, was not enough to heal either its 150-year demographic decline or its losses in human lives in two great wars. Thus is created before our eyes an unbalance whose consequences can only be deplorable, if not tragic.

No. our problem is not first of all the 1977 elections, those of 1978 and, in the meantime, such and such ministerial reshuffle, such or such electoral modification or transformation at the whim of today's winds, not the calculations of (political) headquarters and the impulses of each and every one. Our first problem is this: a strong, industrious, independent France, that is to say, a France which will dare cure boldly of the internal causes of inflation and a falling birth-rate...

Gaullist General Binoche On Giscard

July 22 (NSIPS) — The following are excerpts from an article written by Gaullist General Pierre Binoche and reprinted in

part in the daily of the French Communist Party, L'Humanité on July 21. The article was addressed to French President Giscard d'Estaing's frequent references to France as a "mediocre, second-rate" power:

A surprising declaration from the actual successor of (the late) General De Gaulle! Better, let's say, an attempted justification of his political deficiencies. Gone are the great designs, gone are the responsibilities on a world scale...for the fragile man, to whom we have confided the state and provisionally, our destiny; it is more practical to declare France incapable of following the game of world politics, than to confess, to himself first of all and then to us, that it is he who is not credible and he is overcome by his responsibilities....

Our foreign policy concerning Europe and the Mediterranean and at the same time, on the strategic level, is modified little by little to place us among the good students in the Atlantic class.

Pravda On "Plans Of The Enemies Of Detente"

July 22 (NSIPS) — The following is excerpted from an article appearing in the July 19 Pravda, official newspaper of the Soviet Communist Party, by Bonn correspondent V. Mikhailov.

The German and French communist parties have appealed to the public of both countries with a joint call to stop the transfer of French nuclear forces to the borders of the socialist world. In a communiqué published simultaneously by the newspapers *Unsere Zeit* and *L'Humanité* (the newspapers of the West German Communist Party and the French Communist Parties respectively — ed.), it is pointed out that plans exist to relocate French nuclear Pluton missile systems immediately at the border of the German Democratic Republic.

In the long run, this reorientation of French nuclear forces contains huge dangers, notes the communiqué, since influential reactionary forces in the Federal Republic of Germany have not given up their intentions to annex the German Democratic Republic.

Transfer of French nuclear weapons to the territory of a country where an overwhelming portion of NATO armed forces are concentrated, will accelerate the drawing of France into the military organization of NATO and will inevitably bring the armed forces of the two countries closer together. Plans to forge a so-called "Western European Army" will be closer to realization; a development which would open to Bundeswehr generals direct access to weapons of mass annihilation.

This policy, state the communists of the two countries, contradicts the national interests of France and the FRG and the spirit of friendship and cooperation in Europe. . . .



Wall Street Boasts Over Success Of Its Bloodless Coup In Peru

July 25 (NSIPS) — The Wall Street bankers, who with U.S. Secretary of State Henry Kissinger, are revelling in their success at orchestrating the July 16 right-wing military coup in Peru, have begun in the space of a week to dismantle the last eight years of economic achievements of the pro-development Peruvian Revolution. While proceeding full speed to turn Peru into a remake of their fascist Chile, Kissinger and his Wall Street co-conspirators have backed off — at least temporarily — from a bloodbath of repression which could today trigger the collapse of the entire Dollar Empire.

The New York Times yesterday flagrantly boasted that it was the New York Times which engineered the actual coup, working in collaboration with Peruvian Central Reserve Bank head Santisteban and the Peruvian rightwing military forces, as part of the process of renegotiating Peruvian debt payments of \$400 million due June 30. Now, the debt-collection consortium of commercial banks led by Peru's top creditors — Manufacturers Hanover, Morgan Guaranty, First National City, Chase Manhattan and San Francisco-based Wells Fargo — have tentatively agreed to give their Peruvian fascist puppets less than one-half the needed refinancing, and will enforce Chilean-style austerity directly through "continuous monitoring of Peru's economic policies."

Bankers and a crew of "experts" from the Organization of American States, International Monetary Fund (IMF), World Bank, Interamerican Development Bank and Agency for International Development — who met in Washington early last week to pass the genocidal austerity program the banks will "police" — readily admit that the measures will result in a 45-50 per cent increase in the rate of inflation over this year (on top of a 50 per cent rate of inflation since January), a collapse in real wages, and massive unemployment, due largely to nearly 30 per cent cuts in government spending.

On July 21, scarcely a week after the coup, the right-wing military running Peru announced the beginning of the dismemberment of Peru's state sector. The state-owned fishing industry Pesca Peru (nationalized in 1972) will sell its fishing fleet to private owners to eliminate maintenance costs, "expensive" unemployment, pay for seasonally employed and over 7,000 "excess" fishermen, and to pay off half of the industry's 14 million soles debt. As well, Peru's oil reserves — exploited through the state's Petro Peru — will be re-opened to "risk contract" looting by the multinationals.

"Institutional" Genocide

Kissinger and Wall Street are trying to perpetrate economic genocide against the Peruvian population for as long as possible under the guise of the "institutional continuity of the Peruvian Revolution." With major pro-development forces in Europe threatening to dump the dollar, and numerous Third World countries on the verge of default or debt moratoria, the bloody example of another Chile in Peru could serve as the catalyst for an international debt moratorium backlash. Kissinger is playing a dangerous game of chicken around the international debt crisis — a game which is successful only so long as no one dares to call his bluff.

Another important factor in maintaining the tight "institutional cover" is the potential for open rebellion by committed pro-development ranks and middle-level officer corps of the army, the most powerful branch of the military. These layers would move if confronted too quickly or directly with the reality of the fascist takeover.

In direct response to a damning expose in the French daily *Le Monde* last week — demonstrating clearly that the pro-development Peruvian generals were crushed because they failed to fight at decisive moments — both the Peruvian Ambassador to France and the new right-wing Foreign Minister defensively declared that Peru is known "worldwide for its lack of violence and bloodshed." The scheduled July 22 national strike of maoist-controlled teachers union — intended to provide the pretext for a Chilean style mop-up of the Labor movement and left — was called off early in the week and July 22 passed without incident.

The fascist Peruvian junta is daily consolidating control over the military-government command and control structure, while exercising a low-profile repression and tight control against any possible resistance. Several leaders of the pro-moratoria Fishermen's Union were arrested yesterday, according to Mexican press reports, on their way to give a press conference to denounce the destatization of the Pesca Peru fishing industry. The fishermen have charged that the destatization "would wipe out the gains of 30 years of hard struggles" in one day.

The government Information Office will take complete, direct control of the six daily Lima press, while the junta last week decreed severe penalties for any students or faculty involved in "disturbances" on university campuses. Seventeen students in a northern town were killed last week when police repressed a demonstration.

NSIPS Exclusive Translations

Le Monde Editorial On Peru Coup

July 22 (NSIPS) — The following is excerpted from the editorial of *Le Monde*, July 21, entitled "The Peruvian Military Brought to Order." It appeared unsigned on the newspaper's front page.

The ouster of General Jorge Fernandez Maldonado (as Peru's Prime Minister) set aside last week from the leadership of the Lima government and from his key post as Chief of Staff of the land army, sounds the death knell for the revolutionary and nationalist experience begun by the Peruvian military in October 1968.

Leader of the left wing of the armed forces, a sincere progressive, an officer who resolved to fight for a real political sovereignty and economic independence of Peru, General Fernandez Maldonado fell under the coordinated blows of the conservative navy, right-wing military, and business circles, encouraged behind the scenes by Washington's representatives. . . .

Their objectives (Maldonado's military forces — ed.) were essentially progressive: modernize a society which had remained, in its great majority, archaic; favor the creation of a

dynamic industrial sector . . . and finally, ensure that the State controlled the riches of the country by nationalizing the basic sectors and setting the rules of the game for the "multinationals."

For this reason, the Communists and left parties, for the most part, have supported this experience . . . despite its restrictions on liberties . . . They are today the designated victims of a civilian and military pro-American right wing which deems itself victorious. The purge has begun. All the officers close to former President Velasco Alvarado have been ousted; the ministers who are partisans of the non-alignment of Peru, like Foreign Minister (Miguel) de la Flor, have been kicked out; the counselors of the former Chief of State are being arrested.

Workers have been informed that strikes are prohibited. The agrarian reform plan, one of the most serious in Latin America, will undoubtedly be revised . . . But the leaders of the former parties of the center and right and those of the APRA can only congratulate themselves for this military coup d'état which dares not call itself by that name.

The Peruvian leaders have been impressed over the last two years by the reinforcement of right-wing military regimes at their borders and the repeated warnings by Washington. Brazil, Bolivia, Uruguay, Paraguay, Chile and now Argentina form around Peru a threatening "circle of steel." Cuba neutralized, Peru aligned in turn, Panama veering towards the right: one can quickly count the countries which are still more or less disposed, like Mexico or Venezuela, to contest the total hegemonic hold of the United States over the sub-continent, prepared by (Secretary of State Henry) Kissinger since the over-throw of (Chilean President) Salvadore Allende (in 1973).

Le Monde On Peru Coup: Maldonado Waited Too Long To Move

July 22 (NSIPS) — The following is an extract from an article which appeared in the July 18-19 edition of *Le Monde*, the leading French daily.

Recently General Fernandez Maldonado had become more than ever a symbol. Wasn't he one of the last representatives of the first phase of the revolutionary process, in trouble within a government leaning more and more towards realpolitiking?...

After the August 1975 coup, the country's new leaders asserted that "in front of the growing economic crisis, one has to get back the confidence of the investors, slow down the process of transformation." The big reforms announced are continuously postponed. The "Tupac Amaru" plan which elaborated this program of reforms is blocked, right before its publication, by conservative officers. In front of the latter's offensive, General Fernandez Maldonado and his proponents keep silent. One should not take premature decisions, they assert, one must wait for the conservative economic strategy being carried out to prove its incapacity to solve the crisis....In spite of his moderation, he is criticized by the conservative officers who estimate that his presence at the head of the government makes the application of the new economic strategy difficult. The June (1976 — ed) austerity measures make the climate heavier. The nationalist officers assert with dissatisfaction that "these bear the mark of the International Monetary Fund" ... General Fernandez Maldonado this time launches a counter-offensive.. But it was too late.

Pentagon On Peru Now They Can Tighten Up The Economy

Washington, D.C., July 2 (NSIPS) — A Pentagon official with first hand knowledge of Latin America made the following

comments to *New Solidarity International Press Service* yesterday regarding the July 16 purge of left-wing pro-development and debt moratorium ministers from the Peruvian cabinet and recent moves toward the consolidation of a right-wing government.

NSIPS: It looks like your people finally pulled it off.

A: Yes, I think these guys are going to be around for a long time.

NSIPS: You don't see possibilities of a countermove by the left? What about the following among junior officers for Enrique Gallegos (ousted Minister of Agriculture) and Miguel de la Flor (ousted Foreign Minister)? What if one of them gains control of the Tacna region (Chile border area in South)?

A: I don't see much of a chance for a move by the left. As for the junior officers, the people in power now have it. They've got it. I don't know the details, but these guys are going to be around for quite some time. They got those leftists out of there, so now they are going to get down to business, tighten up the economy, and pay off some of their debts.

NSIPS: The debt question was the major factor, wasn't it? Particularly the \$400 million loan?

A: Yes, those 400 big ones. That was the question.

NSIPS: What part did (Finance Minister) Barua play in all this?

A: Well, he has a tremendous influence on the old man (President Morales Bermudez).

NSIPS: Where is Bobbio? (Gen. Bobbio Centurion, leader of the July 9-10 right-wing military coup attempt — ed.) Isn't he the ringleader of the military move?

A: Like I said, I've been removed from the details. I don't know.

NSIPS: Is the Lima regional command open?

A: Gen. Portella will probably keep it along with his Inspector General post.

NSIPS: What do you know about Gen. Oscar Molina? (Chief of Peruvian Joint Chiefs of Staff and former top advisor to Morales, a centrist — ed.)?

A: He's a very smart guy. He plays very cautiously and keeps his ideas to himself. He is probably slightly to the left of the rest of the people in there now. These guys are going to be around for awhile. We won't be seeing any problems with Peru for a long time.

Mexico

NSIPS Exclusive Interviews

Rockefeller Genocide Merchant Paddock

July 22 (NSIPS) — *New Solidarity International Press Service* has obtained the following excerpts from an interview with William Paddock, the designer of a U.S. Immigration and Naturalization Service deportation policy for illegal Mexican aliens. Last year, Paddock, a Rockefeller expert in Third World genocide, told an interviewer that 30 million of the country's 58 million inhabitants must be eliminated. At that time he said, "Seal the border and watch them scream."

Paddock's "new approach" consists of returning Mexican immigrants to their villages of origin rather than depositing them on the Mexican side of the border to go where they wish and went into implementation two days ago. The new policy is being applied only to those illegal Mexicans who come from below an "imaginary line" that includes the entire southeast of Mexico. In this impoverished region, the Rockefeller-backed right-wing Monterrey group of industrialists and landowners are establishing massive slave labor camps.

The INS claims that 15,000 persons will be given the "opportunity" of being shipped back to overcrowded towns and villages throughout southern Mexico. High officials of the Mexican government who have indicated that the scheme was

forced on Mexico by heavy U.S. pressure, put the figure between 18,000 and 40,000.

George Ball, top Atlanticist investment banker and advisor to Democratic presidential nominee Jimmy Carter, has endorsed the Paddock plan in his recently published book, *Diplomacy for an Overcrowded World*.

Q: You favor closing off the border?

Paddock: Very much so. We must stop the illegal immigrants. There's no other way. And that will require making the U.S.-Mexican border the most heavily patrolled border in the world, with barbed wire and hourly helicopter patrols. That's the way it's going to be within ten years. As for the illegals presently in the U.S., the only way to control them is to put a heavy fine on U.S. employers who give them jobs.

Q: Do you think one factor right now behind shipping illegals back to their place of origin instead of leaving them at the border would be to increase pressure on the Echeverria government? President Echeverria has been on the offensive against pro-U.S. business interests in Mexico. . . .

Paddock: Oh has he? What has he said?

Q: Echeverria has carried out a serious campaign of land reform and urban development. . . .

Paddock: Well, there have certainly been some radical statements as far as the Third World is concerned. As for pressure against Mexico through repatriation programs, I'd like to see the U.S. act this way. But I don't see us coordinated enough.

Look, there are one million new illegals net each year. Justice Blackwell talked to Chapman (head of INS) to get statistics for the Environmental Funds latest newsletter, and after hemming and hawing, Chapman said there were indications it was at least a million a year. Then he kept scaling the estimate down "to be on the safe side." We know it's higher — probably 1,200,000 net per year, 85 per cent of them Mexican. Now if you figure that population back into Mexican population figures, you would see Mexico is growing at 3.6 per cent a year, not the official 3.2 per cent. Which means that if the passage of illegals into the U.S. were stopped the Mexican population would double in 18 years.

Q: What about programs to try to hold returned illegals in their place of origin? Bustamante, a Colegio de Mexico investigator, has been talking about installing agricultural projects for agricultural export which would help the balance of payments. But it looks to me there's no way to keep the illegals in Mexico unless there is coercion, and that's not likely with the present government.

Paddock: You're absolutely right. There's just no way to hold people in Mexico. According to our studies, the rural population is 50 per cent unemployed. And remember, Mexico is a damn poor piece of real estate. You drive south from Laredo (the Texas border — ed.) and there's nothing until San Luis Potosi (in Mexico's central interior — ed.) I'm an agronomist and Mexico is one of the most frightening spots in the world from an agricultural standpoint. There's just no way to produce jobs for such a population when the land's that bad.

Q: So what can be a solution for Mexico? We're very concerned about rising social tensions unless some kind of employment program can be devised.

Paddock: There is no solution to Mexico's problems, without drastic reduction of the birth rate or increase in the death rates. Mexico is one of the world's disasters. And there is no chance of really lowering the birth rate in the short term, so there will have to be an increase in the death rate. Pestilence, famine or war is going to have to do it — man can't.

Now you know, one of the biggest problems Mexico had was the Rockefeller Foundation. Through the 1950's and 1960's it

pushed to make Mexico self-sufficient. But that's absurd, since most Mexicans have always been malnourished and even if you had enough food for apparent consumption, you wouldn't really be feeding the population adequately. And so what the Rockefeller programs did was bring Mexicans to believe they could defeat Malthus, and so they went on breeding like rabbits.

Businessmen who go down to Mexico go ga-ga over the numbers of people there, the size of the markets. But the situation is really terrible. Your urban guerrilla is just an indication of things to come.

Q: So what can handle the kinds of pressures which would build up in Mexico if the border were closed and illegals repatriated from the U.S.?

Paddock: The pressure would have to go inward. There's no reason we should take on their problems. It's their problem. Look at Echeverria. . . . How many kids does he have? Eleven? They can have as many people as they want, and that's what they're doing, but we don't have the obligation to feed them. When I was 33 years old, I spent a summer at a ranch near Pachuca. There were just 15 million people in Mexico at that time. And I'm not so old. . . . I'm 54. And now the population is 62 million. At this rate we are going to be dealing with a situation of Chinese hordes, a population the size of China's within another 50 years. . . . But Mexico could be America's worse enemy. It's a very dangerous situation. Every American should be upset. . . .

Q: Have you been able to get awareness of this out in the U.S.?

Paddock: Everyone's sleeping. We've been trying to raise concern, but most people aren't doing a damned thing about the threat from Mexico.

Q: I understand George Ball had considerable praise for you in his recent book.

Paddock: I haven't seen Ball's book yet. I've only been back in the country since last week, though I've ordered the book.

Q: Were you surprised that Mr. Ball endorsed your views on Mexico and population?

Paddock: Well, George Ball's a very good man; he's a partner in Dillon Read...and they say he's one of Jimmy Carter's possible people for the cabinet.

Q: How do you expect to get Mr. Carter to act on your ideas?

Paddock: I don't know who is really advising Carter and I don't know who might be open to the proposals I've made. I've had friends trying to get me in to see Carter for the past three months, but no luck yet. I would think Carter might have an understanding of these problems but I don't see any reason why he would be interested until the election. There are probably some southerners with money that Carter doesn't want to alienate. Actually, what I really want to see Carter about is our general foreign aid program. We've got to cut back our foreign aid and only help those countries with decelerating population growth rates and rates under the world average.

Q: That can't be very many countries.

Paddock: No, it isn't. In fact, it's just eight. With a total population of 60 million. But how can you deal with one billion? Argentina is one of them, also Zambia, Upper Volta, Central African Republic, Malagasy, Singapore, Taiwan, and Trinidad. Taiwan is actually doing pretty well due to the enormous foreign aid the U.S. had given it. Of course, if you gave the same per capita aid to India, it would cost \$120 billion.

Q: What are you doing in regard to Mexico right now?

Paddock: Have a look at my book, it gives a lot of that information — we interviewed over a hundred Mexicans, and the Rockefeller Foundation has done a lot and the book talks about it. And you should see the work we did on the Monterrey group. You know that group thinks of itself as pretty sharp, but they're not as sharp as they think. There's been a lot of other factors.

Q: Are you doing anything on Monterrey now?

Paddock: No.

Q: What kind of work are you doing now?

Paddock: I'm a consultant on tropical agriculture. I do some work for private industry and also some U.S. banks worried about their agricultural loans. On paper, there's nothing more profitable than agriculture, but in reality, it's less good.

Q: Which banks?

Paddock: Well, it's primarily one, which prefers that my work with them stay confidential. I'm pretty well known for some of my writing and they'd rather not have it known that I'm looking over their applications. I'm constantly asked where to put money, and I definitely don't say Mexico. The only thing that may help is the oil but there's no way to know what the deposits really are. Mexico is a clear-cut threat to our own way of life. Of course, Mexico just epitomizes the general Third World threat but it's closer to us in Mexico. Peru doesn't represent the threat to use that Mexico does.

Paddock Collaborator Reveals Wall St. Trilateral Links To Mexico Genocide Push

WASHINGTON D.C., July 24 (NSIPS) — The following interview was held July 22 with Justin Blackwell, head of the pro-zero population growth organization known as the Environmental Fund on whose board of directors also sits William Paddock.

Q: Mr. Blackwell, are you familiar with the new Immigration and Naturalization Service plan to deport to southern Mexico as many as 40,000 Mexicans now in the U.S.?

Blackwell: I don't know anything about the repatriation plan. About a month ago, though, I heard about a California company that was formed just for the purpose of taking illegals further back into Mexico; they got a government contract for it. But when the Mexican government found out, and the plane got over Mexico, the government, slightly horrified, refused the plane landing privileges. But that's all I know.

Q: Why so much concern, do you think, over Mexican population?

Blackwell: The Mexican population growth spilling over into the U.S. is a bigger boost to our own population problems than our own babies. Actually, a lot of what I would like to call illegals are legal. A kid born here of an illegal mother becomes a citizen. Then, the mother claims citizenship based on the kid, and the father, and eight other kids. And don't think they don't know this. There's no way to stop this without a constitutional change, but there's no chance for such a change as long as Eastland (Sen. James Eastland, D-Miss. — ed.) is around. You know, Senator Eastland hadn't held hearings on this problem for ten years until this year. We were able to get him to move, through friends on the New York Times who printed a page-one story on how he hadn't had hearings, yet he claimed \$300,000 per year in expenses for his sub-committee. He held the hearings all right, but he's not going to move. He just defused the situation a bit.

Q: I understand George Ball has a new book out pretty much supporting William Paddock's view of Mexico. Have you or Paddock worked with Ball on this?

Blackwell: No, I know of Ball a bit, but not in this connection.

Q: Who do you think might be able to get word of what the Mexican situation looks like to Carter? Who do you know around Carter who might be interested in this?

Blackwell: Well, there's (Zbigniew) Brzezinski — he's being talked of as Carter's Secretary of State. He of course signed our statement.

Q: What statement was that?

Blackwell: The Environmental Fund put out a statement at the end of last year called "The Real Crisis Behind the Food Crisis" — the population crisis. We circulated the statement among various people ahead of time with a little return postcard if they wanted to sign it. Brzezinski was one of those who turned it in. We put the statement out in the Wall Street Journal and then early this year ran it again in the Smithsonian Magazine. It got 20,000 replies. We expected a lot of reaction, mostly negative; but most of the replies were positive. (United Autoworkers President) Leonard Woodcock also signed. In fact, it's funny that we got such people from the far left as well as two of the most far right people in America.

Q: Who would those be?

Blackwell: J. Paul Getty and DeWitt Wallace, of the Reader's Digest. People say that Wallace never signs anything...yet he sent in his signature to us.

Q: Who do you see in Mexico who might be able to implement labor-intensive programs to absorb people and keep them from returning to the U.S.?

Blackwell: Mexico has no intention of trying to cooperate. They depend on people moving up to the U.S. and they aren't going to do anything to turn that around.

Q: What are your plans now to bring the Mexican population problem more to the attention of people in the U.S.?

Blackwell: Well, we want to get out some statement of policy recommendations to follow up the more general presentation in the last statement. Bill Paddock is drafting this now. Then he'll circulate it to the other directors, we'll edit it, and then we'd like to publish it. Actually, I'm glad he's writing it. I wouldn't know what to say if I were working on it, except keep your head down and your powder dry. Nobody really knows how to close the border.

Q: What about fines for employers in the U.S. who hire illegals?

Blackwell: Oh, that won't get through Congress, not this year or any year in the near future. Eastland will see to that. Our only luck there is that he's past 80.

Q: So what is going to happen? The border can't be closed and the illegals in the U.S. can't be denied jobs...

Blackwell: Western civilization had better close ranks. There are really tough times ahead. England, France, Germany, Canada, the U.S. ... we're going to have to act together.

Q: What about terrorism? Of course there's been a lot of terrorism in Mexico as well as everywhere else.

Blackwell: Right, there's going to be more terrorism everywhere. Look, (on the population expansion) Nature's just waiting. If we're stupid — and we are — we're going to get hit.



Stage Set For Soviet Lead Intervention Into Lebanon

July 25 (NSIPS) — The revolutionary Lebanese left, backed by the Palestine Liberation Organization, this week announced the formation of a provisional government for the areas of Lebanon controlled by the Unified Command of the left-PLO forces. Leftist leader Kamal Jumblatt said that “central political councils” would be established for Tripoli, western Beirut, Sidon, Tyre, and south-west Lebanon by the alliance of socialist and Communist parties.

This announcement by Jumblatt follows a series of political and military actions by the Soviet Union to warn the U.S., NATO and Syria to halt the genocidal war in Lebanon or face a Soviet military show of force to defend the alliance of leftists and Palestinians. The most direct statement came in a sharply worded July 11 letter from Soviet Party leader Brezhnev to Syrian President Assad and published in the French daily *Le Monde* this week; a letter demands an immediate end to the Syrian military invasion and its attacks on the Lebanese left. Brezhnev’s warning was backed up in a series of articles and commentaries in the Soviet press critical of Syria and warning the U.S. and NATO to stay out. Sources at the State Department concurred that it is a valid assessment to consider Jumblatt’s action as a first step to create a legal basis for a direct intervention into Lebanon by the Soviet Union and Iraq. Such an action by the USSR, which would be necessitated if the widely feared Syrian-Falangist offensive materializes, could place the Soviet Union and the U.S. in a direct nuclear confrontation.

Despite the risks involved and in total disregard of the Soviets’ warnings, Kissinger is moving ahead with the staging of his war provocation. In a speech that must be interpreted as his answer to Brezhnev, Assad told a Damascus political rally this week, that he intended to stay in Lebanon as long as he wanted and that none was going to intimidate him. Assad’s bravura is matched only by that of the insane circle of top advisors of the U.S. Secretary of State. This article has abandoned what touch with reality they had, choosing to ignore the Soviets warning, even going so far as to deny that the Soviets have any interest whatsoever in what goes on in Lebanon.

By week’s end some of this crowd had begun to feel a little uneasy about the developing situation, conceding that, yes a Soviet intervention was possible, but still not likely. The best conception these fellows can come up with about what an ensuing Soviet-U.S. confrontation would look like is “another Cuban Missile Crisis” — during which many are quick enough to point out, “the Soviets backed down.”

A Soviet intervention into Lebanon would put Kissinger and his cronies on the spot: will they first try and then be able to manoeuvre President Ford in a “Cuban Missile Crisis” game of chicken with the Soviets or will they themselves be attacked by a draining case of diarrhea? The odds are 50-50, “pick-em.”

There are other factors emerging which should make the “diarrhea option” more likely.

There are strong indications that the Soviets and Egypt, long a satrapy of the Rockefeller banks, are considering taking an action as equally devastating to the Dollar Empire as a Soviet

military action in Lebanon: joint action on declaring a debt moratorium on Egypt’s \$18 billion foreign debt. The recent victory of the New York banks in Peru, which capitulated to Atlanticist threats and blackmail, has made Egypt’s enormous debt the primary location of the international fight for debt moratoria. A suspension of debt service by Egypt — which would create a wave of similar actions throughout the Third World — would seriously destabilize the world Rockefeller machine now coordinating the Lebanese war, and would decisively shift the balance within the Arab sector against Syria by drawing Egypt into a bloc with Iraq, Algeria, Libya, and the Arab left.

Sadat: Tilting Toward Moscow?

The first indication of the possible shift in Egypt’s usually violent anti-Soviet stance came in a July 23 speech by President Anwar Sadat commemorating the anniversary of the overthrow of King Farouq by Sadat’s predecessor, President Gamal Abdel Nasser. During the three-hour address, Sadat demanded the withdrawal of the Syrian invasion force from Lebanon, and urged the Soviet Union to render its support for the Arabs into practical steps which would increase the capability of the Arabs to confront aggression.”

Sadat’s speech, according to *Le Figaro*, was favorably covered in the Soviet government newspaper *Izvestiya*, and a State Department source said worriedly yesterday that Sadat was “floating a trial balloon” to the USSR for the Soviets to provide more military and economic aid to Egypt, and to discuss Egypt’s debt to the Soviets. The July 22 issue of *Pravda*, the Soviet Communist Party newspaper, reported from Cairo that Egypt’s debt had passed \$18 billion — over two-thirds to Western commercial banks — and criticized Saudi Arabia, Egypt’s chief financier, for attempting to set up a commission to control the Egyptian economy.

The Egyptian newspaper *Rose al-Yousef*, which reflects left-Nasserist sentiment in Egypt, this week quoted liberally from *New Solidarity* on the fingertip NATO control over the Falangists in Lebanon, and says that according to the U.S. Labor Party, the goal of NATO forces in the Middle East is to “test the readiness of the Soviets to defend their leftist allies in the Middle East.” This acknowledgement of the USLP, while significant in itself, is an important signal that ICLC material on debt moratoria is widely in circulation among key pro-socialist Egyptian layers.

The potential that Egypt, the Soviets, and the ICLC will converge on an active strategy for dumping Egypt’s debt has terrified Atlanticist bankers and the press. Yesterday, for instance, the fascist West German daily *Frankfurter Allgemeine Zeitung* praised Syria’s massacre of Palestinian “terrorists” in Lebanon, and coupled with an attack on Sadat for lack of “courage.” Not only has Sadat refused to lend public support to Syria in Lebanon, but according to several sources, Egypt has begun to ship desperately needed food supplies into Lebanon via the southern port of Sidon.

Brezhnev To Assad: Withdraw Syrian Troops From Lebanon

July 21 (NSIPS) — The following are excerpts of a July 11 letter written by Soviet General Secretary Leonid Brezhnev to Syrian President Hafez Assad. The letter was released yesterday by the Soviets for publication in the French newspaper *Le Monde*.

"Who can be happy about the events in Lebanon? Of course, the imperialists. . . We were both sure that the Palestinian resistance movement is one of the most important forces in the fight against the Israeli aggressors and imperialism. We both considered the leaders of the resistance movement as friends and as patriots who represent the Arab people of Palestine.

"However, what's going on now? We can see that there are attempts to destroy the resistance and the national Lebanese movement. Who are the aggressors? They are the right-wing Lebanese forces with the help of the Syrian Army. How can we evaluate the situation any differently when we see that Palestinian and Lebanese forces are under siege, that the Syrian Army is imposing a blockade against the (Lebanese) harbors? . . .

How could we interpret the situation in another way when you have so far not given to the Palestinians and the Lebanese the medical and food supplies which were offered by the Russian Red Cross? . . . We know that the resistance and the national Lebanese movement demand an immediate ceasefire, and that your forces are against an end to the struggles. . . We understand neither your behavior nor your goals in Lebanon.

"It is in friendship that we speak to you with such confidence. Besides, who else but us could speak to you in that way? It is your duty to think about the near and distant future. Should Syria continue on in the way it has chosen, then it would give to the imperialists and their collaborators the ability to control the Arab peoples, progressive movements, as well as Arab states with progressive regimes. We look fearfully at the positions and orientations of Syria on the international scene. We urge you to be prudent. We demand that the Syrian leadership do everything to end the military operations against the resistance and the national Lebanese movement. The first step in this would be an immediate cease-fire. You can contribute to that by withdrawing your forces from Lebanon. . .

"It is clear that we are always ready to consolidate friendship between our two countries and to overcome difficulties provoked by the fluid situation in Lebanon. In that case, the stable friendship of our country towards yours is ensured, unless Syria behaves in a way which would cause a break in the relations between our two countries."

His Answer To Brezhnev

Assad Vows To Stay In Lebanon

July 22 (NSIPS) — President Hafez Assad of Syria gave a three hour speech July 20 to a political meeting in Damascus in which he answered critics of his Lebanese military intervention. The following are excerpts put together from various U.S., Western and Eastern European sources.

"We will not back down to any Palestinians..if the Lebanese want it, Syria will support them in every way. From the farthest northern part of Lebanon to the very southern part, no matter what the repercussions will be, no matter what Israel intends to do about it....

"Historically Syria and Lebanon formed one country and one people. We shall cut off the hand which tries to undermine the integrity of this great Syrian people....

"The Palestinians have no business being in the Lebanese

mountains where they are joining with the leftists in confronting Syrian forces....

He concluded his speech to wild applause while he said "The minute I feel that I have lost the confidence of the people, I shall quit."

Sadat Bids Soviets Aid Arabs

July 23 (NSIPS) — Following are excerpts from Egyptian President Anwar Sadat's July 22 speech delivered at the headquarters of the Arab Social Union on the occasion of the 24th anniversary of the overthrow of King Farouk. The report is taken from the Paris daily *Le Figaro of Today*.

Sadat urged the Soviet Union "to render its support for the Arabs into practical steps which would increase the Arabs' ability to confront aggression...The withdrawal of the Syrian troops from Lebanon is imperative after the failure of their role... They should be replaced by the Arab League's peacekeeping forces.... The Palestinian resistance and the Lebanese nationalist forces are being hit....Is this the way to serve the Arab cause? Doesn't this adversely affect the Arabs' march towards liberation?... We will continue to support the Palestinian resistance movement so that it may be capable of confronting this conspiracy...

"But there is no doubt that Israel will act to realize its dream if the scheme of partitioning Lebanon sees the light. I thereby warn Israel and all those who are involved in this horrible scheme which is aimed at all of us."

Sadat also said Egypt is ready to provide the Arab League's peacekeeping force with arms and material "so that they may be capable of defending themselves against any foolishness that may be directed against them." He urged buffer zones in "sensitive areas" in Lebanon which would "thus contribute to ending the bloodshed."

Soviet Press Grid On Lebanon

July 22 (NSIPS) — The following are excerpts of significant Soviet press coverage of the Lebanese developments. (*Red Star*, military paper), July 18:

"...Syrian troops north of Tripoli have been firing with artillery on the city and the adjacent Palestinian camps According to the Beirut press, the Syrians have delayed the withdrawal of their units from various regions of the country. Saida is an exception — where they pulled back 15 kilometers to Jezzine."

Pravda, July 20:

"... one of the leaders of the Palestine Liberation Organization F. Al-Kaddoumi stated that the full withdrawal of Syrian forces from Saida and Sofar is the indispensable condition for the start of any Palestinian-Syrian dialogue. He noted that in the present situation it would be premature to speak of a visit of a Palestinian delegation to Damascus for meetings with the Syrian leadership

In recent days the rightist Christian forces have succeeded in seizing individual regions which allow them to unify the territory controlled by them into a single mass. It is stressed here (Beirut) that such actions on the part of the rightists aim at creating a separate "state," leading to an actual division of the country and destruction of its territorial integrity."

Trud, (trade union daily), July 20:

There have been reports of withdrawal from Saida and several other regions of the country of the Syrian forces which

were brought in in early June. It should be recalled that that act of Syria, as well as the disagreement that has arisen between Syria and the leadership of the Palestine Liberation Organization ... fed the optimistic hopes of those forces which are interested in prolonging the Lebanese crisis and the bloodshed.

At the end of last week, there was a meeting in Beirut of the leadership of the national-patriotic forces of Lebanon and the Palestinian Resistance Movement. The matter of normalizing relations between Syria and the PLO were discussed. At this session, it was indicated that reconciliation will be possible only after Syria has withdrawn its troops from Lebanon. But the withdrawal of Syrian troops is still going extremely slowly."

Pravda, July 21:

"...According to the progressive press, individual units of Syrian troops are acting on the side of the rightist forces in the Tal Zaatar region and in mountainous areas of the country. L'Orient-Jour writes that Syrian troops are supporting the actions of the right-Christian forces in the Tripoli region as well and continue artillery bombardment of the Palestinian refugee camp Nahr el-Barid which is located there.

The withdrawal of Syrian troops from Saida made it possible to renew food and fuel supplies to Beirut."

Ivestia, July 21 ("Partition Repaired"):

The past few days have been marked by a new sharp activation of rightist forces in Lebanon. Having received a good deal of military aid including tanks and heavy artillery from Western powers and Israel through their control of the port of Jounieh, they have gone on the offensive nearly everywhere in the country.

The basic objectives of their attacks, as in the past, have been the Palestinian camps. National-liberal Party leader Chamoun announced that there will be no settlement until the Palestinians are driven out of Lebanon.

Answering ceasefire and settlement proposals with stipulations known to be unacceptable, the rightist leaders have launched broad offensive actions aimed at capturing regions of Lebanon which are of economic and strategic importance.

The correspondent of the British paper *The Observer* J. Pritchett, who had been in one of the rightist-controlled regions, notes that the leaders of Lebanese reaction "are now eagerly considering the question of a prolonged partition of the country and its "regionalization" for an indefinite period." "The Tal Zaatar operation, directed towards capture of the Mkaless industrial region," he writes, "is part of this idea." The Falangist organization Dar Amal is de facto becoming the government — it is responsible for defense, security, information, industry, health, and financial affairs, stresses the British journalist. Gemayel and Chamoun, the two rightwing leaders, hear appeals on death sentences. It is planned to build a deep-water port, an airport and a telex communications system. The Falangist leader Gemayel and his son recently visited Europe to negotiate arms purchases.

All this indicates that Lebanon reaction, supported by the imperialist countries and Israel, intends to continue to sabotage settlement of the crisis, in order to weaken the national patriotic forces of the country and the Palestinian Resistance Movement. The Israeli military's recent seizure in international waters of a cargo ship under Egyptian flag sailing for the Lebanese port of Sour (Tyre) and loaded with military supplies for the Palestinians, once again confirms that there exists the closest sort of cooperation between Israel and the Lebanese right. The Beirut progressive press remarked in this regard, that this act of piracy by Tel Aviv clearly plays into the hands of the right Christian forces in Lebanon, which in the last few days have stepped up their offensive against the national patriotic forces of the country and the Palestinian units.

British Banker: "It's A Permanent Sarajevo"

LONDON, July 24 (NSIPS) — On Monday, July 19th, NSIPS discussed the Kissinger-directed coup in Peru and the threat of an impending Chilean-style bloodbath in that country with a top executive at a major merchant bank here. NSIPS presented the Peruvian situation as the leading example of the international policies to which Kissinger and his Wall Street associates are committed in their efforts to guarantee the value of all outstanding Atlanticist-held international debt. This was his response:

"It's a permanent Sarajevo. Sadat is very shaky. Egypt has no foreign exchange whatsoever to repay any debt. They will have no means to repay their debts... It's a situation worse than the Bay of Pigs. A bloody flashpoint. A single catalyst suffices, like for Sarajevo. One fine day, someone will press the button and we're all up in ashes... (On West German Chancellor Schmidt's call for economic attacks against the Soviets and his statement of economic blackmail against Italy) My reading of Helmut Schmidt is that he is very,... extremely dangerous... (On Peru) The market will not give the new government any money but will wait and see if the regime lasts. Only those with immediate stakes will, if they're foolish enough."

Brookings Mideast "Expert": "Henry Would Be Very Pleased About Lebanon"

July 24 (NSIPS) — This July 21 interview with State Department advisor Barry Blechman, an expert on U.S.-Soviet confrontation at the Brookings Institution in Washington, D.C., was made available to New Solidarity International Press Service by an independent journalist:

Q: Given the current situation in the Middle East, who do you expect will intervene into the Lebanese war?

Blechman: For the Soviets to get involved would be insane. The Soviets don't care about the Palestinians. No one does. Their calculations are where their interests are with the established governments of the region, and more so with Syria than with Iraq. In the past the Soviets have acted more cautiously when far more was at stake. It is not clear now what they can do.

Q: What about the Soviet deployment of their aircraft carrier Kiev into the Eastern Mediterranean today?

Blechman: The Kiev is one small ship, with a vertical take off air-power, which would be easy picking for Syria's Soviet aircraft. It's only for local air defense. The situation is no incentive for them to put themselves out on a limb for (Palestine Liberation Organization leader) Yassir Arafat. It would be crazy.

Q: Is (Syrian President) Assad being controlled or dictated to by the Soviets?

Blechman: Assad is acting on his own. As with most client states they are doing what they please. The Soviets are very annoyed.

Q: Are the Iraqis ready to invade Syria? They have troops on the Syrian border.

Blechman: I don't think so, though I wouldn't be surprised if they did anything. They are very unpredictable. Militarily they are in bad shape. Their divisions are miserable and got decimated by the Israelis. No. Iraq will stay out. Remember in 1970 (the Black September massacre) Iraq had divisions in Jordan, but they got out before the going got bad.

Q: It seems as though the Shah of Iran may be persuaded to begin open fighting against the Iraqis. What do you think of this possibility?

Blechman: I think the Shah will stay out.

Q: How does Henry Kissinger view the present situation in Lebanon?

Blechman: Henry would be very pleased right now. The wiping

out of the PLO makes his step-by-step diplomacy look better. The more the Palestinians destroy themselves, the better Henry's over-all settlement policy. He must be very pleased. The only thing Henry is worried about is what the Soviets might be doing. He tends to put things on a global, marco-field. As long as the Soviets only issue statements however, they will not intervene militarily in Lebanon.

Q: What about a nuclear confrontation in the Middle East?

Blechman: A nuclear attack — I cannot imagine that happening.

Mideast "Think-Tanker": The Soviets Won't Move Militarily In Mideast

July 24 (NSIPS) — The following are excerpts from an interview this week with Earl Ravenal, a professor at the School of Advanced International Studies at Johns Hopkins University in Baltimore. Mr. Ravenal is considered an expert on Mideast affairs by State Department circles.

NSIPS: We are looking into the chance of a military confrontation in the Mideast. Do you see a possibility for direct military intervention by the Soviet Union?

Ravenal: The Soviets find themselves on both sides of the conflict, supporting (Syrian President) Assad and (Palestine Liberation Organization chief) Yassir Arafat. I'm not sure of all the details on the military front, but we know there are two stories — one that the Soviets are going to react militarily, or, if you are thinking like (Secretary of State) Henry Kissinger does, then you hope that the Soviets will back down under pressure from the U.S. From Henry's standpoint, the beauty of the situation is that it does not require U.S. intervention, and that there is a confluence of interest and that the U.S. has the silent acquiescence of Western Europe as well.

NSIPS: You see no chance of an escalation toward nuclear showdown?

Ravenal: As for possible military action by the Soviets, the Soviets themselves are not of one mind on this. They are playing the part of the PLO. They will use diplomatic warnings before they take up arms. They can also unseat or neutralize Assad from within using their political forces. Just the threat of that might give Assad some thought. One very interesting thing is that arms are being tilted to one side. The threat that the Soviets might supply the other side plus political activity, might be enough to keep the pot boiling.

NSIPS: But the Soviets have said they will not stand by and see the left wiped out.

Ravenal: If the Soviets have two or three cards to play they will not intervene militarily. I would agree that in some cases the U.S. could play its role in standing up to the Soviets. Remember (the Arab-Israeli war) of 1973? Who knows what could have happened if the fighting went on for another twelve hours. On the other hand, if the Jordanians get involved — and remember that some of the same commanders from (the Black September massacre of) 1970 are still around and are interested in getting the Palestinians — anything could happen. This is what the Soviets fear. They fear getting shut out of the situation and finding themselves superfluous.

NSIPS: Are you saying that if this happened, the U.S. would then take over hegemony in the Mideast from the Soviets?

Ravenal: Some people think this is already happening, that the U.S. is pulling the strings in Damascus and Tel Aviv. One has to look for Soviet moves to restore the balance and keep the situation simmering. This will give a chance for a comprehensive settlement. If the Soviets have another card to play they will continue playing.

NSIPS: Of course this is true. No sane person wants nuclear confrontation.

Ravenal: A nuclear incident could happen. Assuming that the Soviets are rational, they could go for a nuclear showdown, but

not now. I can see countries loaded with nuclear arms going for a showdown.

NSIPS: What about an Iraqi military invasion of Syria?

Ravenal: An Iraqi invasion of Syria is a very interesting element in the situation. Lately the Iraqis have been moving economically and commercially close to the U.S. Of course, the Soviets could manipulate Iraq as a diversion. There are two ways the Soviets could arrange this...but my crystal ball is getting cloudy. It is not out of the question that Israel is giving arms to the Christians (in Lebanon) and they are not terribly adverse to allowing the Libyans to supply the left and keep this going. Israel does not want to see the right (in Lebanon) victorious. They are counting on the trouble continuing and Syria not coming out too well. How does your publication see the Lebanese situation?

NSIPS: We understand that the Middle East situation is being used by Kissinger as a springboard to thermonuclear showdown between the U.S. and the Soviet Union.

Ravenal: You are probably correct. There are two things I would look into if I were you: the ultimate interests of the Israelis in this and what the Soviets might do in Damascus.

RAND Spokesman Denies Lebanon Is Soviet "Tripwire"

July 24 (NSIPS) — A source close to the Rand Corporation made the following comments on the Middle East situation to an NSIPS reporter on July 21:

NSIPS: What would a Soviet intervention into Lebanon do to U.S. foreign policy?

A: First of all, it would be an unprecedented development for the Soviets to send actual combat troops into the Middle East. I would expect an October 1973-type (date of Arab-Israeli War-ed.) alert or maybe higher. The 82nd Airborne (U.S. Army) would be placed on high alert, of course, and the Sixth Fleet would make threatening moves. But — I would look elsewhere, to the NATO-Warsaw Pact balance in Europe. You're mootting a major international crisis, and nobody here is going to sit by and watch the world strategic balance be shifted in that war.

NSIPS: Could the Soviets otherwise change the situation in Lebanon?

A: The Soviets might work through intermediaries. But the problem is that their intermediaries are weak, and a weak intervention, or one that fails, is a risky business.

NSIPS: What about Iraq?

A: While I was in Washington, I learned that the Syrians do not take the Iraqis seriously, although there are six Iraqi divisions on the Syrian border.

NSIPS: How would the Israelis respond to an Iraqi intervention?

A: The Israelis would see an Iraqi move as a threatening one, and they would probably bomb the hell out of the Iraqi forces long before they reached (Syria's capital) Damascus.

NSIPS: How long can the Soviets sit by and do nothing?

A: I assume that (Secretary of State) Kissinger would recognize that there is a point at which the thing should be calmed down. I'm not convinced that Kissinger wants the Syrians to go much further. I found in Washington that there are mixed feelings about this. Kissinger, I think, ultimately feels this. Of course, you understand, the Syrians are not our agents.

NSIPS: A escalation of the Middle East situation represents the tripwire for a Soviet first nuclear strike against NATO.

A: What? You're crazy! The Soviets are perfectly capable of sitting, waiting, backing down waiting for the pendulum to swing their way again. The difference between you and them is that you're an ideologue and they're not. I'm certainly glad that you aren't in the Kremlin, or have any power buttons to push. The Soviets have much larger concerns than Lebanon.



The International Terrorism Report

Atlanticists Set For New Terrorist Drive, Agree On Tactics

By Michele Steinberg

July 25 (NSIPS) — The July 21 assassination of newly appointed British Minister Christopher Ewart-Biggs when his car drove over a land mine in Dublin, Ireland, has been described by one informed political observer as a replay of the internal factional battle within Atlanticist political circles which led to the murder of Athens CIA station chief Richard Welsh last December. Another U.S. terrorism expert on the Irish Republican Army commented in a July 23 interview, "You know, historically British officials have been known to slay other British officials just prior to a political move...tighten security or whatever."

The Ewart-Biggs murder is the latest move in the ongoing Atlanticist-directed terrorist offensive which gained international momentum following the spectacular Israeli violation of national sovereignty at Entebbe Airport, July 3. But while unanimously agreed on employing the Rand Corporation defined "surrogate warfare" terrorist scenario, top Atlanticist circles are split over a traditionalist "no-concessions" approach and a utopian "flexible response" counter-terror deployment. With strong Soviet and pro-development Third World moves to shift the international strategic situation away from Wall Street-demanded genocide in the Mid-East and Africa, the major battleground for this internecine Atlanticist fight for control of counter-terror policies is the U.S. State Department.

Terror Set To Go

Over the last week, leading Rockefeller think-tanks, like the Rand Corporation, have blasted the no-concessions policy implemented by then-President Nixon following the 1972 Black September massacre at the Munich Olympics. The fight was opened up in the pages of the New York Times, July 18, in an article conducted through the Fabian Progressive magazine blasting the impotence of present State Department policy on Terrorism. One top intelligence official stated that the material in the article was classified — leaked by someone opposing the present policy.

At the same time, top Atlanticist press mouthpieces revved up a Goebbels-style war propaganda barrage of terrorist scenarios intended to build up maximum expectation for further bloody

terrorist murders by Interpol-Institute for Policy Studies terrorist gangs.

One day following the Ewart-Biggs assassination, the New York Times featured a warning entitled "Terrorist Techniques Improve: So Do Effects To Block Them." Naming as the major threat the Baader-Meinhof gang, the Japanese Red Army and the "Carlos" network, all documented as Institute-controlled creations, the Times lied that there is massive international terrorist cooperation provided through Libya, Syria, South Yemen, and the PLO and it is slated to escalate. Again, the Times warned, one of the major problems is that Western countries **lack the will** to move against political terrorists.

The same day, the West German daily Die Welt published an exclusive interview with "Pierre," now in Montreal, and allegedly the most wanted FLQ terrorist in Canada. Emphasizing that his band of terrorists could strike at any moment, the illusive Pierre told Die Welt, "We think it would be psychologically stupid to strike at this time."

Within hours of this Atlanticist signal, every paper in the U.S. heralded an Interpol-headed Royal Canadian Mounted Police manhunt in Montreal for the "secretary general" of the never-before heard of Arab Liberation Front, who had "slipped into Montreal with an Iraqi diplomatic passport." The tip of this massive mobilization came from the London Daily Telegraph via an unnamed "Middle East source." With last week's bloody terrorist predictions, the Montreal Olympics remains a likely target for an international terrorist incident. But, as "Pierre" noted, the whole question is psychological.

One...Two...Many Entebbes

Top military and intelligence sources pushing the "flexible response" doctrine reached this week warned that the traditionalists must be swept from their positions of control if these utopian criminals are to glean any results from the deployment of their own terrorists. "The policy is too rigid, doesn't work," one source complained, "Terrorism is psychological warfare aimed not at the victims, but the population watching the terrorism. We lost those diplomats in Syria before we could make a move."

The factional odds and contradictions in setting off numerous Sarajevo terrorist incidents that could blossom into war has produced major fissures in the intended Atlanticist total psywar effort. On July 22, there was widespread hysteria in top NATO and Social Democratic Party circles in West Germany when a Munich daily paper blew the story that the U.S., West Germany and Israel were running guns to the fascist Lebanese Falange to continue the Palestinian genocide. On July 23, the Seattle Post-Intelligencer published a scathing editorial condemnation of the Entebbe raid as a parallel to Hitler and Mussolini ignoring limited national sovereignty. The same day, major U.S. press — Time Magazine, the Associated Press, and the Boston Globe — attended a U.S. Labor Party press conference in Boston, Mass., which exposed how and why the Institute for Policy Studies creates Symbionese Liberation Army-type domestic terrorist gangs.

Brian Jenkins, author of the Rand Corporation "surrogate warfare" doctrine explained: "Entebbe removed the aura of vulnerability that terrorists have over governments and populations." "If the operation seems to be competent, that is what becomes most important. Flexibility means to be creative and innovative with as many as two dozen options available... (then) we might be able to do what the Israelis are able to do."

This continual process, cited by Jenkins, is precisely the issue in the international Atlanticist feud, centered for now at the State Department. Time and flexibility, these Kissinger madmen think, are key to manipulating the observer population into ecstasy over counter-terror military operations.

NSIPS Exclusive Interviews

Terrorism "Expert" Bell: Anything, Anyone Can Be A Terrorist Target

July 24 (NSIPS) — What follows are excerpts from a July 16 interview on international terrorism with J. Bowyer Bell, director of the Institute for War and Peace at Columbia University. Bell was a featured speaker at the early April Glassboro, N.J. conference on International Terrorism, which has been exposed by NSIPS as having planned the so-called terrorist offensive of the last several months, including the aborted July 4th scenario. The conference also was a forum for the release of various scenarios on "nuclear terrorism" which have since appeared in the Western press. Bell's comments were made available by an independent journalist.

Q: How do you conceive of the international terrorist conspiracy?

Bell: The closest thing you are going to get to the international conspiracy is described in today's Times. (That day's Times, contained a major psywar article on "Libyan terrorism." — ed.) Libya provides the passports, diplomatic cover, etc., for these groups.

Q: What about the Soviets?

Bell: I was just going to mention that. I know this will disappoint the John Birch Society, but the Soviet Union is very conservative on the question of terrorism. After all, they're as vulnerable as anyone else. As an example, they are not supporting Ethiopia's Eritrean rebels. Here, the Libyans and others are supporting, training and funding that movement while the Soviets are seeking to strengthen their ties to the official Ethiopian government.

Q: Don't the Soviets have an impact on Arab terrorism through their ties with the Arab bloc?

Bell: There is no such thing as an Arab bloc. That is a contradiction in terms.

Q: West German Federal Justice Minister Hans-Jochem Vogel

held a press conference this week where he predicted "spectacular murders" as the next escalation in terrorist activities. What do you call a "spectacular murder"?

Bell: I have never met a terrorist. They are all patriots, freedom fighters, revolutionaries who believe in a transnational imperialist system. Since a terrorist action is so strategically weak, they hit where they can at a range of targets: airplanes, hotels. They can't take on their enemy, so maybe New York or London will be the target. That would be a "spectacular murder."

Q: Would terrorists go after innocent populations like that?

Bell: There is really no such thing as an innocent population when you say terrorism. In World War II we bombed cities, workers and their families in West Germany, because it was more effective than bombing defense plants. The machine-gunning of 200 civilians at an airport by terrorists is a dirty, nasty affair, but no more dirty than many more people being killed in one day in a war in Beirut.

Q: The West German government has enacted special laws against what they consider to be "disruptive forces." Do you think that this is an exaggerated response to the terrorist threat.

Bell: Exaggerated? I am saying that countries are approaching terrorism with glee and joy as the opportunity to extend their powers. Don't you think every government you have ever seen will take any opportunity to extend its powers?

RAND's Jenkins: "We Need No Rules To Get Those Bastards"

July 24 (NSIPS) — The following interview with the RAND Corporation's terrorist "specialist" Brian Jenkins was obtained through a pre-arranged set of questions asked by another journalist. Jenkins, who is regarded as one the leading experts in his field, regularly works on classified intelligence documents for the State Department concerning questions about U.S. policy on terrorism. In one of his most recent interviews with "progressive" magazine, published in last week's New York Times magazine section, was actually a "leaked" classified State Department document (Progressive magazine is an original Fabian publication based in Madison, Wisc. and is directly tied into terrorist networks of the Institute for Policy Studies). Jenkins told the reporter who submitted the questions for this news service that he had nothing to do with the leak, and could not comment upon the content of the report because of its classified nature. Clearly, the "leaker" of the document could be none other than Secretary of State Henry Kissinger or others immediately around Kissinger whose "Cabinet" Committee to Combat Terrorism" is in charge of "staying on top of" all terrorist incidents. Jenkins, is one of the many "Kissinger Young Turk" types who seek to take over the direction of US policy and turn the RAND computer method of psychological warfare into the means to start a war with the Soviet Union.

Question: ... in reference to the NY Times article, would you care to comment on whether there is a factional debate between the Ford Administration's present policy and what critics of that policy would prefer.

Brian Jenkins: First, let me say that I cannot comment on the content of the material in the article because that material is presently classified.

Question: Well, then who leaked the document?

BJ: I will say that there is quite a heated debate within the State Department and it was probably leaked by critics of the present policy.

Question: It seems that the present situation with terrorism has prompted many governments to move to handling terrorism on

a military level. Would you say that West Germany and Israel are in the forefront of that activity.

BJ: Before answering the question, let me add that I am putting out a new revised edition of this problem in "Trends and Potentialities of International Terrorism," where I have previously outlined and predicted that direct military action — both covert and overt — would become the wave of future responses to terrorism. The Israeli's have the 39th Brigade (Israeli Army Commando unit — ed.) as their key unit which had previously been used in a 1968 Beirut response and retaliation to a hijacking. However, in terms of West Germany, no single country is actually in the forefront of combatting terrorism. France, under Interior Minister Poniatoski, has responded when terrorism hit France at the Orly Airport (Paris, referring to previous incident — ed.). No one country will suffice (in combatting terrorism). It will take a continual process of making the necessary changes required... no one incident in itself will do because after every major terrorist action there is a great deal of strong sounding words but never any real significant change.

Question: What is the U.S. policy concerning the developments of these military commando units?

BJ: Well, that's getting into the area that is classified. After all, we have Special Forces units (U.S. Army) of which I am proud to say I was a member and spent 3 years in Vietnam and the Dominican Republic... I've paid my dues... However, let's summarize what the actual effectiveness of the Mayaguez action is (the retaking of a U.S. ship captured by the Cambodians in 1975 — ed.). To be frank, it was almost comical. A total failure... the wrong ship was landed upon... We bombed Cambodia for no real reason... It was rather bad. The same for the commando operation into North Vietnam (during the Vietnam war — ed.) — an action supposedly carried out to free U.S. POWs. So far as the U.S. record is concerned, we've failed.

Question: Where would you say the failure of policy is located? In the present policy stance alone and-or with the resistance from military "traditionalists" who reject these commando concepts of warfare?

BJ: Again, that question gets us into that sensitive area. Let me say that in those operations that I outlined, there was a total lack of precision in tactics which resulted not only in a total failure of the operation militarily, but more importantly their psychological failure. The psychological effect (of these operations — ed.) was disastrous. Any special commando operation must prove to be militarily and psychologically effective. Otherwise the world looks at you in a rather bad light.

Question: Would you then say if the U.S. had more options opened in terms of a flexible policy (in responding to terrorists — ed.) than is publicly stated, then the non-negotiating approach might provide for a better performance? In other words, do you consider the psychological after effects of such a strategy to be most important?

BJ: Exactly. It's not only a question of having an operation pay off, but equally important pay back for future actions. Look at the Israeli raid on Entebbe. Right now, it is beyond the U.S.'s response capability. Entebbe removed the aura of vulnerability that terrorists have over governments and populations. If the operation seems to be competent, that is what becomes most important. Flexibility means to be creative and innovative with as many as two dozen options available. Look, if I told you that you can't do something every two minutes, pretty soon all you think about is what you can't do, not what overall possibility there is for any actions. We must have this flexibility for creative and innovative responses. This way, we don't have to tell anyone in advance what our policy is, just that it is open and flexible. In Sudan in 1973, our two diplomats were essentially killed before any action could be taken. (Jenkins is referring to the capture and subsequent execution of two U.S. envoys by

terrorists who attacked the U.S. embassy — ed.) This I know is treading on sensitive areas, but let's face it if we had a flexible approach then, we might be able to do what the Israelis are able to do. I might add, however, that you can't do anything the same way twice.

Question: Nothing will work twice? Why is that?

BJ: Here's an historical example that provides us with a clear understanding — ransom kidnapping. It is a highly unpopular act. The family always pays... However the conviction rate is tremendously high, the sentences are heavy, the jury response is harsh... it pisses off the public. Just look at the kidnapping of the 26 school children (in California this week — ed.) There was tremendous outrage, everyone cooperated. People had citizen band radios. It was just tremendous.

Question: What about the Patty Hearst case?

BJ: It was good, until she turned sides!

BJ: Anyway, what is important is the aftermath. That is where the real deterrent to terrorism lies. In the aftermath, how the population responds is key. We have got to have no rules to get these bastards.

State Dept. Terrorism Coordinator: "PLO Will Turn To Terror If Wiped Out In Lebanon"

July 24 (NSIPS) — New Solidarity International Press Service has obtained the following excerpts from a July 16 interview with Robert P. Meyers, the U.S. State Department's Assistant Coordinator for Combatting Terrorism. Meyers is replacing Robert A. Feary as head of the Cabinet Committee to Combat Terrorism.

Q: What are the possibilities for securing international sanctions against nations who harbor terrorists?

Meyers: What we see now is a consternation in many countries who were not previously affected by terrorist acts. The phenomenon that has been tolerated by many of these countries is now coming back to haunt them. Austria, which has winked at terrorists in the past, and West Germany are now tightening up their security. Venezuela and Colombia are sponsoring a joint resolution at the UN General Assembly to enact sanctions against countries who support terrorists and the West Germans are organizing for the passage of an anti-terrorist convention in the UN which will probably be introduced this fall. There is increased interest in such moves. With a few more incidents of the recent nature people will be up in arms.

Q: What do you think of Weinraub's article on Libyan support of terrorists in today's New York Times?

Meyers: Bernie did a good job. We agree with his rendition of the Entebbe hijacking. We know all about Wadih Haddad's group (identified as having coordinated the Uganda hijack by various press sources — ed.). It was a splinter group of the Popular Front for the Liberation of Palestine (PFLP) that carried out the raid.

Q: Can we expect more incidents like the Uganda hijacking?

Meyers: I wouldn't rule out Haddad pulling something like that off again. If things go badly for the Palestinians in Lebanon, for instance, more of this kind of terror can be expected. Up until now, the Palestine Liberation Organization (PLO) and other Palestinians have been making progress with the official channels of government, getting recognition from the UN, etc. But once they feel that these kinds of activities are no longer going to allow them to get the attention they want, then they could turn to terrorism again. Lebanon is said to be the place where this turn could happen if the left and the PLO are wiped out.

Q: Can some sort of international police organization be put

together to carry out rescue operations like the Israeli raid on Entebbe?

Meyers: This is a long way off. It is hard enough for Israel to do what it did let alone trying to set up such police operations on a supranational scale. Abortion is not the ideal method for birth control, but when it's necessary you should use it. The Israeli Raid was not an effective control of terrorism, but it had to be done.

Javits' Aide:

"Unfortunately We Can't Just Move Militarily Against Those Who Harbor Terrorists."

Washington, D.C., July 24 (NSIPS)—Excerpted below is an interview made available to NSIPS with Peter Lakeland, foreign affairs advisor to Sen. Jacob Javits (D-N.Y.). Lakeland wrote the keynote address delivered by the Senator at last month's conference on international terrorism at the Ralph Bunche Institute in New York during which Javits called for the invasion and bombing of Third World nations "suspected of harboring terrorists."

Q: How do you see the international terrorist situation shaping up after the Entebbe (Uganda) raid?

Lakeland: Well, obviously we have to anticipate more terrorist acts, although I believe that the Israeli raid will have much more of a deterrent effect than a provocative effect. It will make terrorists—and countries which aid terrorists—think twice. If there is no place to land a skyjacked plane, well...

Q: Sen. Javits mentioned the possibility that terrorists might resort to using atomic weapons. Do you think that that is likely?

Lakeland: Atomic terrorism is a real possibility—we have to consider it as an option.

Q: You have only mentioned skyjacking so far—in terms of being deterred by the Entebbe raid. How about other forms of terrorism, such as the Palestine Liberation Organization (PLO) planting bombs in an Israeli city?

Lakeland: Those are quasi-acts of warfare and are much easier to handle...they're analogous to war.

Q: Do you think that we are any closer to reaching an international accord against terrorism?

Lakeland: Do you? No, I don't think we are...But if you get two or three successful operations like the Israeli raid, then this could have a definite salutary effect.... Terrorism is 90 per cent a PLO problem. What's going on in Lebanon now — grisly though it is — will resolve the PLO problem. It will either make them stronger, or it will destroy them — they are currently being destroyed. It will also split the Arab world, isolating radical countries who are pro-terrorist. No doubt about it, though, we'll be living with terrorism for some time.

Q: What did you think of (New York Times correspondent) Bernard Gwertzman's article saying that the real backers and suppliers of terrorists are the East Bloc?

Lakeland: Bernie? His article was good. It's definitely true that terrorists' arms come from the East Bloc into Libya. Libya is what you could call a depot.

Q: Well, if we're not close to some form of international agreement, what do you suggest be done to stop terrorism?

Lakeland: Unfortunately, we're no longer living in the 19th century — we can't just move into a country like Libya militarily and punish them for harboring terrorists...That guy Qaddafi (Libyan leader) is a real nut...Who knows how long he'll live?

Chowchilla: Another RAND "SLA" Scenario?

July 24 — Information provided by the national news media this week strongly indicates that the kidnapping of 26 Chowchilla, Ca. school children was, like all other recent acts of terrorism, directed by top Rockefeller terrorist controllers to create an environment for the imposition of police-state "sanctions" against terrorists.

A Rand Corporation report by "surrogate warfare" expert Brian Jenkins directly points to this conclusion. Recently leaked to and printed in the New York Times, Jenkins' document discusses the importance of a "flexible response" policy toward terrorists, and emphasizes the importance of the aftermath of a terrorist incident as crucial to controlling terrorism. Jenkins reemphasized this in an interview this week: "In the U.S. ransom kidnapping has become an unprofitable form of terrorism because of popular outrage and a high arrest and conviction rate with stiff sentences. Take the case of the 26 school children, there was full cooperation with the police."

Although all details of how the kidnapping was planned and coordinated are not yet available, the activity of the national press and Attorney General Edward Levi provide crucial "indirect" evidence that the Chowchilla kidnapping was orchestrated using the Rand scenario discussed by Jenkins.

The three suspects, Fred Newhall Woods and his companions Richard and James Schoenfeld — the children of wealthy residents of Portola Valley outside of San Francisco can only be

a small element in the entire kidnapping. Although early stories in the press indicated a larger number of people directly involved in the kidnapping these were soon obscured by tightly controlled "human interest" stories run daily on the front page of every major newspaper in the country. Initial rumors that the kidnappers had been connected to a San Francisco area drug cult were blacked out leaving the suspects vague individuals with no histories past high school. Leading coming from initial reports of a female caller to the Livermore Police Department and the Mayor of Chowchilla threatening "the children are safe but there will be others" shortly after the children escaped were also not pursued.

From the standpoint of the Rand scenario, the press coverage makes complete sense. From the beginning, coverage has focussed on Jenkins' "popular response:" anguished parents forming vigilante search teams and extended prayer vigils.

Simultaneous with the press blackout of new leads in the kidnapping was the abrupt withdrawal of FBI investigators by Attorney General Edward Levi provoking Madera County Sheriff Ed Bates to send a scathing telegram to Levi accusing him of sabotaging the investigation by pulling out his resources. Levi has now recommitted the FBI investigation team of 50 agents. This schizophrenic activity on Levi's part is the same pattern seen in the SLA—Patty Hearst kidnapping and suggests similar Justice Dept. coverup of the actual controllers of the kidnappers.



Southern Africa Destabilization Scenario Initiated

July 23 (NSIPS) — With the approach of a second round of meetings between U.S. Secretary of State Henry Kissinger and South Africa's Prime Minister Johann Vorster, both South Africa and Rhodesia have been hit with new waves of racial violence. In particular, developments in the Rhodesian guerrilla war and a corresponding pattern of emphasis and "speculation" in Western press reportage on the situation would lead an intelligence analyst to conclude that Henry Kissinger's "Tar-Baby Option" is now very much a "live" option.

First, "Thirty Years' War" scenarios and associated southern African destabilizations mooted for weeks in both official and private "Africa-hand" intelligence circles have begun to materialize in the renewal of obviously-provoked rioting by "black youth" in South Africa, and unprecedented acts of "terrorism" by persons "fleeing in the night" in Rhodesia, promising a significant escalation of the guerrilla war there. Also this week, a "Constitutional Settlement" of the Rhodesian "majority rule" problem imposed by Henry Kissinger with NATO troops became a subject of open discussion in leading Western newspapers for the first time, and continued to prevail over all other items in the regular "leakage" provided to this press service by intelligence network insiders who were exceptionally anxious to pin the blame for the projected bloodbaths on offices other than those of the Secretary of State.

And the clincher: The New York Times in July 18 coverage of the South African settler-regime's problems with racial violence and the falling price of gold, twisted blame for the situation onto "conservative forces" in the United States backing President Gerald Ford and sabotaging Henry Kissinger's "liberal policy toward southern Africa." The latest issue of the gutter-level CounterSpy publication of Marcus Raskin's Institute for Policy Studies similarly "exposed" a "pro-Apartheid" stance now being adopted in Africa's southern cone "by President Ford."

This is the "Tar-Baby Option" of the Rockefeller-Kissinger faction, as its prickly details were outlined to NSIPS by intelligence insiders two weeks ago — to secure the defense of the Rhodesian settler-regime with NATO troops, and topple the Ford Administration in the ensuing waves of "domestic protest."

"The United States and Great Britain," revealed the July 20 New York Times, "seeking to persuade the Rhodesian government to negotiate a transfer to black majority rule, are quietly shaping a joint policy that assures financial aid and property guarantees to the white minority" — admittedly a question of debt instruments stored in certain New York banks. The imposed settlement is intended to prevent a situation in which "the escalating war will produce a radical Marxist black leadership, similar to that in Mozambique," said the Times.

At that very moment, "terrorists" in Rhodesia were acting to ensure an "escalating war." A white restaurant and a white nightclub in downtown Salisbury were blown up on July 20, signifying the deepest penetration of alleged "guerrillas" into the settler-regime's heartland since the Zimbabwe liberation struggle began. Western press sources were quick to report that

government authorities did not consider these unprecedented bombings to be "isolated acts." The Sunday Telegraph of Great Britain added to its "coming war" portrait with a "human interest" story on hundreds of Rhodesian white settlers who have allegedly been smuggled into Great Britain by an underground railway, rather than be drafted for the looming all-out showdown with "the terrorists." If rejected for work passports, they go underground, says the Telegraph, but will not return to Rhodesia "until after majority rule."

A "southern Africa" specialist at the University of California at Los Angeles who claims close contact with William Schaufele, State Department African Affairs chief, has declared that Kissinger will back his "Constitutional Settlement" in Rhodesia with U.S. or NATO troops and that an "escalating war" in Rhodesia for this purpose is "absolutely guaranteed." The specialist, George Bender, speaking to a one-time reporter for a major Midwestern newspaper, reported that "rumor has it, Kissinger told the British that they should topple the Rhodesian regime with force.... Kissinger would like to avoid having the Zimbabwe Liberation Army take power... The problem is, there is no leading black politician who is moderate who is not very, very tainted...."

The July 21 edition of the London Observer put these "rumors" on its front page. According to the Observer, not only is Kissinger's "secret plan" to push Great Britain into a military intervention in Rhodesia, but William Schaufele's six-nation tour of African nations last week was devoted to this plan.

This plan is the "Tar-Baby Option" authored by Anthony Lake and first floated by Henry Kissinger at the NATO chiefs of staff meeting in Oslo, Norway in early April. Anthony Lake, a former advisor to Henry Kissinger during the latter's tenure as Advisor to the President for National Security Affairs, recently gave a briefing on his scenario to a closely guarded meeting of top officials of the Institute for Policy Studies covering both the African and "domestic" features of his plan.

An African expert associated with Nelson Rockefeller subsequently described the scenario as designed to "put the U.S. in an Angola-type situation.... A Middle East sort of thing only Africa... just like Lebanon." The details are clear from Anthony Lake's published book, *The Tar Baby Option, American Policy in Rhodesia*, based on his "prediction" that "the present administration" and "conservative Republicans" will embroil the US and her allies in an African war to secure the apartheid regimes from Marxist revolutions. The consequences will be "race riots" in American ghettos — directly under the control of the Institute for Policy Studies and U.S. Justice Department "field marshal" units commanded by Attorney General Edward Levi. There will be a rising tide of liberal, labor and civil rights protest ensuring that President Ford will be crushed in the November elections.

"Not Kissinger...", insisted George Bender, "he won't be to blame for what happens... don't publish anything to make him look bad.... Whatever happens in Rhodesia will be inevitable... Don't blame Kissinger... that's not it, whatever you write...."



Why There Is Peace In Asia And What Kissinger Would Like To Do About It

by Daniel Sneider,

USLP Nominee for Secretary of State

July 24 (NSIPS) — Henry Kissinger is unhappy about Asia. There are no wars in Asia and despite Henry's valiant efforts Asia keeps denying him the opportunity to start any. In Africa, in Latin America — wherever Henry has plopped down in the last months, destabilizations, regional tensions, subversion and war have followed. But there are no open doors for Kissinger in Asia. Kissinger has lost the key to his entire Asian strategy — his warmongering Maoist friends in Peking are incapacitated by a raging internal factional battle that is on the verge of open civil war at the point of the death of Chairman Mao.

Kissinger has not given up however. In his speech on Asian policy two days ago in Seattle, Kissinger declared that, "while a great deal has been accomplished (for peace — ed.) Asia remains a region of potential turbulence...there are no grounds for complacency." Look around Henry says, there is still plenty of room for improvement in Asia: "Soviet activity in Asia is growing. North and South Korea remain locked in bitter confrontation. Hanoi represents a new center of power and its attitude toward its neighbors remains ambiguous and potentially threatening. Most developing nations remain afflicted by social and political tensions. And the scramble for oil and ocean resources raises the spectre of future territorial disputes."

Kissinger's frustrations stem directly from the near total breakdown of the Maoist regime in China — the regime that Kissinger counted on as his chief instrument for countering the pro-development forces in Asia, led by India, Vietnam, and backed by the Soviet Union. It is the Maoists whom he hoped would "fill the vacuum" in Southeast Asia following the U.S. defeat in Indochina; who would be the allies of destabilization in the subcontinent against India; who would help entice the Japanese into a Peking-Tokyo-Washington axis against the Soviet Union in the Far East; and finally who would back up every move by Kissinger and Rockefeller throughout the world to engage the Soviet Union in a thermonuclear confrontation and a decisive strategic defeat.

However, in his calculations Kissinger ignored the overriding public strategic policy of the psychotic Maoist clique: wait patiently for the two "super-powers" the United States and the Soviet Union to blow each other up and in final victory, Red China will march to inherit the radioactive earth.

In the last months, however, what has emerged is the outlines of a peaceful and developing Asia — a nightmare for Henry Kissinger. In Southeast Asia, the newly unified Socialist Republic of Vietnam and its Indochinese allies have embarked on the road to economic reconstruction and broken Kissinger's policy to isolate them from the non-Communist states in the region grouped in the Association of Southeast Asian Nations (ASEAN — Philippines, Thailand, Singapore, Malaysia, and Indonesia). In South Asia the persistent efforts of the Indian government of Indira Gandhi have foiled the attempts at regional tension and brought detente between India and Pakistan as well as Bangladesh and Afghanistan. In East Asia, the government of Japanese Prime Minister Takeo Miki has

rebutted the Maoist offers of an anti-Soviet alliance, renewed efforts to develop friendly relations with the Soviet Union, consistently sought to maintain peace in Korea, and opened up expanding economic ties to Vietnam.

The fruits of Kissinger's Sino-centered policy in Asia are that the United States is more isolated than ever. Its only sure allies are the arch-reactionary regimes in Singapore, Australia and New Zealand, and South Korea.

The China Recognition Question

Kissinger's answer to this dilemma is to desperately seek means to shore up the Maoist clique in Peking, to reassure them of the American presence and power in Asia and tie them in to his efforts to counterattack the forces of peace in the region, including the Soviet Union. This is what lies behind the debate in Washington and New York policymaking circles on the so-called China Recognition issue — Kissinger and his Atlanticist allies have been promoting a press and private campaign for the diplomatic recognition of the Peking regime and the dumping of official U.S. recognition of Taiwan. The Taiwan issue itself is trivial and only a cover for Kissinger's desire to deliver to the Maoists some tangible benefits of their alliance with the American imperialists — like arms and sophisticated military technology. Such benefits are needed by the Maoists to use against their factional opponents inside China who increasingly favor distancing China from the U.S. and possible reconciliation with the Soviet Union. The fear of a Sino-Soviet detente now hovers over the Atlanticists as the final blow to the disintegration of their Asian strategy and from every Atlanticist thinktank — the Brookings Institution, the Rand Corporation, and the 'Old China Hands' at Harvard, the University of Michigan, Columbia University and so on — the cries for recognition of Peking can be heard.

Informed sources close to the White House have revealed that President Ford has blocked this move. While the press lies that Ford's opposition is motivated by a desire to conciliate Republican conservatives, Ford balked last year when Kissinger tried to persuade him to recognize China on the occasion of his trip there. Ford's reasoning, according to our informed source, is that the current instability in China makes it unwise to make such a move when no one knows who will be in power in Peking in six months. The Miki government in Japan has also made it clear that it too would oppose any such destabilizing move in East Asia, a view made clear to Ford in his meeting with Miki two weeks ago.

Ford's concern for stability in the region prompted the proposal which Kissinger reiterated, on Ford's specific request, in his Seattle speech — a proposal for a big power agreement on maintaining peace in the Korean peninsula to replace the existing outmoded United Nations Armistice agreement from the Korean war. This proposal according to its original author, an East Asian expert close to the White House, was opposed tooth and nail by Kissinger who did not want to jeopardize his precious alliance with the Maoists by insisting they put pressure on their North Korean friends. This expert, and the saner layers he represents, fear the danger of a "breakaway ally"

development by the unstable Park dictatorship in South Korea, triggering an unwanted war — unwanted by any of the region's big powers including the Soviet Union and Japan.

The only hope for Kissinger's China strategy is the election of a Carter administration. All of Carter's foreign policy advisors, grouped around Trialteral Commission director Z. Brzezinski, favor China recognition (all are from the Brookings-Rank-Harvard axis) and further favor the withdrawal of U.S. troops from South Korea, which Carter himself has publicly supported. A U.S. withdrawal, in the absence of such a big-power guarantee of peace in the Korean peninsula, is viewed in some circles as the precise formula for activating the 'breakaway ally' tendencies of the paranoid Park regime.

The Development Alliance Emerging in Asia

Without Kissinger pulling off a war in Korea or some other destabilizing move in Asia, the present developments are leading to the emergence of a firm alliance of forces supporting accelerating economic growth and a system of collective security in Asia — within the framework of a new world economic order. The foundations of that alliance are India, Vietnam, Indonesia (and neighboring Malaysia and Philippines), Japan, the Soviet Union, and — in a post-Mao era — China. There have been definite signs in the past weeks of that alliance coming together.

In Southeast Asia, the just concluded tour of Vietnamese Deputy Foreign Minister Phan Hien to Malaysia, Singapore, Philippines and Indonesia has established the basis for regional cooperation in trade and economic development. The warmest reception for Phan Hien was in Indonesia, the largest and potentially richest nation in the region, where Indonesian Foreign Minister Malik declared that the principles of the two country's foreign policies are "completely identical." Yesterday the Indian Foreign Minister Chavan and Malik issued a joint statement calling for a zone of peace in the Indian Ocean, opposing the U.S. military buildup in the area. In Indonesia there is also a convergence of Japanese business interests tightly tied to pro-development circles in the nationalist Indonesian military who are battling the Rockefeller oil companies. Rockefeller companies, like Caltex operate in Indonesia, along with Western creditors and the International Monetary Fund have been trying to force austerity policies on the Suharto government. The Japanese have maintained and increased investment in capital intensive development projects in aluminum production, oil and natural gas production, and agriculture, which the IMF has insisted be scrapped to maintain Indonesian debt payment.

The Crucial Role of Japan

Any development policy for Asia must look to Japan as the crucial contributor of technology and capital in the region. Kissinger has consistently treated the Japanese — while praising them as America's great allies in the Pacific — as a subordinate tool in his Sino-American alliance against the Soviets

Union and its allies and has used threats and intimidation against any Japanese effort to open up relations in the region independent of the U.S. The State Department has fervently worked to prevent Japanese participation in the joint development of oil and other natural resources in Siberia and the Soviet Far East. At the same time, Kissinger has encouraged Japanese alliance with Peking and a NATO-style tight defense cooperation with the U.S. which would put Japan in the position of automatically supporting U.S. military deployments outside Japan (using U.S. bases in Japan) such as Korea or elsewhere in the Western Pacific.

In recent weeks, emerging from the political destabilization carried out under the cover of the Lockheed bribery scandal, the Miki cabinet has made clear steps toward repudiating these pressures and resuming efforts toward a peace policy in the area. Japanese Foreign Minister Miyazawa issued a public warning in the Japanese parliament to the Peking regime to cease its efforts in Japan to interfere in Japan-Soviet relations. A prominent columnist in the Japanese daily Mainichi further revealed last week that Miki's private hope for making his mark in foreign policy is not to further the relations with China, as has been alleged, but to conclude a Japan-Soviet Peace and Friendship Treaty which would settle the outstanding territorial dispute dating from World War II (the issue of the Northern islands ceded to the Soviet Union after the war) and provide the basis for deepening relations. Similar evidence of progress in this regard is the Aug. 8 visit to the Soviet Union of the first official delegation from Keidrandren, the Federation of Economic Organizations representing the top Japanese corporations. The delegation, led by Keidrandren head Doko, will discuss Japanese participation in the Soviet 5-year plan and hopefully the stalled Siberian projects as well. Keidandren is also sending a mission in August to Vietnam where they will discuss Japanese aid to Vietnam reconstruction and industrial development. The Japanese are already engaged in expanding trade there and have bid to participate in the exploration and development of Vietnamese off-shore oil resources.

Miki has also bucked Kissinger around Korea where Miki has made it clear that Japan will do everything to maintain peace in the peninsula. Increasing trade and political contacts have been opened up with North Korea. Japan already has extensive economic interests in the South and has essentially agreed to a 2 year debt moratorium for North Korea on some \$300 million in outstanding trade credits. The Japanese daily Yomiuri reported that Miki pushed this out of concern that economic difficulties might push the North Koreans to war. On this same basis the Japanese Foreign Minister opposed Kissinger's attempt at the last OECD meeting to use Eastern European debt to the West as a lever for destabilizing the socialist community.

Needless to say, without the enthusiastic participation of Japan, as well as a Maoist regime actually in control in China, Kissinger will fortunately remain frustrated in Asia.



IPS Wants Back Into AFL-CIO

July 24 (NSIPS) — Following Monday's successful ramming of a unanimous endorsement of the fascist Carter-Mondale ticket through the 35-member AFL-CIO Executive Council, an emboldened Leonard Woodcock felt confident enough to announce, in statements made to the press yesterday by UAW Ford Division chief Ken Bannon, that the UAW would rejoin the AFL-CIO "no later than the spring of 1977." Previous merger talks in 1974 and 1975 had fallen through under pressure from within the AFL-CIO bureaucracy, but Woodcock appears to believe that, based on the muscle exerted by his fellow Trilateral Commission member Lane Kirkland in bulldozing the substantial opposition to Carter within the AFL-CIO, he will now meet little effective resistance to reentry into the labor federation. There he can complete the job first begun by the Reuther Brothers in the 1930s: the final transformation of the American labor movement into a corporatist structure based on a program of slave labor "full employment" and the "Mitbestimmung" (co-determination) program under which the Reuthers' Social Democratic cohorts in Germany acquiesced to Hitler in the 1930s. Woodcock and leaders of the Institute for Policy Studies-backed "Labor-Democratic" alliance pieced together to support the fascist Carter-Mondale ticket (including the UAW, the United Mine Workers, the IUE, the National Education Association, the CWA, AFSCME, the IAM, and the Graphics Arts Union) could point to other successes this week to support their optimism — notably Congress' passage of a \$4 billion foot-in-the-door slave labor public works bill over President Ford's veto. But there were also signs this week that opposition to the Institute-Woodcock takeover of the labor movement is deepening among the labor rank-and-file and labor leaders who still represent that rank-and-file.

In repudiation of Woodcock's attempts to substitute corporatism and the whole bag of the Carter-Mondale platform — slave labor public works, forced labor relocation, etc. — for wage increases and a decent standard of living, workers in key strikes are continuing to demonstrate their determination to match the pace-setting Teamsters' Master Freight settlement of last spring. 70,000 Teamster cannery workers in California are striking for a 75 per cent wage pay hike. And 25,000 striking mine workers have officially buried Arnold Miller's Institute for Policy Studies-designed "no strike" contract. Mine workers have officially buried Arnold Miller's Institute for Policy Studies-designed "no strike" contract.

A significant indicator of the mood of key secondary labor leaders was the record sales to union officials of the NSIPS exposes on "How the Institute for Policy Studies Took Over the United Mine Workers" and "Is Jimmy Carter Brainwashed?" According to sources in the UMW, copies of the USLP brief are being passed around among the UMW officialdom. "The people I've talked to (in the UMW — ed) say it checks out," one source said, while another reported he could personally vouch for the accuracy of significant portions of the brief.

The potential for this ferment to be transformed into open attacks on the Institute for Policy Studies-Reuther conspiracy against the labor movement was underscored this week by information provided to NSIPS by sources in the Mineworkers.

The sources reported that United Steelworkers of America District 31 leader Ed Sadlowski, who has publicly announced his intention to oust the old-line national leadership of the Steelworkers under the auspices of Victor Reuther, and who has been exposed only by this news service as a tool of Joseph Rauh and the Institute for Policy Studies, is being funded and assisted in his efforts by Arnold Miller's I.P.S. - Mineworkers machine. Based on this and other information, NSIPS is preparing a full expose of the Miller connection to the Sadlowski operation for publication in the near future. In addition, NSIPS will soon issue an expose on Joseph Rauh and his operation and will feature a series in upcoming weeks on the Reuther Brothers and their role in the destruction and takeover of the labor movement by Wall Street conspirators.

At the same time, indications from secondary labor leaders around the country are that many are preparing to follow the Massachusetts and Colorado State AFL-CIO in withholding endorsement from the Carter-Mondale ticket, including even officials of Leonard Woodcock's UAW. The International Brotherhood of Teamsters has also stated that it will make no endorsement until after the Republican convention.

With two local union presidents already officially endorsing the U.S. Labor Party presidential candidate, Lyndon LaRouche, several regional and local union organizations were in touch with the USLP concerning the campaign this week, and one high-ranking union official urged the USLP to keep the pressure on the top layers of union officialdom, hinting strongly that he expected some breaks in the Labor Party's direction.

While many labor leaders did not have time to react to yesterday's surprising announcement of the UAW's expectation that it will reenter the AFL-CIO, one top-level labor leader who was contacted said that he was "shocked" and "stunned" by the report.

Teamsters Hold Back From Attack On I.P.S.

But by week's end there was still no move from the IBT leadership in response to the mounting Institute-directed assault on the Teamsters Union. Teamster national leaders were sequestered in a closed meeting on the West Coast throughout the week, but all that has definitively emerged from the union so far is a letter from IBT President Frank Fitzsimmons to the 2 million Teamster members stating that the next issue of the "Teamster" and "subsequent publications" will "arm with the facts and a determination to tell our story" so that the 2 million members of the union and their families "can be the most effective means of communicating to the American people." But all else that emerged from the IBT was the union's embattled Central States pension fund lamely petitioning the Securities and Exchange Commission to not require it to register as a corporation when it loses its IRS tax exempt status August 31.

Trilateral Tightens Grip At AFL-CIO Headquarters

The Trilateral Commission faction of Leonard Woodcock, Lane Kirkland, and I.W. Abel tightened its grip on AFL-CIO Headquarters in Washington this week, first ramming through a

unanimous endorsement of the Carter-Mondale ticket, and then mobilizing federation forces behind a push for the slave-labor Humphrey-Hawkins Bill in the wake of the Congressional override of President Ford's veto of a \$4 billion public works-slave labor bill.

Obviously under intense pressure, aging George Meany was hustled out before reporters July 20 to announce that the AFL-CIO Executive Council had pledged "all out support" to the Carter-Mondale ticket. "His (Carter's) overall purpose is our overall purpose — put America back to work." Meany said. The AFL-CIO leader lashed out at the Teamsters, saying that "I cannot find anyone in the American Labor Movement who is for Gerald Ford."

At the same time however, Meany, who entered the hospital for what was described as a "bronchial" condition shortly after the press conference, gave indication of the behind-the-scenes federation fight over Carter by unilaterally cancelling the August 31 meeting of the federation's 152 member Executive Board that was to have made the endorsement official — thereby ripping up the AFL-CIO constitution. In so doing, Meany has exposed a fundamental weakness of the Institute strategem for winning the 1976 elections: Carter cannot win an honest democratic election.

Other hints of a raging behind-the-scenes battle emerged as the press reported that there had been a fight between Meany and the Carter staff over Carter's plan to assign William Holayter, political activities director of the Woodcock-linked International Association of Machinists, to be a "labor liaison official" to the campaign. Meany said such an official was "unnecessary." "But the Carter staff needs somebody," Holayter countered, "The Carter camp is very unknowledgeable when it comes to labor."

Following Meany's endorsement of Carter, the next day's New York Times aimed a gloating kick in the labor movement's teeth in an editorial titled "Love's Labor Lost." The Times exulted that "most voters outside union ranks — and perhaps a good many inside them — are quite content that the Democratic nominee is free of any obligations to the labor leadership." The Times editors further reported that the AFL-CIO had endorsed a candidate with a bias toward union-busting legislation who "in a show of independence...told an interviewer on the eve of the Democratic convention that right-to-work laws 'suit me fine'."

Unions Back Slave Labor

The Trilateral forces pushed forward to line up numerous

national unions behind Wall Street's vow that the Congressional passage of the \$4 billion public works-slave labor bill is only a first step to passage of an entire gamut of slave labor legislation, beginning with the Humphrey-Hawkins bill, CCC-type work camps, and possibly even including revival of Mondale's once beaten National Employment Relocation Act. Calls to numerous international union headquarters in Washington found legislative, political and research staffers unanimously echoing the New York Times line that "the enduring issue is the principle it stands for" is the major significance of the 700,000 slave-labor-jobs bill. "Is it really more wasteful or inflationary to hire workers who would otherwise be the recipients of unemployment compensation or welfare checks? We consider it far wiser to pay people for doing something useful than for doing nothing," the Times said, echoing the Democratic Platform.

Insisting that there was no slave labor involved in Humphrey-Hawkins, a research staffer for the Building Trades Council in Washington predicted that the passage of the public works bill would lead to rapid passage of some form of the Humphrey-Hawkins bill, while an IBEW staffer was effusive in his praise for Humphrey-Hawkins.

Hartford Citizens Taste Carter Slave Labor

Workers in Hartford, Connecticut have a foretaste of the Carter jobs program, where City Councilman Nick Carbone, the first major elected official in that city to back Carter and a major Carter campaign worker, has rammed a bill through the Council "allowing" delinquent taxpayers to work off back or current taxes by working for the city in a wide array of jobs "in lieu of cash." The bill, which has been in preliminary implementation since July 1, provides jobs from janitors and park cleaners through jobs with professional skills of all types — at pay scales from \$2.40 to \$4.00 per hour — to citizens with difficulty meeting tax payments.

The bill is mainly designed for unemployed workers, but, significantly, "allows" people who are still working to work for the city on a second job to work off any projected increase in their taxes for the current year over the previous year. Furthermore, the "contract" which applicants must sign includes a clause which waives their right to job insurance. Thus far the experiment has received 129 applicants, 66 of whom have been accepted.

A New Kind of World Leadership for the U.S.A.

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Trilateral Commission Steps Up Drive For Supranational Gov't; Republicans Lead Counterattack

By Richard Cohen

July 24 (NSIPS) — Heralding an escalation of Nelson Rockefeller's insurrection against the U.S. government, the July 23 New York Times announced that this week's Congressional override of President Ford's veto of the \$4 billion slave-labor public works bill is the opening shot in a drive to carry out all important features of the Democratic Party's program for domestic fascism this year. The Times' euphoria was seconded the following day with the announcement that the hated Humphrey-Hawkins bill, the Brookings Institution authorized blueprint for a national fascist economy based on slave labor public works, will be pulled off the backburners and brought to the floor of both the House and Senate within a matter of weeks.

While an all-out fight looms over the implementation of their domestic fascist programs, David Rockefeller's Trilateral Commission is now reviewing plans for a "cold coup" to impose a supranational government over the shards of destroyed constitutional governments in North American, Western Europe, and Japan. Trusted Atlanticist henchman Sen. Hubert Humphrey (D-Minn.) was trotted out July 22 to call upon Congress to dissolve its role in foreign policy, replacing it with a Joint Congressional Committee on National Security in order to pave the way for a Trilateral fascist governmental system.

Keynoting the Republican Party counterattack Sen. Howard Baker (R-Tenn.) warned July 22 that Rockefeller forces operating through Wall Street-controlled Democratic Congressional layers and Trilateral Commission zombie Jimmy Carter's presidential campaign have launched a legislative assault to implement the essentials of domestic fascism. Baker's warnings that this year's Congressional term could be the most disastrous in the nation's history were taken a step further by Sen. John Tower (R-Tex.), who appearing on CBS' Face the Nation, declared that the American population will soon see that Carter's "Messianic" rhetoric is nothing more than a ruse for dictatorship.

The mass outrage in Republican ranks over the Carter-Kissinger platform of war and fascism moved President Ford to make repeated moves last week to reign in the crazed Secretary of State Kissinger and announce his own legislative counterattack. Pockets of Republican forces who have gravitated towards U.S. Labor Party programmatic proposals on fusion power, agricultural production, and debt moratorium have reported that the strictly defensive counterattack by Ford forces will fail unless the question of debt moratorium is resolved.

The Fascists Move

The moves by Ford and his Congressional spokesmen came after the override of the President's veto of the public works bill. On the same day the Times editorially issued its marching or-

ders to its congressional henchmen to commence an all out battle for domestic corporatism, the paper announced its endorsement of Sen. Hubert Humphrey for the position of Senate majority leader. Bouyed by this vote of confidence from his masters, Humphrey testified July 22 before the House International Relations Committee for the creation of a Joint Committee on National Security which would become the sole congressional link between the Congress and the Executive. The creation of the committee, according to Humphrey, would remove the troublesome authority of Congress to influence "delicate diplomatic question" of foreign policy. It would thereby restrict the handling of such questions to the handful of trusted Rockefeller hacks on Capital Hill who would stack the new committee. The Humphrey proposal follows the same insurrectionary theme of two documents now circulating in the Trilateral Commission as well as recommendations made last year by the Rockefeller-controlled Murphy Commission on the Reorganization of Foreign Policy. These documents authored by Brookings operative C. Fred Bergsten and former U.S. Ambassador to NATO Shatzel, propose the creation of a corporatist dictatorship over North America, Japan, and Western Europe through the mediation of powerful Trilateral "consultative" bodies.

Shatzel openly calls for "the trusted advisors" (i.e., Trilateral Commission) of the heads of state of the Trilateral countries to meet regularly as a consultive body. He also urges that the foreign ministers of these nations meet on a quarterly basis. This explicit structure of "supranational" governments are to be aided according to Shatzel by the creation of supra-governmental regulatory bodies. He concludes that a new international agency to oversee "foreign investment and the multinational enterprises" be created in concert with the formation of a new international institution dealing with questions concerning the Oceans. Finally, he asserts the necessity of an international body to regulate commodity trade to be financed through an International Resources Bank, the "dead horse" proposal of Secretary of State Kissinger.

Bergsten adds to this 1984 formula by asking that the Paris-based Organization for Economic Cooperation and Development (OECD) be delegated the authority as a consultative body to intervene and advise member nations on questions of policy planning. This would create the basis for an international centralized looting mechanism, with the Atlanticist's OECD at the center of it. He further urges that Iran, Brazil and Mexico be invited into the OECD's Schachtian orbit, while Saudi Arabia be included into the International Monetary Fund's Group of 10.

These proposals, therefore, represent the real thrust of Humphrey's innocuous sounding remarks — the total subordination of U.S. Foreign policy to Atlanticist interests.

The announced Trilateral drive for domestic and global

corporativism has been coupled with a direct threat to Ford's presidential nomination. As described by the Atlanticist press throughout the week, Rockefeller has the capability to completely destabilize the Republican Party Convention in Kansas City. With many of the pledged Ford delegates in trugh Rockefeller-controlled, the possibility looms that a determining portion could abstain on the first ballot, thus freeing themselves on the second ballot to vote for Reagan. Rockefeller himself has been encouraging the destabilization by leaking that in return for his delegates he has demanded veto power over the selection of the Vice President and the Secretary of State. Opposition forces to Rockefeller within New York state report that the Vice President has been committing and uncommitting his delegates at will in order to gain blackmailing leverage with Ford.

Without resolving the critical question of debt moratorium, Ford forces have been restricted to a limited defensive posture against the Rockefeller-Trilateral conspirators. Employing tactics aimed at stalling this assault, Ford sabotaged the creation of a perpetual Congressional watergating machine called for in the proposed Watergare Reform Act by proposing his own legislation. He followed this by delegation to James Lynn, Director of the Office of Manpower and the Budget, the task of leading a legislative fight against the conspirators and for passage of his own legislative package. The President's attack on Congress came one day after Sen. Baker's warnings.

The Debt Question

The Ford forces and broader layers in the Republican Party, layers whose committment to pro-growth jobs policies was reaffirmed in the Rep. Marvin Esch (R-Mich) counter-bill to the fascist Humphrey-Hawkins legislation, have yet to deal with the debt question.

A lead editorial in the July 23 Chicago Tribune, an organ of Midwest Republican industrial and farm layers, warned that the current worldwide drought will lead to mass starvation if modern technologies of mass reforestation, irrigation, and cultivation are not immediately exported to food producing countries and to the Third World. Small pockets of Republican machines in Texas, Mississippi and New York reported last week that these programs would be impossible without the implementation of debt moratorium, which they privately favor. With the Republican Party Convention only weeks away

the debt question cannot be put off.

Kissinger On The Line?

President Ford in a press conference earlier this week argued that thanks to his Administration's diplomatic initiatives with the Arab world, "We will never get to the point of an oil boycott." Carter, mouthing the script written for him by his Trilateral and Brookings' controllers, has publicly declared that as President he would launch all out economic warfare against the Arabs if there was a new oil boycott.

The President's policies are in sharp contrast to his Secretary of State, agains raising the question of how long will Ford allow the insurrectionary Kissinger to stay in office. He has already put Henry on a leash in public. The President ordered the Secretary of State to deliver a pro-peace speech to a group of Washington state businessmen. Kissinger was forced to contradict his own recent statements and drop talk of a U.S.-China understanding as being the basis of peace in Southeast Asia and was also forced to acknowledge that the Administration had a policy of unrestricted grain sales. Choking on such unfamiliar words, he added the warning the grain sales policy could have "serious consequences."

According to a highly placed Washington D.C. source close to the Administration, Kissinger's Seattle speech is part of a "whole series of speeches he was ordered to do by the White House." The source added that "if Ford gets in Henry won't stay, further adding that Ford has personally opposed Kissinger on his insane China policy.

Ford's efforts to reign in Kissinger reflected a broader move in the Party to oust him at the Republican Party Convention. As reported by a leading Midwest Republican Senator, there is a broad move afoot to force Kissinger's removal and "I'm for it."

At the same time both Ford and Reagan forces reported that they feared that Kissinger was leading the U.S. into World War III. The office of a leading southern Governor reported that "Kissinger's policies are based on nuclear confrontation with the Soviets" and the he and Rockefeller can only hold power through the creation of crises. A Washington State Republican leader and a Virginia Congressman both reported that Kissinger's present course is leading us directly into thermonuclear holocaust.

Crisis Of Confidence: Eurodollar Market Hanging By A Thread



July 24 (NSIPS) — The blitzkrieg attack on gold and the French franc early this week by U.S. and West German commercial banks — followed by a sudden pullback on both fronts later in the week — not only reveals the fundamental fragility of the Eurodollar market, but shows the kinds of desperate political “shows of force” necessary to keep the con game going.

A recently-released Bank for International Settlements (BIS) report bares the fact that interbank lending — the lifeblood of the Eurodollar chain-letter operation — has dropped from its \$20 billion level in the last quarter of 1975 to \$3.5 billion in the first quarter of 1976. As everybody knows, this is the result of a growing number of lawsuits and counter-lawsuits by banks involved in consortiums to companies and other banks that have failed. And, without such interbank lending, the Eurodollar market is in very bad straits indeed.

Meanwhile, the slightest move by Ford-appointed bank regulators panics the banking community. Comptroller of Currency James Smith, a Richard Nixon appointee, was just recently “watergated.” A recent rating of bank assets by the First Albany Corporation has Wall Street applying all its muscle in every which way to improve the ratings of individual New York banks. The sentiment was best summed up by a senior partner for the Wall Street-based investment house of Loeb, Rhoades: “Walter Wriston (chairman of Citicorp) is worried about a report put out last week by the First Albany Corporation, an Albany banking analysts firm, which rates the major commercial banks IA to 4 on the soundness of their loans; Morgan is I, nobody is in IA, and all the rest — Chase, Bankers Trust — are in 4. Citibank made it to 3. The bank’s paper is being called into question, and I fully agree with you that another British-style free loan would be terrible for market confidence. So it’s in everybody’s interest now to call a spade an excavating tool — that is, no to make it clear that while Mr. Wriston may seem to have made a lot of money in Italy, he hasn’t collected any of it yet.”

Why political “shows of force” are necessary is no mystery. Since the “Great Oil Hoax” of October, 1973, the seven New York banks linked to Rockefeller and Morgan family interests that dominate the trillion-dollar Eurodollar market have been nothing but empty shells. Just about 75 per cent of all their loans on the books of these banks — loans to Third World nations, Italy, Britain, France, real estate boondoggles, shipping companies, etc., — are uncollectable. The only reason these banks have not gone to the bankruptcy courts is because they

have been able to maintain them on their books at their “historic value” through the complicity of Federal Reserve Board chairman Arthur Burns.

To the extent these banks, through the good offices of Nelson Rockefeller-hireling Henry Kissinger, can continue to exact austerity in return for debt rollover via coups, assassinations, insurrections, wars, and gold wars, then the “Greater Fool” con game can go on. But the whole game is a bluff. As long as debtor countries are terrorized into inaction and merely resort to Byzantine maneuvers, they are merely inviting “shows of force” against themselves.

Exactly how fragile the international banking system is is best gauged by the opposition from Rockefeller-connected Congressional circles to President Ford’s appointment this week of Mr. Shirk as the new Comptroller of the Currency. Immediately, chairman of the House subcommittee on consumer and monetary affairs of the Government Operations’ Committee Benjamin Rosenthal (D-Queens) fired a letter to fellow Rockefeller-linked congressman Senator William Proxmire (D-Wis.), the chairman of the Senate Banking Committee to block the appointment. The reason, as reported by yesterday’s New York Times, was that the appointee was a former accountant. An aide to Rosenthal readily admitted: “The fear is that Mr. Shirk is an accountant who worked with Peat, Marwick, and Mitchell, which was the accounting firm for Chase Manhattan and Citibank, to name a few. This means he has information about these two banks that he could use when he is Comptroller of the Currency.”

Accountants’ associations have become a major thorn in their sides for New York bankers. As yesterday’s Wall Street Journal points out, the banks have barraged both the American Institute of Certified Public Accountants (AICPA) and the Financial Accounting Standards Board (FASB) for the former’s insistence on “current value” accounting which the latter is about to recommend for adoption by the accounting profession. The reason the accountants are on the warpath to reduce the banks’ assets base on “realistic” collectability potential is simple. They just don’t want to be stuck with lawsuits by either the depositors of the investors in bank stocks at a time when they know damn well the banks are in rotten shape. The Wall Street Journal, citing Citibank, writes that the potential capital drain foreseen by Citibank, for example, “would call for restriction of loan expansion in the billions of dollars,” and the impact on Citicorp’s capital “would run into the hundreds of millions of

dollars." Said a top-notch Wall Street bank analyst: "The accountants don't stand a chance because the international monetary system is too damn fragile."

So tenuous is the international monetary system in the face of the upcoming European payments crisis — the worst since World War II — that all the hullabaloo about West German Chancellor Helmut Schmidt's Washington statement on Italy, is nothing but tough talk aimed at preparing the ground for a major British-type bailout loan to Italy come September. There was never any possibility of strong Italian Communist Party representation in the new Italian government. Similarly, the private bank loan being arranged for Peru without IMF participation is an attempt to maintain market confidence. Knowing fully well that an IMF tranche credit to Peru would involve the application of tranche-linked austerity conditions that will be difficult to impose in the Peruvian political context, the banks want the IMF to stay out and preserve the wretched sanctity of its credit tranches. As for the private banks, they can be as "flexible" in the application of austerity conditions as conditions in Peru permit without any permanent harm to the dead institution known as the International Monetary Fund. Since the March \$5 billion bailout package for Britain, that's essentially what's been going on to keep the miserable Eurodollar market afloat.

Rome Banker:

"There Will Be No Debt Moratorium"

July 20 (NSIPS) — In an interview today a Rome officer for a major Wall Street investment bank said, "Italy will have an austerity government within which economic cooperation with Italy's Western allies will be possible. Mr. Andreotti (Italy's premier-designate) will not be able to form a government with Mr. Mancini (pro-development Socialist leader) because Mancini is not well liked, and the interests of Mr. Cefis (the pro-development industrialists) are not the interests of Italy."

The banker concluded, "Mr. Agnelli (the Fiat magnate) has already proposed a technical government of the Christian Democracy, the Italian Communist Party, and a compromise, and they will succeed. Therefore, there will not be a debt moratorium."

New York Banker:

"The Gaullists Don't Have Any Potent Man Capable Of Taking Over"

NEW YORK, July 21, (NSIPS) — The following interview was conducted with the loan officer for France at a major New York bank today.

NSIPS: What is your reaction to the offensive by Michel Debre and other leading Gaullists against the Giscard government's subservience to dollar inflation?

Banker: I think this is just a political ploy by the Gaullists. Of course it's true that Giscard is on very shaky feet already — but he won't step down, no, no, he won't.

NSIPS: But isn't it true that the Gaullists and their French Communist Party allies are successfully opposing austerity, so that the New York banks are forced to lend more to France to meet her payments to them?

Banker: Yes, they oppose austerity, so Giscard can't tighten interest rates one bit more. An incomes policy, a wage freeze is needed badly, very substantial cuts are needed in France in consumption to make good the tremendous losses in the drought.

NSIPS: But it's politically impossible, isn't it?

Banker: Yes. We have lent \$4 billion to France this year and will lend more...for now. Eventually of course they will have to devalue significantly...

NSIPS: Well, aren't you afraid that pressuring the Gaullists at a time like this might lead to their support for a debt moratorium by Mr. Andreotti in Italy, or perhaps to a moratorium in France? The PCFis holding a mass demonstration tomorrow protesting Helmut Schmidt's threats against Italy and Giscard's involvement...

Banker: Yes, yes, the Gaullists may very well have their calls for debt moratorium. This will be difficult for Giscard but he will have to permit it. But Giscard will remain because the Gaullists don't really have any potent man who is capable of taking over. Besides, you know, the French government has a \$1.5 billion credit line with major New York banks which is still undrawn, although committed. I believe this is counted as part of France's reserves...

New York Banker On The Franc

Interview with the foreign exchange trading desk of a major New York bank:

July 16, 1976

NSIPS: What do you think of the pressure on the French franc? Are the French complicit in this thing?

Banker: Oh, there is a lot of speculation, but I think that the Banque de France has been cooperating on the devaluation.

NSIPS: Why would they want to do that?

Banker: Chirac (the French Prime Minister — ed.) wants to help French farmers. He wants to have both credit tightening domestically and a devaluation of the 'green franc' which will bring in more for French exports within the EEC (Common Market — ed.). But I think the pressure will ease now that the objective has been fulfilled. I mean the Banque de France will intervene much more aggressively from now on.

Atlanticists Go For Broke With Economic Warfare

July 24 (NSIPS) — Western European governments are in an uproar over a West German-American maneuver to break the international market price of gold, as an economic warfare move against Italy, France, and the Soviet Union.

Sudden dumping of gold by the London branch offices of West German banks on Monday and Tuesday drove the metal's price down to \$105 an ounce, from the \$120-plus price range of the last several months. "West German banks began to dump gold on the market as part of a political-economic squeeze," New York's Journal of Commerce said Wednesday, to drive home West German Chancellor Helmut Schmidt's threats against Italy last weekend. In addition, highly reliable Swiss banking sources report that heavy forward sales of gold by New York investment houses at the instructions of the U.S. Treasury helped break the gold price.

Italy, now considering whether to greeze payments on its ¥18 billion foreign debt, borrowed \$2 billion from the West German central bank in 1974, with gold priced at \$120 per ounce as collateral. The loan is up for repayment in September, and the drop in the gold price below \$120 gives the West German central bank room to arm-twist the new Italian government.

Economic warfare

"In addition to placing pressure on Italy," the Journal of Commerce added, "a drop in the world gold price would fit in

with U.S. policy of downgrading the metal and places the Soviets in a difficult position of financing foreign purchase, and, it is believed, may make that nation more amenable to American foreign policy objectives." The Soviet Union finances part of its foreign trade by selling gold on the world market. In addition, Western bankers and press outlets have threatened the Soviet Union and other socialist countries with a cutoff of trade credits, unless the Soviets make political concessions demanded of them.

Chicago agricultural and financial firms are warning that Henry Kissinger plans to use American grain exports for political blackmail against the Soviets and their allies. A Chicago-based economist says that the majority of the Ford Administration opposes the economic warfare policy, and that Kissinger is using his stooges in the West German government and public press "to bludgeon his opponents in Ford's cabinet." President Ford has repeatedly denied he will use grain exports or other trade as a political weapon, and White House sources have given out private assurances that the White House itself had nothing to do with this week's catastrophe on the gold market.

Backfire

While West German Atlanticist newspapers gloated on the break in the gold price, West German banking sources expressed fear that the maneuver would blow up in Schmidt's face. "Schmidt has gotten himself isolated in Europe," a leading international banker said. "What he said about the Italians is rubbish. You discuss such things, but you don't say them out loud." Yesterday, Schmidt's personal spokesman Armin Gruenewald had to publicly deny, with great embarrassment, that West Germany had started the panic on the gold market under Kissinger's instructions.

New York banking sources explained that the attack of gold, apart from pressuring the Soviets, was a desperate, preemptive move to discourage several European countries from breaking with the bankrupt dollar monetary system in favor of gold. But a spokesman for the Union Bank of Switzerland in Zurich said that the central banks of Switzerland, France, Holland, and other countries who favor a gold-backed monetary system would reverse the Atlanticist maneuver by repurchasing gold dumped this week by speculators.

The Paris daily France-Soir blasted the attack on the gold price as one side of a three-pronged economic assault on Western Europe, which also included this week's speculative attack on the French franc, and "American attempts to make the dollar and the Special Drawing Right (the International Monetary Fund's funny-money) the center of the world monetary system."

A New York banking insider warned that the developing European counterattack could bring down the dollar-based international monetary system. "The monetary system is extremely fragile, despite the so-called world recovery," he said. "We've got to stop the Gaullists. The big question is, how?" This week, the Bank for International Settlements released statistics to show that the Eurodollar market's growth, spectacular during 1975, slowed to almost nothing during the first quarter of this year, West German, Italian, and other European banks pulled funds out of the bankrupt market in anticipation of the March 31 payments crisis, the Bank reported. This impulse to cash in chips and run shows that the crisis of confidence in the dollar system has reached the point that the Eurodollar market could disintegrate on the first major Atlanticist political reversal.

Accordingly, that the Atlanticists have adopted a go-for-broke attitude on economic warfare, heedless of Western European and other reaction, is witnessed in a feature article in Newsweek which proposed a technology boycott against the Soviet Union.

NEW YORK, July 22 (NSIPS) — Our correspondents obtained interviews this week with leading "experts" on the gold markets. They are excerpted below.

Interview With Charles Fuller, (Author of the recent Journal of Commerce article on gold dumping by West Germans, U.S.)

NSIPS: How do you know it's the West Germans who are dumping gold?

Mr. Fuller: I know it because a leading banker contact of mine told me that here in New York. Plus, Janet Porter (another Journal of Commerce reported - ed.) got the same information — quite independently — in Europe.

NSIPS: Is it the Bundesbank then?

Fuller: No, I don't think the Bundesbank is running down its gold reserves. They can't do that. What is clear to me is that the West German government has told some of the large German banks to dump some gold in a very demoralized market to throw it into panic.

NSIPS: Are the Soviets selling any gold?

Fuller: No, I think those are all rumors. But they might have to in the near future. No, there is no evidence anywhere the Soviets have sold any more gold than they usually do.

Interview With A Commodity Trader At Conticommodity Corp., New York

I am convinced that this thing about Soviet sales of gold is plain rumor. No, they haven't sold any. It's the German banks and perhaps the U.S. Treasury.

Interview With James Sinclair (Partner, Vilas and Hickey, New York)

NSIPS: What's this gold crisis all about?

Sinclair: It's a decision that the French, West Germans and the U.S. made to attack the French franc and start dumping gold on the markets at the time of the International Monetary Fund gold sale. Now, the French haven't sold any gold. They just didn't buy much at the International Monetary Fund auction. Also, they did not support the French Franc when it came under attack. But the West German banks and U.S. banks are definitely taking advantage of the demoralized market. As Fuller says, one reason is to have the Italians and Portuguese put up more gold as collateral for their German and other loans. The other is to scare the markets.

NSIPS: Are any central banks selling gold?

Sinclair: No, they're not. The only people who are selling are the speculators who are panicking.

NSIPS: Did the Soviets sell any gold recently?

Sinclair: The haven't sold anything in the past few days. That stuff (press reports of Soviet gold sales - ed.) is all garbage.

NSIPS: So what's in store for gold?

Sinclair: Oh, when the speculators are shaken out and the price bottoms out, the European central banks — the Swiss, French, etc. — will move in and buy it up. I wouldn't worry about that.

North-South Negotiations And Soviet-Third World Relations

The Mid-July, high level meeting of the Conference on International Economic Cooperation (North-South talks) in Paris ended with a complete deadlock as the group of nineteen developing countries and the eight industrial countries failed to reach an agreement on the work agenda for the next six months leading to the December ministerial conference.

The central issue of the disagreement was the matter of the developing sector's indebtedness, with the developing nations demanding a commitment for at least official debt relief and a work agenda leading at least to that result. The U.S., West Germany and France insisted on the "Kissinger line": open-ended, fruitless negotiations while "problematic" countries are dealt with on a "case by case" basis. The Scandinavian countries sided with the Third World at least as far as the official development assistance is concerned.

The fact that the other main demand of the developing sector — a Brookings Institution-instigated, generalized commodities agreement — has taken the back seat was made evident when that subject was relegated to an UNCTAD committee at the Nairobi meeting (expected to report some time in March of next year) and was underscored by the complaints heard at the London meeting of the copper producers-consumers association (CIPEC). According to its report, CIPEC found that real income from sales of copper fell during the first quarter of 1976 while the producers enjoyed dramatic price increases.

With the commodities hoax thus buried, Swedish Trade Minister Dennis, in a radio speech on July 17, repeated his country's stand on the debt issue, noting that even though progress has not been made, "at least the debt problem is now thought of in the context of transfer of real resources, and that is a significant step."

The toughening of the developing sector's stand on the debt issue and the lack of any concrete proposals from the West was prominently reported by a number of European dailies in-

cluding *Handelsblatt*, *Le Monde*, and *Le Figaro*, in the beginning of the week. Otto Meyer, the chief editor of the *Hamburg World Economy Archives*, said July 20 that a generalized debt moratorium for the Third World might indeed be necessary, but at this moment it was politically unfeasible. "The end result of a lack of Western Policy," he concluded, "will be to push the Third World and the Soviets closer together."

This evaluation, also given to the press service by the State Department UNCTAD liaison man, Clay Black, has already begun to materialize. Notable is the Georgetown, Guyana meeting of the Caribbean nations which strongly affirmed that Mozambique and Angola are preparing to join the Comecon. The meeting not only advocated a tough Third World negotiating stand vis a vis the industrial nations, but in a position paper on the Nairobi UNCTAD negotiations defended the Soviet Union for not intervening in the Nairobi negotiations since the discussion was not based on its terms.

The last argument, obviously referring to Wall Street's hopes that the Soviet Union will be forced to embrace a number of weak Third World economies or allow developing nations to convert their ruble surpluses into Western hard currencies, runs counter to top Wall Street opinion that the developing sector has nowhere else to turn and will have to take any austerity demanded if it is to have access to necessary credits. Rather, the Caribbean document points to the realization on the part of at least some developing nations that a new credit mechanism outside the control of Western financiers is what is called for.

The State Department has confirmed this week that the U.S. policy response to these developments will be more of the same: "I know that they (the developing countries — Ed.) are trying to regroup and are taking a confrontationist approach, but we are not going to retaliate in kind. Our approach is to get them back to Paris and to talk. Otherwise we are handling countries one by one like Peru, Egypt, and Indonesia."

The Transfer Ruble: East-West Economic Lifeline

by David Goldman

July 20 (NSIPS) — Buried under the mountain of garbage that Henry Kissinger and his banking friends are putting out about Soviet indebtedness to the West, is one grain of truth: the international money swindle known as the Eurodollar market can no longer sustain even current low levels of East-West trade. Without a rapid transition to financial arrangements based on the transfer-ruble and gold, East-West trade will disintegrate.

Not that the New York banks who say the Soviets are becoming a credit risk are doing anything but lying their heads off. Loans to the socialist economies of Eastern Europe are the closest thing to viable investments these bankrupt institutions have. Even more stupid is the bankers' (and Jimmy Carter's) fantasy that economic warfare will produce political concessions from the Soviets. The Soviets not only have 60 years' experience in withstanding economic siege from the capitalist sector, but are prepared under such circumstances to start large-scale exports of ICBMs.

But the glut of high-interest, short-term, speculative international money known as the Eurodollar market is the only large credit pool the capitalist countries have to finance exports to the Soviet Union. The maintenance of the Eurodollar monster requires a 30 to 40 per cent rate of decline of world trade, and negative levels of capital investment in the West. To the extent

the Soviets and their allies borrow Eurodollars, their economies bear the costs of propping up the bankrupt dollar monetary system.

In the case of at least one Council of Mutual Economic Assistance (Comecon) member, Poland, the debt problem could reach emergency proportions this year. The country is \$7 billion in the hole to the Eurodollar banks. On top of a projected \$2.5 billion trade deficit projected for 1975, the European-wide drought has reached Poland. Agriculture Department price increases. Protest riots broke out immediately, and the rainfall by September, half the country's potato crop (as large as the rest of Europe's) will be wiped out, destroying the Polish livestock export industry. In this most-probable case Poland will be in extreme financial trouble by the end of 1976.

No Choice

Although Central Intelligence Agency officials and related Soviet specialists here point out that the volatile Polish situation does not threaten the Comecon as a whole, since the organization's resources can "stretch" to cover Poland, the lesson has not been lost on the Soviet leadership. They have no choice but to junk the dollar credit system.

In mid-June, the Soviets' single experiment in taking the advice of their creditors to introduce austerity measures into the Comecon as the condition for more credits came to an abrupt

end, with the civil disturbance in Poland. Following a week-long visit to West Germany aimed at securing trade credits, Polish premier Eduard Gierek announced major food and consumer price increases. Protest riots broke out immediately, and the entire plan was scrapped.

The Soviets responded with public offers to use the Comecon's transfer rouble as a means to finance international trade, and a strong commitment to the new world economic order from the Executive of the Comecon, which met in Berlin earlier this month. They have not yet taken the type of action which would force these proposals onto the negotiating table of industrial capitalists in the West — such as granting Egypt a debt moratorium to start a wave of moratoria throughout the Third World.

For their part, the Atlanticist financiers are stepping up their demands that the Soviets "cut back imports, accept tougher credit terms, and disclose more information about their economies," in the concise summary of a Morgan Guaranty Trust official. This is a straightforward provocation, not financial policy, in line with Henry Kissinger's publicly stated intention to destabilize the socialist sector.

The Inflation Problem

But even those capitalist factions who are bitterly opposing Kissinger's and Lower Manhattan's policy, such as the Chicago industrial grouping on this side of the Atlantic and certain of the Western Europeans, still have to deal with the underlying problem that makes Kissinger's psywar possible in the first place. This problem has been expressed in two principal ways:

In West Germany, Ruhr-based industrial interests who depend heavily on exports to the East have grudgingly accepted Kissinger's directives, for reasons expressed in a recent commentary in *Deutsche Zeitung*. DZ, the Ruhr's weekly house organ, complained that "the West ships goods to the East and also pays for it." This is ironically true: since the Soviets have successfully wrung concessions from their West German suppliers on prices or interest rates, the West Germans' profits on deliveries to Comecon have been close to zero for close to a year. The Soviets, justifiably, have refused to accept inflated prices and inflated "market" interest rates, but West German capitalists have to pay these just the same.

Secondly, a leading Chicago-based economist expressed the dilemma of the Chicago machine-tool and farm-implements exporters: more trade credits are necessary to keep up East-West trade, but such unlimited expansion of trade is inflationary. The comment is embarrassingly naive, but true: the Eurodollar chain-letter game uses trade-financing as collateral for much larger expansion of inflationary speculative activities.

What irks these industrialists is that most new loans to the Soviets since 1974 have gone either to cover price increases on an existing volume of exports, or to cover repayment of previous short-duration Eurodollar credits.

Between 1973 and 1974, the price the Soviets paid for steel, their largest import, rose by 41 per cent; for plastics, by 171 per cent; for chemicals, by 139 per cent; for rubber by 62 per cent; and for grain by 45 per cent, according to C.I.A. estimates ("Soviet Hard Currency Trade," C.I.A., January 1976). Overwhelmingly, the Soviets import investment goods. The Comecon sector is the only industrialized economy in the world to undertake industrial investments which even match industrial replacement costs. The cited price rises since 1973 have extinguished industrial investments which even match replacement costs. The cited price rises since 1973 have extinguished industrial investments throughout the capitalist sector. The mere fact that the Soviet investment program, which depends partially on imports, has continued, is an extraordinary tribute to Comecon's economic strength.

Secondly, Eurodollar credits which the Soviets began drawing most heavily in 1971 and 1972 are beginning to mature in huge

lumps. Soviet debt service alone almost doubled from an estimated \$815 million in 1973 to \$1.5 billion in 1975, or one-fifth total Soviet exports, the C.I.A. estimates. At this point, the \$8 billion which Western bankers estimate Comecon will borrow this year will probably not even cover debt-repayments and price rises!

A New Monetary System

Western industrialists, if they want to survive, are going to have to junk the Eurodollar swindle and strike a bargain with Comecon over the transfer-rouble. Strictly speaking, the transfer-rouble (unlike the Soviet rouble) is not a currency. It is a transferable government-to-government credit for long-term, low-interest trade financing, now in use within the Comecon. Once two members of Comecon have agreed on a year's trade flow, that is, matched their export capacities to their import needs, the central bank of Comecon creates transfer-rouble credits to cover the imbalance in trade between the two countries.

The surplus country in the exchange receives the appropriate amount of transfer-roubles, and can use them to settle its accounts with other members of the Comecon system.

By agreement between the European countries and the Comecon, European central banks could accept transfer-roubles from the Comecon central bank to cover the West European export surplus in trade with the East. In effect, Western Europe would be granting long-term credits to the Comecon countries by accepting transfer-rouble payments. Western Europe's fundamental incentive to do this is the enormous benefit it would draw from the expansion of the Comecon economy over a time frame of several years. The United States could enter into transfer-rouble financing arrangements on an identical basis.

As transferable government credits, transfer-roubles could circulate freely between Comecon, the industrial capitalist countries, and the Third World; the West exports capital goods to Comecon; Comecon exports development infrastructure to the Third World; and the Third World exports raw materials to the West. In proposing the international use of the transfer-rouble, the Soviet journal, *The Soviet Union*, today cited three-way trade between these sectors as the underlying basis of a new world monetary system — which will replace the cancerous bankrupt Eurodollar market.

NSIPS Exclusive Interview With Marshall Goldman

"Grain Is The Ultimate Weapon"

July 24 (NSIPS) — Economist Marshall Goldman, now based at the Harvard University Department of Russian Studies, granted the following interview to a reporter from the U.S. Labor Party's intelligence staff. Goldman, who is said to have the ear of Secretary of State Kissinger, is a leading proponent of the use of U.S. food reserves as political leverage against the socialist and developing sectors. Mr. Goldman is somewhat paranoid about the effects of the U.S. Labor Party's expose of his role in planning economic warfare. Sources report that at a meeting of top Wall Street policy planners at Arden House in New York, Mr. Goldman began his remarks by stating, Let me say everything the U.S. Labor Party says about me in their newspaper, New Solidarity, is a total lie.

USLP: What is your reaction to the Newsweek article proposing economic warfare against the Soviets?

Goldman: I didn't read it. That is, I skimmed it and looked for my name. They didn't quote me so I didn't read it.

USLP: Everyone pretty much assumes Kissinger will use economic warfare, although the Administration denies this. What's your recommendation?

Goldman: Why shouldn't we use it. They will and so will we. We

use it against France, Italy, Japan, and they use the oil weapon against us. Are we just going to sit there? Our grain crop is the ultimate weapon.

USLP: No. Prof. Goldman, ICBM's are the ultimate weapon.

Goldman: It's easier to make ICBM's than to grow grain.

USLP: Consider this possible Soviet response: suppose the Soviets repudiate their debts or encourage the Third World to repudiate their debts in retaliation. Isn't this possible?

Goldman: Sure. But the Europeans hold most of their debt. Let them worry.

USLP: And the Third World?

Goldman: Well, we hold most of their debt, but the Third World won't follow the Soviets.

USLP: There was a West German newspaper report that Mozambique will join Comecon.

Goldman: Great, that's the best news I've heard. Let them, let everybody do that. It will drag them down.

USLP: But the Soviets have clear options even in Western Europe, including Italy, where Cefis, who isn't the greatest friend of the U.S., has made oil-for-technology deals with the Soviets and their friends which account for their entire oil needs. And Italy wants a debt moratorium. Can't the Soviets move economically into Western Europe?

Goldman: No chance.

USLP: Please elaborate.

Goldman: They stand to lose more than we do. The Soviets have a better record of repaying debt than practically anyone else since 1952. They are real puritan businessmen.

USLP: Conversely, how do you rate Kissinger's chances of success in splitting East European countries from the Soviets?

Goldman: Great. Just great. I expect great results. Both (State Dept Counselor Helmut) Sonnenfeldt and Kissinger were absolutely right. The Poland thing is going great. (Polish leader) Gierek really got the message. How else do you explain the Berlin meeting? (the recent East Berlin meeting of European Communist parties — ed) They were also repudiating the dictatorship of the proletariat, and the Eastern Europeans were right behind them. Yugoslavia and Rumania did, and the rest of them were right behind them.

USLP: That's ridiculous. Even the reading we get from the CIA is that they don't believe anything so stupid.

Goldman: Aha, you get a reading from the CIA! You have better relations with the CIA than I do. I'm going to use that.

USLP: But we know from talking to a great many people what CIA opinion is.

Goldman: I don't have access to classified CIA data like you say you have — aha, the American (sic) Labor Party and the CIA... Look when I get my monthly call from you, I don't go running into the bathroom, I like to hear what you have to say, it keeps me informed about stuff I never hear about otherwise.

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The Nose Dive

Psychology Of Panic Sets In On Bond Markets

NEW YORK, July 24 (NSIPS) — For the first time in many months, two new bonds offered this week carried double-digit rates of return, highlighting the uneasiness in the credit markets over inflation and the direction of the U.S. economy. Continuing where it left off after the release of last week's Federal Reserve Board figures showing large jumps in the money supply, the credit markets opened the new week with dealers dumping unsold inventories of bonds to cut their losses.

The sharp turn in the markets took almost everyone by surprise, and exposed all the concocted press analyses of the "U.S. recovery" to be about as worthless as most bonds. Just last week, the press and most "respected economists," financial letters, etc. were crowing about the new-found stability in the markets. Then these erstwhile bulls decided not to put their money, at least, where their mouths were and bailed out. Even though the market recovered slightly toward the end, the essential point had again been hammered home to all those who had been fooled by the press fantasy world — the so-called U.S. economic recovery is the world's largest confidence game.

Everyone knows it, and the slightest burp from the Federal Reserve Board on some other statistical reporting agency's computer is all that is needed to send the players scrambling to cash in their chips and abandon the premises.

One trader at a government bond house was quoted in the local press as saying, "There I was eight days ago, predicting four to six weeks of harmless trading before having to worry about money tightening. It does not pay to look further ahead than eight hours, I guess." The head trader of the corporate bond department with a large brokerage firm said, "A week ago Wednesday, I was a happy man. On Thursday night, however, my stomach turned into a bunch of knots and I've spent the past six trading days getting rid of inventory." One bond analyst, noting his colleagues' penchant for self-preservation, cynically remarked, "As usual, everyone leaped into the pool at the same time." — Himself included of course.

A leading bank analyst here told our correspondent: "Here's the scenario. This is the beginning of the end — hyperinflation and that falling out bed we've been watching for. Look at the situation. Money is plentiful, right? And mortgages are running 9 per cent... Homes are beyond the reach of the average guy... All the recessions since the war have failed to correct the basic inflationary tendency... this can only be corrected by a depression."

COLLAPSE CONTINUE UNABATED

According to the Labor Department's tampered statistics released this week, the real spendable earnings of U.S. workers

have fallen from a year ago, a year of supposed recovery whose main danger, according to the economists, is "overheating" into an inflationary "boom."

Noting the seeming anomaly of income falling during an "upswing," the Wall St. economist says that such a year to year comparison is invalid since income figures last year were boosted by the tax cut, i.e. an inflationary expansion of government debt.

Since income is falling, retail sales are falling. Without retail sales expanding, it is impossible to maintain even current depressed levels of industrial output. And of course, with no real prospects of final sales improving, business is not investing in new plant and equipment, as is undoubtedly the case.

WHY THE PANIC?

The only solution to the crisis is to reverse the present austerity policies which are collapsing living standards and the markets of the industrialists.

The only index that is rising is the one that measures debt. Even though "real" GNP declined by \$24.5 billion in 1975, the total of public and private debt soared by \$228.5 billion. So, the only sane solution is to rein in the burgeoning debt, and tie credit expansion to productive activity.

The collapse of productive activity has released a mass of funds which have nowhere to go except speculative areas. These debt instruments feed on each other, requiring an ever expanding supply of funds. In monetarist terms, the "multiplier" declines since M1, which as checking accounts generally tends to reflect business activity, loans, etc., doesn't rise as fast as overall funds in the system reflected in the "monetary base (essentially reserves of Federal Reserve banks)." The multiplier has fallen from 2.5 to about 2.4 over the past 12 months, reflecting the bottling-up of free liquidity in the banking system e.g. the rise in savings deposits against checking accounts and the "mysterious" continuing drop in commercial and industrial loans.

Thus there appears to be a mass of "liquidity," as funds slosh around the credit markets. Yet, sooner or later, the markets grow nervous about their inability to realize real profit off their inflated paper holdings. Pretty soon people start bailing out of the market. Before long everybody begins rushing to liquidate their positions, as the psychology of panic sets on the market. At that point all the previous "liquidity" appears to be tremendous "illiquidity."

This, in mild form, is what happened in the credit markets this week. Everyone knows that any combination of "bad news" could easily produce a panic on the markets.