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To Our Readers

The unprecedented success of the Executive Intelligence Review's claim to have established a decisive competitive advantage over every other existing publication — government or private — in the exceptionally sensitive information industry, requires a word of explanation from its admittedly controversial publishers.

This explanation therefore strives to answer the question often asked by corporate and government-service clients of the Executive Intelligence Review, namely: "Why do I, as a businessman, government official, etc., need to rely on the published product of an avowedly Marxist enterprise?" The fact that such a reliance has been proven to be established by the market performance of the Executive Intelligence Review to date, itself signifies that the question merits an answer for reasons more important than mere curiosity.

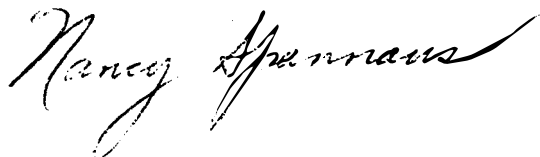
There are two interconnected reasons for which avowedly capitalist corporate managers have repeatedly appreciated the intelligence services supplied by the avowedly Marxist Executive Intelligence Review.

First, our superiority over our competitors, both in government and the private sector, in the information field, occurs in matters of method, particularly method of intelligence evaluations. The implications of our methodological commitments for the client-executive who wishes to purchase a reliable intelligence report, are twofold. One, in our ability to single out unique special features in world developments which, months later, become leading features that dominate subsequent political, economic, financial and technological trends. Our established track record includes such "success stories" as our consistent lead over every one of our competitors in the analysis, evaluation and publication of events leading to the OPEC-led onslaught against the energy and financial empire of the Rockefeller coalition; the emergence of the European-Arab axis; the Soviet and West European commitment to the development of fusion power and related technologies; the establishment of the Warsaw Pact's decisive marginal strategic advantage over NATO strategic forces; the concerted drive of West Europeans, Non-aligned nations and others to replace the Bretton Woods system with a gold-based world monetary arrangement; and so forth.

Equally decisive for the corporate executive who relies on our intelligence product is our commitment to differ with our competitors in the presentation and packaging of this product. Our editorial policy is founded on the proposition that the informed executive will be unable to form competent policy judgments unless he is presented with the *entirety* of the world picture into which his particular corporate jigsaw puzzle must be fitted. Hence our deliberate decision to present, each week, a synthesized total world picture within which our client will also be able to find every significant intelligence item pertaining to his special area of concern and responsibility. He thus has the option of weighing the import of such specialized intelligence items against the global frame.

The second reason for our superiority over our competitors is the fact that the Executive Intelligence Review relies on the services of uniquely qualified vendors. They are the Intelligence Department of the U.S. Labor Party, the Fusion Energy Foundation, the amassed expertise of the Labor Party's Legal Department. The Executive Intelligence Review also reflects the added advantages of insight gained through the USLP's political activities and relations with every social and political group of any consequence in this country and abroad. Such groups and entities are going to be playing an increasingly decisive role in the emerging new world economic order, and our established relations with them give us a decided advantage over every one of our competitors in this key business area.

Finally, the editors of NSIPS fully share the USLP's fundamental political proposition that the *capitalist* necessity of maximizing rates of capital formation can only be realized by means of a *socialist* theoretical solution to the problems of accumulation imposed on the economy by the monetarist faction. Hence our commitment to making available to the industrial executive, the engineering specialist and the concerned official the quality of political and business intelligence enjoyed by the U.S. Labor Party leadership itself.



Nancy Spannaus
Editor-in-Chief

IN THIS WEEKS EXECUTIVE INTELLIGENCE REVIEW

What did Italy's Foreign Minister **Forlani** and his Soviet counterpart **Gromyko** discuss in Moscow this week? We weren't allowed to eavesdrop, but we can tell you this. On the basis of the evidence in this week's **International Report**, Europe is awfully close...closer than anyone in the corridors of power will admit "for the record"...to **new world trade and monetary arrangements** to replace the ruins of the dollar monetary system. **Callaghan** in Britain and **Andreotti** in Italy are in charge and leading the continent toward political realignment and economic expansion based on three-way cooperation between the Comecon, and the developing sector. When he comes to Washington, D.C., Callaghan will warn **President Carter** that the U.S. will not be allowed to interfere...

* * *

West Germany is the key to how far and how fast Europe will move. So far BRD industrialists and their spokesmen inside and outside the **Schmidt government** remain supremely conscious that their industrial expansion policy is incompatible with **Carter's hyperinflationary schemes** (See **International Report**).

* * *

How quickly the Germans go over from stubborn passive resistance to U.S. dictates to active official opposition may well depend on the outcome of recent developments in France (See **Europe**). **Gaullists** under the banner of former Prime Minister **Michel Debré** are on the warpath again... against the only remaining major European government still willing to follow blindly wherever **David Rockefeller** leads.

* * *

Our **Economics** report itemizes the trade deals which are the underpinnings of the emerging new world economic order... (**World Trade**). It may be hard for U.S. businessmen to believe, looking at the Dow-Jones, but **stock markets in Europe are going up...** (**International Stocks**). Our analysts also explain that latest activity on the **Gold and Foreign Exchange** markets, in

terms which are bound to make some people uneasy...

* * *

What the new world order will mean to the Third World... and to advanced sector industry looking for markets... is previewed in a special report on **Nigeria's drive to organize a new industrial revolution.** (See **Africa**)

* * *

Where will the USA fit it? A lot depends on what happens in **Congress** during the coming days... A number of well-connected Senators and Representatives, on both sides of the aisle, are pretty uncomfortable about the Carter economic program... which they view as Naderite energy conservation "for everything except the Treasury's printing presses. (See **National Report**) Reprinted here are excerpts from the testimony of Senator Harrison Schmitt, who wants Congress reorganized to put through a program of **re-industrialization** and intensive **research and development to prepare right-now for a 21st century fusion-power economy** when we need it... in the next decade.

* * *

On the other hand... after viewing the line emerging from the **Trilateral Commission's** emergency meeting in Tokyo... and an extraordinary rump session of Carter's **National Security Council** (both are covered in this week's **International Report**)... ask yourself one question...

Will the Carter Administration be allowed to repeat the foreign policy of **Vietnam-style "little wars," Chile coups, and manipulated oil and raw materials shortages** which characterized the Kennedy-Johnson-Nixon years?

* * *

... In a special section of this week's **International Report**, U.S. Labor Party Chairman **Lyndon H. LaRouche, Jr.**, explains why this policy is being peddled as an "antidote" to the demands for immediate **thermonuclear**

INTERNATIONAL
NATIONAL
ECONOMICS
ENERGY
SCIENCE AND TECHNOLOGY
MILITARY
EUROPE
MIDDLE EAST
AFRICA
ASIA
LATIN AMERICA

confrontation between the US and the USSR put forward by the Committee on the Present Danger-'Team B' hawks around Carter... and why it will only bring general war closer. In a strategic analysis which will shock many, LaRouche demonstrates that the alleged **anti-communism** of both hard and softline factions... is being used to mask a **monetarist strategy for global looting which antedates the Bolshevik Revolution.**

* * *

How the Soviet Union is looking at the "Team B vs. the softliners" faction fight is reported under **Military Strategy**. Former French Admiral **Sanguinetti**, a man with close connections to Gaullist circles, is advising Europe **not to wait for the Soviets' final ultimatum** before bolting from the leaky U.S. defense umbrella; reprinted here are the key excerpts from his articles in *Le Monde* this week.

Also printed in full in this week's issue — and in no other source to date — is the complete **draft testimony** which Former U.S. Ambassador to Chile **Edward Korry** delivered to the **U.S. Senate** committee considering the nomination of **Cyrus Vance** as Secretary of State. Naming names, dates and places, Korry describes in detail, the machinations of the **Rockefeller-Kennedy axis** which forced **fascist military coups in Brazil and Chile**, then ran the phony CIA and Lockheed scandals through the *New York Times* and elsewhere to discredit their political opponents in such ventures. In remarks which will have an important bearing on the fight currently brewing over the nomination of **Ted Sorensen** as CIA Director, Korry makes it abundantly clear that it is the same Rockefeller-Kennedy crowd which is now assuming the reins of power in Washington. The complete text of his remarkable Senate testimony is the lead item in this week's **National Report**.

* * *

Bringing Korry's testimony up to the minute..., our **Latin America** section documents the current attempts to start "**chain reaction**" wars on the South American continent. Included are excerpts from the newspaper articles being used to whip up war fever, between Brazil, Chile, and Peru... the think-tank computer scenarios for war... the outraged reaction of Latin American press and officials... and an exclusive interview with **Eliot Janeway**, the reporter who kicked off this week's outburst of hostilities.

* * *

"France Frees Terrorists" screamed the headlines in the New York press as Palestinian leader **Abu Daoud** was released. What actually occurred in the Abu Daoud affair, reported under **Mideast**, was a "**black operation**" aimed at **disrupting growing Euro-Arab alliance**, an operation which backfired so badly that we can already bring you the first excerpts from European press reports attributing the whole fracas to "The CIA."

* * *

EIR also brings you exclusives on the following current and prospective international "hotspots" Find out...

*** Why the *Washington Post* says Sadat of Egypt is ready to dump the Palestinians... and why he probably won't. (See **Mideast**)

*** Why Carter's softliners want to get rid of the current government of South Korea, for years billed as the staunchest U.S. ally in **Asia**.

*** Who is Turkey's 'Invisible' Prime Minister, and what role could he play in shaping a renewed Cyprus crisis which could bring down the Demirel government? (See **Mideast**)

*** Why Andrew Young says he will defend South Africa against the world at the United Nations, and what the British are doing to avert the sharply increased momentum toward war in southern **Africa**.

*** Who's Who in the current battle to control Malaysia's government and natural resources, and the implications of this fight for the future of Japan and Indonesia. (See **Asia**)

* * *

Shortages are what happens during a war, so **let's stockpile everything** now so we can have the "shortages" immediately... That's what many so-called economic experts in the U.S. are saying. Our **Commodities** report demonstrates the **disastrous effect** such reasoning will have... by design... on the world economy. (See **Economics**) American businessmen are already coming under heavy pressure to go along with such schemes... the magic words "national security" have been invoked. (See **Corporate Affairs**).

* * *

Read it here — the one you won't read anywhere else... **Carter's Coca Cola Connection...** in this week's **National Report**.

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Britain, Italy Take Lead for East-West Trade Expansion

Taking the lead for Europe, Italy and Britain have intensified efforts this week to ensure the basis for rapid industrial growth and technological development in both the advanced and developing sectors, hinging upon "triangular" arrangements on trade and financing between Europe, the Third World and the Comecon. Coordinated political and economic negotiations by Britain, Italy and — to a lesser but no less significant extent — France point to a tightening up of European relations with the socialist and underdeveloped sector as the conscious preparation for a successful European-Arab conference scheduled for Feb. 10.

Concomitantly, an increasing number of Europeans are refusing to go along with the war fantasies of President-Elect Carter, purposely created to undermine growing Euro-Arab-Soviet cooperation, and have instead issued repeated warnings in the press and elsewhere that Carter must opt for détente or risk losing America's European allies. These moves, broadly based on the adoption of a tough, unified European stand on a solution to the North-South (advanced industrial versus Third World economies) problem in conjunction with a concerted campaign for East-West trade — pre-empting any attempt at "coordination" by the Carter administration — set up the ideal political climate for the creation of an "East-West European Bank." This proposal for economic cooperation was set forth by Italian industrialist Sr. Ratti, and is known to have the endorsement of government and financial circles in Great Britain.

Extensive "underground" discussions of the "Ratti bank" — which would set up the financial framework for expanded trade and development with Arab funds and facilities for discounting Soviet bills of exchange — were pivotal to the visit of Italian Foreign Minister Forlani to the Soviet Union this week, according to the Italian financial daily *Il Sole 24 Ore*. Concretely, the Forlani visit resulted in \$7 billion in trade deals between the two countries, only \$700 million of which is being made available by Italy to finance the deals. The balance will be made up by "promissory notes and other specialized credit arrangements" to be worked out in detail and finalized by Foreign Trade Minister Ossola during his scheduled trip to the Soviet Union in February.

The Italian daily *La Repubblica* reports that Italian Foreign Ministry official Mario Mondello, who is a well-known supporter of the transferable ruble, has been put in charge of handling the delicate financial negotiations

now underway aimed at creating the basis for "a new kind of (economic and financial) collaboration" between East and West Europe. It has been emphasized in the Italian press that current diplomatic moves are geared toward "institutionalizing the triangular alliance" involving Italy, the Soviet Union and the Third World, which first moved into the open last month when Libya purchased ten per cent of Italy's FIAT Motor Company. This deal has come to represent the prototype for other Western European countries experimenting with similar three-way trading arrangements.

Forlani's visit to Moscow concluded with an emphatic endorsement from both sides for the complete normalization of relations between the European Economic Community (EEC) and the socialist sector, laying the foundation for a successful round of financial, trade and political negotiations between the two blocs.

In conjunction with the Italian initiatives to create a broad economic and strategic alliance with Moscow, the British government has made clear that it also intends to organize for united European cooperation with the East bloc and Third World on a top priority basis. Foreign Secretary Crosland, who will be chairman of the EEC Council of Ministers for the next six months, told EEC officials this week that the Common Market must take a unified position on the upcoming North-South talks, the Helsinki accords and on organizing for peace in the Mideast. In emphasizing the functioning of the EEC as a bloc in its political and economic relations with the Comecon and the developing countries, Crosland echoed Italy's sentiments. Italian Foreign Trade Minister Ossola pressured French Prime Minister Barre in Paris this week on the necessity for an autonomous European solution to the North-South dialogue where debt moratoria and transfer of technology are the primary issues to be resolved.

Ossola impressed upon Barre that Western Europe could not wait for the June Rambouillet economic summit with Carter to arrive at a solution. He proposed instead a stepped-up timetable, with a common EEC stand to be ironed out during the Jan. 18 EEC Foreign Ministers' meeting, in time for the Feb. 10 Euro-Arab conference.

For his part, British Prime Minister Callaghan has performed a major coup which will at once sweep away the remaining opponents to his organizing for the Italian-proposed East-West European Bank. He has taken direct

personal control over all government ministries involved in trade, industry and economic planning, as well as the Treasury and the Bank of England's sterling policy. In order to spur economic recovery and insure that his strategy for industrial regeneration and export expansion is carried out satisfactorily, Callaghan will now directly oversee policy decisions relating to Britain's program for economic growth, "to clear away dead wood and allow industry to blossom" in the words of one official. Implicit in Callaghan's move, which apparently caught London by surprise, is a diminishing of Chancellor of the Exchequer Denis Healey's role. The press reports unanimously that Healey and those who supported him in urging an austerity policy during the International Monetary Fund negotiations with Britain are "living on borrowed time."

Callaghan's assumption of command directly precedes his visit to the U.S., where — as the "architect of recovery" in Great Britain — he will deliver an ultimatum to Carter on the need to expand world trade. Clearly preparing the way for its own expansion of trade with the socialist and Arab sectors, the British government announced this week that their ceiling on guaranteed trade credits is being extended from 18.3 billion pounds to 40 billion pounds, contingent on Parliamentary approval. This is an astounding increase given that the 8.4 billion pounds in credit extended in 1975-76 totalled 36 per cent of total U.K. export funds. For the first time, the government has also given the Trade office the right to back foreign currency loans — a probable move toward transferable ruble-financed trade.

Despite political turmoil in France and a policy by French President Giscard d'Estaing which remains subservient to Wall Street, the industrial and financial forces in the country are clearly laying the basis for a European development perspective. Following friendly talks between French Prime Minister Barre and his British counterpart Callaghan, during which the need for technological cooperation was stressed, the French government announced a 34 per cent increase in subsidies to the public sector (nationalized industries). This immediately sets the tone for a period of economic expansion and raises the obvious questions of financing. Partly due to the consolidation of France's relationship to the developing sector through the consolidation of several exemplary trade deals, Arab petrodollars are flowing into France for reinvestment use. The stock market is buoyant, with oil issues and chemical industry's stocks up 20 per cent. The French franc has

been gaining significantly, also indicating strong foreign inflows, but France has yet to actively promote the Euro-ruble axis.

French Gaullists and their allies in the French Communist Party (PCF), however, have echoed in particularly strong terms the diplomatic efforts of Italy and Britain to defuse the Carter war threat which is deliberately designed to sabotage growing Soviet-European rapprochement. Max Leon, former Moscow correspondent of the Communist daily L'Humanité, has officially rallied to the efforts of anti-NATO Gaullists, such as Admiral Antoine Sanguinetti, who claim that the implementation of the Schlesinger "limited nuclear war" doctrine would incinerate Western Europe. In a two-part series in L'Humanité, Leon lambasted U.S. thinktankers who exchange strategies and "coldly envisage an atomic massacre on our old continent under the cover of 'European defense'." While Italian Foreign Minister Forlani gave indications that he will respond to Soviet public endorsement of the Warsaw Pact's proposal for the mutual dissolution of the two military blocs, British Defense Minister Fred Mulley dealt a severe setback to the Tory warhawk faction. Countering a Conservative vote of censure against the Labour Government's policy of defense cuts, and an attempt to drag out the "Soviet war danger" line, Mulley asserted publicly that the Warsaw Pact military capability, by itself, did not constitute a threat to the security of the West. Mulley reaffirmed his government's position not to embark on massive rearmament, emphasizing that although military chiefs could always find a reason to justify increased defense expenditure, this time, they must abide by "political decisions made by Ministers and Parliament."

The motivating drive for these deliberate European moves is a firm, historically-based commitment to technological development as the only means to civilization's survival. This was made explicit by EEC Energy Commissioner Brunner who demanded the passage of a resolution at the European Parliament condemning the EEC Council of Ministers for sabotaging European fusion power development. "Europe's patience has a limit," said Brunner motivating the resolution. "It does not intend to sit by and witness the liquidation of European fusion research." The final resolution affirmed that only immediate implementation of the program of thermonuclear fusion, including a decision on the site for the joint European Torus (JET) project could help secure the community's long-term energy needs.

West German Economic Program Not Compatible with Carter Hyperinflation

There is firm consensus in West German government and industrial circles that economic growth and real increases in productivity—not hyperinflation—are the only sensible goals for 1977. Although Carter's Jan. 6

announcement of his economic program for the United States has been received "politely" in official Federal Republic statements, there is no question that Bonn is coordinating its 1977 economic program efforts with

British, Italian and French forces, all heading for a collision with the Carter plan.

On Jan. 11, Bonn government spokesman Armin Gruenewald issued a statement to the press characterizing Carter's program as "impressive." But Gruenewald added that Chancellor Helmut Schmidt had his own methods for attacking the economic crisis and that the Chancellor would emphasize the role of "long-term investments" in improving economic conditions in his Jan. 6 policy statement to Parliament.

The same day, Otto Wolf Von Amerongen, chairman of the influential Chambers of Commerce (DIHT) spoke at a businessmen's conference in Cologne and called for the creation of a government, industry and trade union "coalition" to enable a "continuing guarantee of growth." In words similar to Gruenewald's, Amerongen stressed that increases in industrial output could be achieved only through a long-term investment policy.

The effect of the Federal Republic's aversion to pump-priming, non-productive "full employment" programs is to make virtually impossible smooth implementation of the Carter-Trilateral Commission economic program on an international scale. From the standpoint of the new Washington administration, Bonn should inflate parallel to Federal Reserve money-generating outlays to give the dollar credibility as a debt-collecting instrument abroad.

The official policy of the West German Central Bank is to hold expansion of the money supply (M3) to eight per cent this year. Far below the levels desired by Washington, the eight per cent goal has come under attack domestically. On Jan. 8, the West German industrial daily Handelsblatt reported on recent recommendations issued by the Rhein-Westfalen Institute (RWI), an economic research foundation reflecting the views of Ruhr-based industry. The RWI has established six per cent as the uppermost limit of money supply increases which the economy can sustain this year, and has determined that lowering of domestic interest rates—as demanded by the U.S.—would be useless, since industry's absence on the loan market is due more to the poor investment climate than the price of funds.

Increase Trade With Third World

The only means to improve the investment climate is to increase export orders to West Germany's basic

industry. On Jan. 9, Federal Development Minister Marie Schlei stated in a radio interview that West Germany cannot simply continue to allocate new funds to development aid, but must sign a series of export treaties with developing nations. She asserted that 500,000 new jobs—enough to solve 50 per cent of West Germany's current unemployment—can be created this way.

Schlei's projections have sparked an intensive debate on Federal development policy in the nation's financial press. A leading financial correspondent asserted with considerable demoralization today in a private interview that he doubted seriously whether Third World nations had the infrastructure and capacity to absorb more than their current 10 per cent of West Germany's exports. On the other hand, Handelsblatt correspondent Eberhard Wisdorff criticized Chancellor Schmidt in a Jan. 12 editorial for failing to raise the Development Ministry budget this year. Wisdorff called this "astounding for a government which last year realized that the North-South conflict has reached the dimension of a leading foreign policy issue."

Depressed Schmidt

Leading pro-Carter newspapers, notably the *New York Times* and the *Washington Post*, began this week to peddle the line that Chancellor Schmidt is "depressed" and "tired." This fabrication is closely tied to the same journals' claim that Schmidt is "waiting for Carter" to forward an economic program for the western countries. Exemplary of such wishful thinking is the Craig Whitney column in the Jan. 8 *New York Times*, and the absurd caption run in the recent issue of West Germany's *Der Spiegel* magazine retailing the line that the Chancellor has been heard muttering suicidal comments, such as "I would like to die."

This propaganda is directed at West German and European circles as a signal from Carter's Washington that the Administration is aware of Schmidt's line-up behind the Europeanist programs undermining U.S. dollar and military dominance. Bonn has not forgotten that prior to the engineered resignation of Chancellor Brandt in the first months of 1974, the exact same line appeared in these journals about Brandt's state of mind. Brandt handed the Chancellery over to Schmidt in May of 1974 following a phony scandal involving revelations to the effect that his personal secretary was an East German spy.

Carter Team Prepares 'Little Wars', Raw Materials Hoaxes

On Jan. 6, members of the Carter Cabinet, under the direction of Vice President-elect and Trilateral Commission member Walter Mondale, convened a meeting of the National Security Council-designate at NSC headquarters in Washington, D.C. The agenda of the meeting, prepared by former Trilateral Commission director Zbigniew Brzezinski, now Carter's NSC chief, covered every flashpoint for war on the globe, including the simmering "Arab-Israeli" conflict, the Panama Canal, Turkey, Greece, the Soviet sector, and southern Africa.

The rump NSC session signalled that two weeks before Carter's scheduled inauguration, David Rockefeller's Trilateral Commission, which dominates the Carter Cabinet, began to usurp the national security functions of the official U.S. government.

Two days later, the *International Herald Tribune* announced that the Trilateral Commission itself was convening a previously unannounced emergency plenary session in Tokyo Jan. 9-12. The principal planning item under discussion at this meeting was identical to that of the NSC session: a global assault on the emergent West European-Third World alliance for economic cooperation which is threatening the Carter team's efforts to preserve the bankrupt dollar monetary system. This assault has already been initiated with the activation of the Rand Corp.'s regional war scenarios for southern Africa and Latin America, situations which are to be manipulated against the oil-producing and Third World allies of Western Europe in its fight to break free of Lower Manhattan's control. These "little wars" are also being used as the cover for a gigantic raw materials hoax coordinated from the U.S. by Sen. Hubert Humphrey's (D-Minn) Joint Economic Committee of Congress and directed against the industrial sectors of Japan, Western Europe, and the U.S.

The code word for this policy, through which a tiny cabal based in the major New York banks hopes to batter U.S. allies and the Third World into submission, is "trilateralism."

Raw Materials

A report put forward this week by the Joint Economic Committee-created National Commission on Shortages and Supplies (NCSS) calls on Congress to provide for stockpiles of strategic raw materials warning that the increasing danger of "local wars and civil disturbances" in southern Africa and Latin America could result in crucial supply shortages. Not surprisingly, Donald Rice,

NCSS chairman and framer of the report, is also the president of the Rand Corporation, the California-based think tank that authored the so-called Second War of the Pacific blueprint for war in Latin America's Southern cone. Arnold Saltzman, a prominent member of the commission, is the well-known domestic corporatist planner who is also represented on Humphrey's Initiative Committee for National Economic Planning (ICNEP).

The U.S. Congress has been flooded with studies, reports and proposals backing up the Commission's demand for a three year minimum stockpile on crucial raw materials set by federal law. Humphrey and the Joint Economic Committee are preparing draft legislation in line with the report, and the New York Times and Los Angeles Times lead a press campaign in favor of the NCSS proposal.

Raw materials stockpiling by U.S. industry and the federal government would have immediate, devastating effects on world commodity prices. Coupled with the outbreak of war in one or more of the "hotspots," and coming on top of the oil and natural gas hoax shortages and price increases this winter, the stockpiling is designed to force U.S., Japanese, and Western European industry into another ratchet of bankruptcy and collapse. At the same time, the international rise in raw materials prices would raise the profitability of looting in Third World extractive industry — on which the bulk of the developing sector's debt to Wall Street depends — at the expense of the industrial economies.

This aspect of the NCSS raw materials scheme is a deliberate con to make way for a "Fortress America" version of outgoing U.S. Secretary of State Henry Kissinger's hated International Resources Bank plan. American steel companies are being told to accept a five per cent rise in the price of iron ore in the interests of national security although they have iron ore stockpiled to the ceiling. Similarly, other corporations are being warned of a cutoff of southern African supplies of tin and ferromanganese, and encouraged to create their own stockpiles. This is supposed to lead to panicky runs on supplies of these raw materials, feeding into Wall Street's plans to peddle Third World resources to advanced sector industry at sky-high prices.

Like Kissinger's IRB, the purpose of such schemes is to maintain the paper empire of dollar indebtedness to the New York banks, at the price of the progressive destruction of worldwide industrial and agricultural productivity.

Did Harriman's Role Avert an Early Confrontation Between Carter and the Soviet Union?

by Lyndon H. LaRouche, Jr.

EXCLUSIVE

New York City
Jan. 6, 1977

It is the dangerously mistaken, wishful judgment among certain otherwise well-informed circles that Governor Averell Harriman's negotiations between Moscow and the "Carter forces" have contributed to a significant, accomplished reduction in the probability for an early strategic confrontation. Unfortunately, without deprecating the amiable features of Mr. Harriman's concerns, the essential fact is that *the wishful delusions current concerning the outcome of those negotiations have considerably increased the probability of general war during 1977.*

It is properly emphasized in this connection that the cited, mistaken circles have committed the same type of blunder of judgment exhibited during 1938 by credulous observers of the Hitler-Chamberlain Munich Pact. It was still possible, at the time of the Munich Pact, to contain Hitler absolutely. The charade of diplomatic smiles demobilized the atmosphere of containment, and so the wishful delusions of that period transformed a probable general war into a certainty.

The Carter forces of today are governed by an underlying strategic impulsion identical to that determining the policies of the 1938 Hitler regime. The accumulated internal monetary and economic crisis of the Nazi "House That Schacht Built" had reached the stage by late 1937 that only the looting of an expanded economic base, Nazi Germany's neighbors, could stabilize the cancerously expanding mass of *Rentenmark, Mefo* bill and related financial structures. Today, unless most of the developing sector and European and Japanese OECD countries are subjected to the looting policies demanded in the self-interests of Lower Manhattan's debt-overhang holdings, the power of the Rockefeller brothers and their allies is as doomed as Hitler's would have been in 1938 without the Nazi rampaging conquest of continental Europe. It is not accidental that the Carter forces have come to consciously model their present strategic and national policies for the USA upon the monetarist and related conceptions of Hjalmar Schacht et al.

That is the fundamental impulsion leading Carter et al. toward general thermonuclear war even during 1977. All short-term tactical shifts in Carter policies, to the extent they represented actual retreats from such a confrontation perspective, must be overwhelmed by a

countervailing impulsion flowing from the financial desperation of Lower Manhattan Trilateral institutions.

The strategic realities of current Carter policy are Brazilian involvement in Caribex operations. Those operations intersect acceleration of the "Second War of the Pacific" scenario project in South America, a march toward a Chilean "solution" in Colombia, naked confrontation in Mexico, intensified pressure upon Peru, threats of internal destabilization and external interventions into Guyana, and a "terrorist" scenario for Puerto Rico rooted in the 1976 Democratic Party Platform. The Caribex operation also institutionalizes an essential feature of the proposed South Atlantic Treaty Organization, an extension of NATO focused primarily on turning all of southern Africa into Jimmy Carter's "Vietnam."

The strategic realities of the present period include Carter bloodbath operations around the Rhodesia issue. They include the launching of "black operations" within Israel against Prime Minister Rabin's forces, while simultaneously the Carter forces conduct an attempted internal takeover operation in the PLO.

In light of these and related facts, what weight ought to be given to the "cosmetic" concession to Moscow of kicking James Schlesinger "upstairs" to the same old White House position formerly occupied by Henry Kissinger? Must not the "adjustment" in Mr. Schlesinger's career be viewed, more narrowly, in respect of the current fight within the U.S. intelligence community? In the case of Schlesinger's designation and related matters, the Carter forces have made a purported retreat which is in fact a direct advance toward accelerated confrontation! Only children are properly deceived by the ostensible successes of Mr. Harriman's negotiations.

The relevant general principle we are obliged to stress is that *in whatever circumstances an underlying irrepressible conflict is operating among principal forces, all actions which do not directly neutralize those underlying impulsions are inevitably actions contributing to the earlier outbreak of war.*

This principle is richly demonstrated in modern history. What is, indeed, the record of sundry "non-aggression pacts," "disarmament treaties," and similar diplomatic charades? So long as the underlying impulsion toward war was not reduced, each of these diplomatic cretinisms performed an essential,

contributing role in accelerating preparations for war. Any treaty which is not premised in an agreeable intersection of fundamental interests of the parties is a farce. Furthermore, it ought to be common knowledge *that avoidance of war is not in itself a principled interest of any nation or combination of nations.* Contrary to too-bright-eyed, lispng pacifists, whenever the fundamental interests of a national ruling political force demand goals which cannot be achieved by means other than war, the manifest interest of that nation's ruling faction is to get to a favorable deployment for war-fighting by the quickest means.

It is relevant to this specific point that the Carter forces are not only committed to general war under an estimated favorable correlation of strategic forces; they are so desperate in behalf of their conceived fundamental interest that they are committed to force a *casus belli* even for those circumstances in which the USA suffers a significantly unfavorable correlation of strategic forces for actual war-fighting! (That latter, of course, is the preponderant issue of the current fight between pro-Carter and anti-Carter forces around the NATO military and intelligence establishments.)

The function of treaty agreements, armaments negotiations, and "cosmetic" gestures of reduced tensions in the current perspective of the Trilateral Commission, New York Council on Foreign Relations, and so forth, is to induce the Warsaw Pact, European OECD nations, and the Non-Aligned nations to make tactical retreats advantageous to the deployment of the monetary, political, and military forces of the Carter-centered cabal. Insofar as opponents are duped into regarding these aspects of Carter operations as aimed at "reducing tensions," etc., the danger of war is directly increased by such foolish credulousness. The weaker the *active* counter-deployment against the Carter forces, the more aggressively the Carter forces will accelerate their deployment for early strategic confrontation.

The Myth of Communism

The pervasive, most common rationale employed by the credulous in such connections is the thesis that the strategic confrontation between the Trilateral Commission and Warsaw Pact forces is essentially an intensification of the long-standing, institutionalized ideological mobilization of the industrialized capitalist governments and major parties against the Soviet Union. By attributing the primary character of the confrontation to this ideological conflict, the credulous are able to synthesize political models of the present conflict situation in which the "cosmetic" gestures following Mr. Harriman's negotiations are consistently interpreted as an abatement of the tempo of strategic confrontation.

Such credulous observers have learned nothing from the experience of World War II.

During the middle of the 19th century, the then-dominant monetarist faction centered upon the City of London and the British Foreign Office developed the general strategic perspective for the European continent of employing Prussia as simultaneously a "marcher lord" force for containment of France and a battering-ram for London's long-term Eastern European policy.

This project consistently emphasized the "balkanization" of Slavic Europe into an easily manipulated collection of squabbling states. Otherwise, the principal features of that long-standing policy were the splitting of Russia into two principal entities, a nominally autonomous "Great Russian" semi-colonial state in the north, and a separate, puppet-state Ukraine placing the grain and petroleum of the steppes and Caucasus directly under the control of the City of London. The City of London's Balkan policy as such was an extension of this same general strategic perspective.

With the aid of the incredible Alexander Helphand-Parvus, this British policy was introduced to the German command during late 1916 — for the initial down-payment price paid by the German military intelligence of one million marks. Overall, Parvus received over 30 million marks during the war period from German sources, and operating *in cooperation with British-controlled* northern-route networks — the same British interests Parvus had represented prior to 1916 in Germany, the Balkans, and Turkey — to the purpose of overthrowing the Czar and putting the longstanding British policy into joint British-German practice.

It is one of the howling ironies of history that Parvus, operating in Bolshevik circles through his agents Karl Radek and N. Bukharin, organized and funded the transport of V.I. Lenin to Russia *with the consent of a British northern-route network* as an intended part of the pot-boiling effort. Lenin, who accepted Radek's disclaimers concerning the origins of the three millions marks, was intended to be not a British or German agent, but a manipulated included element within a "grand scenario" for furthering the Anglo-German Russian project. The "backfiring" of this attempted utilization of "minor figure" Lenin of course shaped subsequently the modern history of the world.

That Eastern European project is properly seen not as an auxiliary feature of World War I, but represents the strategic policy for which that war included, to a certain degree, unexpected results.

The same policy represented the overall strategic setting for World War II. It was that underlying policy concerning the balance of a weakened France against the success of the City of London's old Eastern European perspective which prompted London and allied centers to look favorably upon the Hitler regime during the 1930s. Those forces' hatred of Lenin and Bolshevism — genuine enough in itself — was subsumed within the determining strategic perception of self-interests. It is a fact of history that the Frankenstein-monster creation, Hitler's Germany, developed strategic implications beyond the foresight of Hitler's earlier patrons in the City of London. Hence, the same monetarist factions which had funded Hitler's accession to power, which had prevented French occupation of the Rhineland in 1936, which had given Hitler Austria and Czechoslovakia in 1938, in 1940 reversed their policy drastically, and sought and established an alliance with the Soviet Union against the Hitler menace.

Once Hitler was crushed, London and New York City reactivated the old "Parvus Plan" under the auspices of UNRRA and related arrangements. By this time, the center of global monetarist power had been shifted from

London to New York City. The old City of London monetarist's policies became the foundation for the policy-elaborations of the Lower-Manhattan based monetarist forces.

The joint hegemonies of the City of London and Lower Manhattan during the interwar period and New York City's world-rule of the past 30 years have of course institutionalized the new forms of the old Eastern European policy as "official anti-Communism" of the governments and leading parties of the OECD countries. The ideological doctrine of "anti-Communism" thus serves as the popularized rationalization, the mode of informing the popular will, *for the policy which antedates the 1917 Russian Revolution.*

This institutionalized "anti-Communism" has two interconnected, significant features. Its appropriateness for use *as an instrument of policy* is governed by the conditions favoring the fostering of anti-Communism within the OECD nations and other countries. It is also an instrument for preventing the development of alliances among forces of the political labor movement with industrial-capitalist political forces of opposition to monetarist policies. Since industrial-capitalist political tendencies are impotent to resist monetarist forces without broad support from among working people and farmers, and since the independent political mobilization of the labor movement tends lawfully to occur as a "traditionalist" kind of pro-socialist formation, an ideological climate of "anti-Communism" reinforced by identification with the avowed principal foreign adversary, acts as a most useful instrument of the monetarists in checking both the labor movement and industrial-capitalist political forces within the OECD and other capitalist nations.

Otherwise, the monetarist faction's hatred of socialism may be real enough, but excepting conditions of imminent threats to its interests from the political labor movement, "anti-Communism" does not represent a governing practical impulse of the monetarist forces.

In respect to present issues impelling strategic confrontation, *the issue of Communism is a delusion.*

Anti-Communism has, nonetheless, the psychological advantage of coinciding with the practical impulses of the monetarists' actual war-making interest at this time.

The first is obvious. Although anti-Communism is a delusion, it is an established, hegemonic delusion in the principal institutions of the OECD and other capitalist nations and in the minds of large portions of the population in those states. Thus, as a delusion of this sort, it is the most useful instrument for mobilizing those institutions and populations for war.

The second point is that the essential conflict of interests today is between the monetarists pushing deindustrialization, on the one side, and the combined Soviet and pro-industrial-capitalist political forces on the other. In respect to the developing sector and the revolt of Western Europe against looting by Lower Manhattan, the Soviet Union and the Warsaw Pact represent the decisive margin of the forces opposed to Lower Manhattan's deindustrialization policy. A vigorous Soviet support of the developing sector and Western Europe means probable defeat of Rockefeller et al.; a weak Soviet support for the developing sector and Western

Europe means Rockefeller's victory. Meanwhile, the strategic economic and military self-interests of the Soviet Union, as a state, depend absolutely upon the defeat of Rockefeller et al.'s current Schachtian schemes.

In this matter, the fact that the Soviet Union is a socialist state determines the character of that state, but does not define the immediate strategic issue. If the Soviet Union were a capitalist state ruled by an industrial capitalist faction, the exact same strategic issues would prevail.

On this point, the principal lesson of World War II is the composition of the anti-Nazi alliance, an alliance of the Soviet Union with the capitalist states of Britain, the USA, et al. Such facts demand that one probe the war to arrive at the motivating issues which were fundamental, motivating issues which cut through the 1930s London and New York City support for Hitler to assert their reality in the form of the 1941-1945 alliance.

The Basic Impulse For War

The essential, intrinsic defect in Mr. Harriman's perceptions and negotiations is that he is in violent contradictions with himself. On the one side, as a monetarist, Mr. Harriman embraces the perception of U.S. monetarist interests which is the ruling compulsion impelling a Carter-headed USA toward thermonuclear war as early as during 1977. On the other side, he rightly deprecates the proposals of Nitze, Schlesinger, et al. as strategically incompetent, and as premised upon included specific insanities concerning the character and policies of the Soviet leadership. Mr. Harriman refuses, at least to the best of our present knowledge, to appreciate the causal connection between the insanity of his own monetarist's outlook and the symptomatic expression of that madness in the ravings of Mr. Schlesinger et al. At best, Mr. Harriman is placed in the position of spreading bubonic plague and aspirins at the same time; he does not object to plague, but merely to symptoms of terminal plague infection. One would, of course, hope that Mr. Harriman, being more rational than Nitze, Vance, Carter, Schlesinger, Linowitz, et al., would act to correct his ambivalence on this point. Pending that, we have aptly characterized the merits of his Moscow-Carter negotiations.

The study of the Hitler regime is here again, as so often generally, the appropriate reference for evaluating the Carter forces. Despite the grip of Hitler on Germany during the 1933-1936 period, if the City of London and allied forces had not prevented a French occupation of the Rhineland, Hitler would have fallen with humiliating ease then. The 1938 Munich pact was more decisive to the same effect. The City of London and its co-thinkers gave Germany to Hitler, first in 1933, again in 1938, and once more in the Anglo-French military policy and deployments of September 1939 into May 1940.

The relevant lesson common to each point of Hitler's consolidation of power was that at each point the relevant forces *failed to intervene into the internal dynamics of Germany's political life.* At each point, excepting the initial London-New York sponsorship and funding of Hitler's rise to power, the form of response to the Hitler menace was at most *passive containment,*

where what was required was the application of crucial pressure to a weak point of the Hitler regime to the purpose of bringing down that regime.

Exactly the same point applies to the Carter forces. Carter has not yet consolidated the economic and social measures being launched by Ted Kennedy et al. to transform the United States internally into a fascist state. In that respect, 1938 and the Munich Pact point have not yet been reached. However, unless aggressive external deployment is applied to the purpose of attacking the Carter forces at their most vulnerable, crucial point, the United States will be consolidated into a force irreversibly committed to war. *The point was passed, by the act of President Ford's being manipulated on the morning of Nov. 3 into conceding a fraudulent election result, at which internal forces within the United States could, unaided, prevent the United States from plunging into thermonuclear war by as early as the summer of 1977.* Following Ford's manifestation of susceptibility to psychological manipulations on Nov. 3, 1976 (in the vicinity of between 10 and 11 a.m. that morning), the United States was doomed to die in thermonuclear holocaust probably by September 1977, together with hundreds of millions of variously killed, epidemic-ridden people in Europe and the developing sector. *Without bold external pressure against crucial points of the Carter machine, the world is doomed to thermonuclear war probably this year.* Any other estimation of the situation is criminal imbecility.

The crucial point — the most crucial point — is the reserve position of the U.S. dollar. Destroy the political hegemony of the dollar-denominated international monetary structures, and the paper which represents the point of self-interest of the Lower Manhattan monetarist faction collapses automatically. Such action, and only such action, will kill the active element of the U.S. drive toward early strategic thermonuclear confrontation. Anyone who temporizes in accelerating such action must be judged either as desiring thermonuclear war or too cowardly or foolish to prevent it.

The auxiliary points for minimizing the war danger are Africa, the Middle East, and so forth. The most resolute action against war-hawk factions in Israel and against the Ian Smith puppet forces in Rhodesia must be taken quickly, to nip potential Interpol-Institute for Policy Studies and allied agencies' scenarios in the bud before a general Middle East war and African "Vietnam"

become institutionalized.

The fixed base for both the principal and auxiliary deployments against the Carter forces must be the rapid development of a triangular, gold-based monetary system among European OECD, developing sector, and Comecon forces. This represents a bastion of recovery from the present global depression, the umbrella under which other deployments are launched, and the incentive for the USA to immediately join a new monetary system at the juncture of the induced collapse of Lower Manhattan's debt-overhang holdings.

Any step which is not a step toward accelerating such deployments is a step towards probable thermonuclear war during 1977.

In this context, internal U.S. resistance to Carter by industrialist forces, from the labor movement, by farmers, and others, represents the indispensable pre-assembly of the institutions which must determine U.S. policy under conditions of the collapse of the power of the Trilateral Commission and its allies. The national tactical skirmishes reflecting that potentiality have that order of importance.

Otherwise, it is stressed that well-informed circles should be constantly alert to the presence of a tendency among them to fall into diplomatic cretinism. These circles, swimming in a sea of daily personal diplomatic and related political and bureaucratic associations, naturally tend to mistake the agreeableness and disagreeableness of personal exchanges among representatives of various forces for reality, and similarly make themselves prey to a theory of history associated with the cult of diplomatic and bureaucratic gossip. "Aha!" one says, "So-and-so has replaced... This means that..." and the others nod.

It must be recognized that the configuration of personalities, documents and so forth of any moment are simply the predicates of an underlying determining reality. Underlying realities may determine personal careers, key world-historical individuals may represent creatively the hegemony of one historic current over another, but it is the underlying self-interests of institutionalized forces which ultimately determine the mere predicates of personal career developments.

Even Carter et al. have no capability for wilfully arresting the war-drive as long as they adhere to the monetarist conception of Lower Manhattan's imperiled self-interests. That is fundamental.

Former U.S. Ambassador Reveals How Rockefeller-Kennedy Team Pulled Coups in Chile and Brazil

For the first time, sworn testimony by a former U.S. government official has provided a detailed account of the Rockefeller-Kennedy creation and institutionalization of covert operations and the individuals responsible. Edward Korry, the U.S. Ambassador to Chile from 1968-71, names the names of the key politicians, businessmen, and journalists who formulated, conducted and covered up the policies in Latin America which led to the overthrow of democratically elected governments in Brazil and Chile during the 1960s. The substance of Korry's testimony, given at Senate hearings on Cyrus Vance's nomination for Secretary of State, has been totally blacked out of the U.S. press. Reprinted here is the full text of Korry's own draft of his testimony.

I shall begin today, Mr. Chairman, with references to my years in Chile as U.S. Ambassador because Mr. Vance was directly and indirectly involved in my experiences of the past ten years — in many different ways, as I shall specifically demonstrate — and because they concern four areas of public interest which I hold to be pertinent to the nominee's qualifications and suitability for the highest Cabinet post:

First, morality in our foreign policy, a subject repeatedly stressed the past year by Mr. Vance and by President-elect Carter who invoked "Chile" more times — seven — in his debate on foreign affairs with President Ford, than any other issue.

Secondly, The potential for improper pressures on the new Secretary of State by private interests and by foreign powers in the matters I intend to put on the record today were to continue to be concealed from this Senate Committee and the public.

Thirdly, the accountability of all those paid by the public for their actions as government servants, including Mr. Vance.

Fourthly, the future policies of the United States towards the Soviet Union, the "Eurocommunist" regimes which may soon emerge, the Third World and related areas of domestic policy.

I come here as one who recalls with pride the

unanimous affirmative recommendations accorded me by the Foreign Relations Committee in 1963 (Ethiopia) and in 1967 (Chile). I come as one unattached to any political party and who is proud that he could serve the presidency of this country under both a Kennedy and a Nixon without ever giving a cent in political contributions to either.

I come here too as one who has unswervingly refused the repeated efforts, starting in 1973, of the Ambassadors in Washington and at the United Nations of the present military regime in Chile, to meet with me — as one who spurned all invitations from that government's consulates and embassies because, as I stated on national television and to university audiences in 1974, *it was a harsh dictatorship and fascist in character*. I come here too as one who has campaigned — successfully I might add — this past year to gain the attention of, and action by, the Attorney General and the Justice Department — and more recently a Grand Jury — and as one who shall be pursuing in the courts in the near future some of the outstanding matters to which I shall allude today.

If I may illustrate the second point of the four I listed as matters of public interest — "the potential for improper pressures" — let me give here a few pertinent examples of what I have in mind.

I wrote Attorney General Levi on March 25, 1976, to request that the Justice Department investigate the crimes which I *alleged were being concealed from the public on the pretext* that all six and a half hours of my sworn testimony of February 24, 1976, and supportive documents, given to an executive hearing of the Senate Select Committee on Intelligence were unpublishable for reasons of "national security". I had given that testimony and the documents only after being assured repeatedly by Committee's staff and Counsel a year ago that it all would be made public after my review for deletion of the few sentences concerning national security. In May, the Attorney General referred my complaint to the Criminal Division of the Justice

Department, and in June I made these three specific charges in a sworn deposition of 62 pages to two attorneys of the Criminal Division who came to my home:

— *One*, that high officials of the Kennedy, Johnson and Nixon Administrations, and of the ITT Company and possibly other firms, had committed perjury in their testimony concerning Chile before Senate Committees;

— *Two*, that ITT had defrauded the public of some \$90 million (the exact amount was \$94 million) by concealing evidence and by lying in order to win payment of the insurance against expropriation of its Chilean properties which it held with the government agency, OPIC.

— *Three*, that certain Senators, their staffs and Counsels had conspired to obstruct justice in the above cited matters and had conspired to deprive me of my inalienable civil rights as an American.

A Federal Grand Jury in Washington is actively pursuing the first two charges as a direct result of my appeal to the impeccable Mr. Levi, unless the incoming Administration maneuvers to quash prosecution by the Justice Department on some pretext or another, unless a political process supercedes a legal process, I have good reason to anticipate that indictments will be handed down.

I raise these matters today not merely because I believe it imperative that the public finally have the truth about Chile, but because it is far more important that they perceive what the "mess in Washington," to use President-elect Carter's words, is all about, how their government really works; I want the Senate and the public to hear the details of what in a different context Grover Cleveland referred to as "the cohesive ties of public plunder" or what some more charitable observers in today's context might term "the cohesive ties of public blunder — the brazen abuse of public power, of public trust, of public confidence." Since Mr. Vance, as I shall illustrate, has played a not unimportant role in the fashioning of some of these ties and since he has also contributed to the concealment of them, I shall now raise some of the questions which convinced me that my only recourse was the Attorney General and the Justice Department.

For example, how does it come about that a Senate Committee cloaks my testimony in the mantle of "national security" as soon as I submit documents to it on March 23, 1976, to prove my charges, yet Harold J. Geneen, ITT's Chairman of the Board, immediately discovers enough about my testimony to change his sworn testimony before a Senate Committee in 1973 — to wit, his denial that ITT delivered \$350,000 to the opponents of Salvador Allende in 1970 to prevent the accession to power of the Chilean president-elect? How does it happen that Mr. Geneen only discovers the falseness of his testimony of three years earlier, and announces a few weeks later, on May 12, 1976, this discovery to ITT's annual shareholders meeting in Phoenix, Arizona — that such a payment was in fact

"probably" made? How does it come about that ITT could engage as a lobbyist in 1972 Mr. Fred Dutton, one of President Kennedy's top White House assistants, and that Mr. Dutton, inter alia, whispered around these precincts information designed to discredit me and to exculpate ITT? How does it happen that Senators and their staffs can suppress for years the evidence that ITT had been integrated into White House covert political operations in various countries for many years — that in fact, Attorney General Robert F. Kennedy as the overseer of the so-called "special group" in the White House and his successors in the Johnson Administration coordinated their covert political planning with those of members of the Business Group for Latin America, a group established by David Rockefeller in 1963 at the specific request of President John F. Kennedy — that, in fact, Attorney General Robert F. Kennedy thereby legitimized the bribery of foreign officials, the funnelling of funds to foreign political parties and similar practices by some multinationals for which all multinationals are now held responsible as the practitioners of original sin? (1).

Another example, the Anaconda Copper Company won a judgment in 1975 against the taxpayer for \$154,000,000 in payment of its government policy with OPIC against expropriation in Chile. (I intend to prove, by the way, that ITT should be held liable for this payment, not the American public, and for another \$67,000,000 as well paid to Kennecott Copper Co.) But now I wish to ask only how does it come about that Anaconda was represented in the secret 1975 proceedings for this enormous claim by Louis Oberdorfer, deputy to Attorney General Robert Kennedy? And even more intriguing, how does it come about that Ralph Dungan, one of President Kennedy's top assistants in the White House and the man who oversaw for both Presidents Kennedy and Johnson the massive undertaking by CIA, AID and various private companies and organizations to prevent Allende from being elected in 1964, and the man who, upon Allende's defeat, was immediately sent to Chile in October 1964 to be the U.S. Ambassador to the government of Eduardo Frei, and the man who then arranged for a commitment of almost two billion dollars of taxpayer money to nine million Chileans in just three years including \$600,000,000 in very questionable guaranties to ITT, Kennecott, Anaconda and other companies — one fourth the world-wide total as of 1967 of such U.S. guaranties — how does it come about that he shows up as a character witness for Anaconda in those secret proceedings? For a company he repeatedly told me was run by "mean bastards" and for a company for which I refused to appear as a witness despite intense, unpleasant pressures by Mr. Oberdorfer,

(1) *Frederick G. Dutton* was a Special Assistant to the President in the Kennedy Administration. He became an Assistant U.S. Secretary of State for Congressional Relations from 1962-64. Since his retirement from government in 1965 he has worked as a lawyer in the Washington law firm of Dutton, Zumas and Wise, a firm specializing in State Department interests including legal affairs for the Agency for International Development.

the former deputy Attorney General, when I insisted on being a witness for the public. (2), (3).

How does it come about, Mr. Chairman, that the only portion of my secret testimony to the Select Committee on February 24, 1976, which I considered to fall into an area of "national security" and which I deleted from the version destined for the public — the name of a cabinet minister of Chile through whom CIA funds were funnelled — that this fact, along with other portions of my testimony were immediately made known to Gabriel Valdes, the former Foreign Minister of Chile and now a high UN official in charge of dispensing huge amounts of public funds — mostly U.S. taxpayer funds — to Latin America, and that he, in turn, immediately reported on these matters to the Christian Democratic party leadership in Santiago, Chile, as well as other groups? I am particularly incensed, Mr. Chairman, because *I had earned the undying enmity of Mr. Valdes in 1969 when a trusted emissary of his, one Armando Urribe, then the Minister Counselor of the Chilean Embassy in Washington and later Allende's Ambassador to Peking, spent five unsuccessful hours in my home seeking futilely to convince me to have the U.S. support Mr. Valdes' bid for the Presidency of Chile*; I should add here that Mr. Allende's campaign manager asked me in 1970 for \$1,000,000; that the man Valdes was seeking to supplant; Mr. Tomic, the candidate of the Christian Democrats, through his campaign manager asked me for \$1,000,000 in 1970; that the rightist candidate, through an unceasing campaign via multinationals, Chilean politicians and even the CIA, hammered on me for more than two years in futile search of U.S. support.)

The culmination of this conservative effort was a proposal made to the State Department on April 10, 1970, by the Board Chairman of Anaconda, Mr. J. Parkinson, and by Jose de Cubas, the President of the aforementioned multinational group chaired by David Rockefeller, then renamed the Council for Latin America and now known as the Council of the Americas; they asked the U.S. to join the multinationals, as in the Kennedy-Johnson era, to defeat Allende, and, in this case, they asked that we support the conservative candidate, Mr. Alessandri. These men offered \$500,000 to the proposed common kitty at that time. On April 28, 1970, immediately after being informed by a State Department pouched secret Memorandum of Conversation on this secret proposition, I sent a blistering cable of opposition. That cable, in turn, prompted the State Department, in an official letter, to "applaud the destruction you wrought on the Anaconda presentation."

(2) *Louis F. Oberdorfer* was an Assistant Attorney General under Robert Kennedy. Previous to that he was associated with Theodore Sorensen's present law firm, Paul, Weiss, Rifkind, Wharton, and Garrison. Since 1965 he has been a member of Wilmer, Cutler and Pickering, a Trilateral Commission law firm in Washington which among other things negotiated the exchange of drugs for prisoners who were veterans of the Bay of Pigs invasion.

(3) *Ralph Dungan* was a Special Assistant to Presidents Kennedy and Johnson and became Ambassador to Chile from 1964-67. He is now the Chancellor of Higher Education for the state of New Jersey. He is a member of the Council on Foreign Relations.

Mr. Geneen of ITT was then a member of the Executive Committee of the Council for Latin America. ITT had on its board Mr. John McCone, the director of the CIA under Presidents Kennedy and Johnson; Mr. McCone also served as a consultant to his successor and good friend, Mr. Richard Helms, the director of our intelligence community under Presidents Johnson and Nixon. ITT immediately launched its own campaign in the spring of 1970 to win White House support for a major covert campaign on behalf of Mr. Alessandri and I was subjected to the most intense, incessant pressures *from the CIA* and its Chilean allies to have the U.S. commit its covert support to their candidate. I refused, even though I abhorred the Marxist-Leninist forces represented by Allende and even then I had excellent, indeed unchallengeable ground for knowing Allende intended to treat the USA as "public enemy No. 1" as he had stated in his campaign. I permitted a total expenditure in Chile in the 1970 presidential election program of \$425,000 — the only new program being \$390,000 for an anti-communist propaganda campaign which was embarrassingly stale and self-damaging. The remaining monies were spent on programs initiated as the direction of my predecessor, Mr. Dungan. The total sum — \$425,000 — was a derisory amount when compared to the tens of millions spent through the CIA, through AID — in contradiction of its legislative authority — through the Roman Catholic structure in Chile — in ways that transgressed the American constitutional separation of church and state — and through other entities to defeat Allende in 1963-64. So that there is no mistake about what I am stating, the documented fact is that *many millions in taxpayer funds were channelled to Jesuit-led organizations in Chile at the urging of the White House, and these transfers in AID, CIA and foreign funds were made knowingly in response to written appeals from Roman Catholic prelates in Chile who said they needed the money "to oppose laicism, Protestantism and Communism"* — laicism being a reference to the large Radical Party of Chile, an anti-clerical but centrist and democratic party then; Protestantism being a reference to the swarm of American missionaries arriving in Chile, a Catholic country and gaining tens of thousands of adherents; and communism being a reference to the forces represented by Allende. It was the reaction of the Radical Party to such White House-Catholic links that led to that party's leadership's secret deal with the communists in 1967, to its funding from the Soviet bloc and the election of Allende in 1970. You should also be aware that upon arrival in Chile I broke, *on my own authority and initiative*, the political relationship with the Church by refusing to call upon the Cardinal of Chile for three years and by cutting off contact in that period with the key Jesuits.

In the years 1963-67 Mr. Vance was the deputy Secretary of Defense, deputy to Mr. MacNamara, a man who, I can state from personal knowledge, knew a great deal about the matters I have just discussed and will raise here. I briefed both Mr. MacNamara and Mr. Vance in the years following my departure from Chile on critical aspects of U.S. policy, the most important of which — documented, I might add, in hundreds of State

Department cables and other official papers — was the *unprecedented, unceasing effort made by the United States, at my urging and initiative, starting two weeks after election to reach almost any kind of modus vivendi with Allende.* The culmination of this seven month effort was the offer made to Allende in mid-1971 to have the *Treasury guaranty bonds which Allende's government would issue — bonds which would otherwise have been worthless, bonds which Allende's government would issue for 25 year term at low interest in payment equal only to slightly more than that portion of Anaconda, Kennecott and ITT properties which the taxpayer had insured.* In other words, *I was proposing with the support of the Secretary of State, Mr. Rogers, of Assistant Secretary of State, Charles Meyer and of Henry Kissinger — and without the knowledge of Mr. Nixon — a way for Allende to nationalize these major American corporations at a very low cost, at a fraction of the book value, so that the American taxpayers would not be left holding the bag for the large payments they now are making to the corporations.* At the same time, I offered the Allende government, if it would negotiate in good faith, on behalf of the State Department, the further inducement of loans and credits from Export-Import Bank and U.S. support for loans from such international institutions as the World Bank and the Inter-American Development Bank. (Mayor Beame and Governor Carey — a very good friend of Mr. Vance's — of New York sought exactly the same deal from President Ford in 1976 and were turned down flatly yet we proposed it to a government controlled by Marxist-Leninists.) Only when Allende rejected this offer in September 1971 — spurned it on the grounds that any compromise with *"imperialism"* would weaken his revolution — only when he then turned in duplicitous ways to the USSR — only then did any appreciable money begin to flow into Chile through the CIA to keep alive the *Christian Democratic Party, the Nacional Party, segments of the Radical Party, and their press outlets.* Now my questions for Mr. Vance are the following:

Did he not know in 1975 of the fact of, not much earlier, our unprecedented offer to Allende?

Mr. MacNamara knew and I know Mr. Vance knew.

Did he not know a great deal of the historical basis for U.S. fears of Allende — that he represented, in the words of President Kennedy, *"a second Soviet bridgehead in the hemisphere"* — and did he not know of the covert actions launched by the White House to prevent Allende's accession to power in 1964?

Did he not know, as a former Deputy Defense Secretary, as a former Secretary of the Army and as one who had reached the very apex of the foreign policy Establishment, that the Joint Chiefs of Staff had immediately upon Allende's election in 1970 issued a report that, contrary to my view (they were correct and I wrong) Allende would offer modernized facilities to the Soviet Navy thus striking at a particularly vulnerable South Pacific underbelly — an area which the latest version of Soviet nuclear submarines wished to prowl, an area of not only vital concern to the United States and its Pacific allies but to the People's Republic of China? Indeed, it was Allende's close ties to the Soviet Union —

his efforts to persuade the Chilean military to accept incredible amounts of Soviet weaponry offered by Moscow — that contributed to the Chinese decision to have normal relations with the present military junta in Santiago, to offer it \$58,000,000 in credits, and to ask Allende's Ambassador, the aforementioned Mr. Armando Urribe, to leave the country immediately after Allende's downfall.

Now, why would Mr. Vance, with his insider's knowledge, prefer for the United States to be depicted throughout the world as a Nazi-like bullyboy acting through a runaway CIA against an "innocent" Social Democrat, Mr. Allende, rather than have the full truth on the record? Why would he prefer this blackening of his country, this damage to its interests, this echoing of a line of propaganda first emitted by Moscow Radio?

I shall suggest the answers as I proceed.

Let us first consider Brazil.

Did Mr. Vance, as the second highest defense official in the land, not know of President Johnson's order in early 1964 to *assemble a task force of naval and airborne units to intervene in Brazil's internal affairs?* Was he unaware that this task force headed south even as the leftist government of Brazil led by the late Joao Goulart was being overthrown by a military government? Even more interesting, would Mr. Vance claim ignorance of the efforts made, with the knowledge and collusion of the CIA, by American members of the Business Group for Latin America — the group headed by David Rockefeller which played such a key role in stopping Allende in Chile that same 1964 — to support the overthrow of Goulart and its replacement by the military? In the event that anyone in this room doubts the accuracy of these statements they can turn to the documents recently declassified at the Lyndon B. Johnson Library in Austin, Texas, and to two volumes I brought along.

First, I read from a book co-authored by your counsel sitting here Jerome B. Levinson, the chief Counsel of the Senate Committee on Multinationals chaired by Senator Frank Church of Idaho, and by Juan de Onis, a correspondent then and now of the New York Times in South America. Mr. Levinson was deputy Director of AID in Brazil in 1964, an official who boasts today as then of his hyper-active quest of truth: (4), (5).

I quote from pages 88, 89 of his book entitled *The Alliance That Failed.*

President Goulart's failure to implement an economic stabilization agreement concluded between Brazil's finance minister and David Bell in 1963 had led the United States to suspend virtually all economic assistance to the Brazilian federal

(4) Jerome B. Levinson is the chief counsel of the Church Senate Committee on Multinational Corporations which ran the overseas Lockheed watergating affair and is in charge of "monitoring" the affairs of CIA-connected corporations overseas. He was a State Department official in 1964, working with the Agency for International Development in Brazil.

(5) Juan De Onis has been a correspondent for the Latin American bureau of the New York Times since 1957. He is the direct South American link in the institutionalized relationship between the New York Times and the CIA, and has written cover stories in that role in the interests of the furtherance of Wall St. policies. He has alternatively been stationed in Argentina, Brazil, the UN, and Mexico.

government.... By early 1964 the U.S. government was deeply concerned about reports of growing communist influence in Goulart's government and the labor unions that were his base of support.

During the week before the military moved to oust Goulart, two huge civic marches for "God, nation, and family" took place in Sao Paulo and Belo Horizonte, the capitals of the states where the insurrection began. *U.S. businessmen resident in Brazil, who were in close contact with the CIA representatives there, helped to organize and finance these demonstrations.*

On March 25, the day of the *Sao Paulo* civic march, a complaint within the Brazilian Marine Corps over the alleged inadequacy of food escalated into a mutiny led by a young corporal. (The press luridly paralleled this event with the Potemkin mutiny in Russia in 1917.) Goulart refused demands of Navy officers that the mutineers be severely punished, and on the night of March 29, at a meeting of the Association of Brazilian Army Sergeants, he delivered a speech that seemed to be pitting the sergeants against their officers. On the morning of March 31 the liberal newspaper *Correio da Manhã* ran an editorial entitled "*Fora!*" ("Out!"), which signaled that the end was near. In the state of Minas Gerais, General Olymio Mourao Filho and Governor Jose Magalhaes Pinto went on the radio to announce that the revolution to save Brazil from communism had begun.

It turned out to be virtually bloodless. At the president's residence in Rio, Santiago Dantas, Goulart's former finance minister, told Goulart that the United States had promised the Brazilian conspirators to support a "free government" established in opposition to the Goulart regime.* This opposition government-in-arms was to have been set up in Sao Paulo if Goulart had managed to hang on in Rio.

Sao Paulo businessmen have confirmed that early in 1964 Ambassador Lincoln Gordon was told of the plan to establish this government and was asked whether the United States would assist the Sao Paulo rebels. Gordon replied that he would put the issue to Washington.

Footnote

*Whether this assistance was in fact promised or merely represented by the conspirators as promised is not clear. In any case, Goulart's government fell with surprisingly little resistance. It did not need an external push.

Why would Levinson be so ready to attest to the failure of Goulart and yet rewrite history totally to exculpate Mr. Allende?

It was at this time, of course, that the Defense Department was assembling the task force and moving it southward to be on hand in case the ouster of Goulart had not been bloodless and in the event leftists had opposed the ouster.

Now I quote from the second document, (not a public document and it took a lot of effort to get my hands on it), a history of the Council for Latin America prepared for but *not* distributed by the Council in 1967: It is entitled "*More Than Profits, The Story of Business Civic Action in Latin America,*" its author is (deletion), a former CIA agent who worked as a top official for the Council.

I quote from pages 72,73,74:

...A redoubtable hard core of Brazilian businessmen went into the opposition to Goulart and

communism. They organized themselves into the innocuous sounding Institute of Social Research and Studies (IPES), and played various roles in the resistance according to their respective situations and temperaments...

In Rio de Janeiro...the businessmen-members of IPES-Rio assumed the political generalship of the democratic forces. They ran the intelligence operations that spotted forthcoming Communist moves... they gave aid and comfort to military men whom Goulart drove into early retirement;... They bailed out opposition publishers and broadcasters whose enterprisers were deep in debt.... They prepared draft laws, speeches, strategy and tactics by which the democratic deputies in the Federal Congress blocked move after move of a Goulart administration bent on the seizure of total power. They encouraged the mounting protest movement of the Brazilian women, which was to play such a decisive part in convincing the cautious armed forces that public opinion did want them to throw the Red rascals out. The members of IPES in Rio did all this subtly, suavely, diplomatically, always leaving the door open for Goulart to re-enter the lists of legitimacy and constitutionality, never breaking off negotiations with the government until the government made it absolutely impossible to talk and had to be overthrown if Brazilian liberty was to be kept alive.

IPES in Sao Paulo followed a different but complementary line... IPES — Sao Paulo frankly raised a war chest to fight Goulart. With some \$50,000 a month, it supported a staff of 65 political action specialists who trained and supervised anti-Communist activists in the labor and student movements, guided the work of the democratic women, prepared propaganda leaflets and penetrated communist organizations...

Almost without exception, foreign businessmen in Rio de Janeiro remained stubbornly aloof from IPES, arguing that it was too "political for comfort... In soberer and more self-protective *Sao Paulo, the foreign attitude was quite different.* While some substantial foreign enterprises shared their Rio colleagues' concerns and, incredibly enough called IPES "subversive", a great many companies saw matters more clearly. They formed the Fund for Social Action, whose moral support to the Brazilians of IPES was fully as valuable as its sizeable financial contributions to IPES action programs. The Fund formula also showed sophistication: since Fund money simply went to IPES, foreigners could not be proved to have supported specific Brazilian activities nor could Brazilian activists be specifically tarred with the brush of foreign assistance.

Now I put it to you, Mr. Chairman, is there not a direct link between these actions of 1964 and those taken by the Nixon-Mitchell team in the White House in 1970 *to engage the CIA in the grotesque, mad plot with the Chilean military behind by back and behind the State Department's? Was there not an almost mirror image of what occurred in the overthrow of Goulart in Brazil in 1964 and what occurred in Chile in 1973 when Allende was ousted?* Even the naval mutiny incident described by Mr. Levinson is almost an exact replica. And for the record, *I think it was not the CIA — and I may be wrong since I left Chile two years earlier — but I have good reason to believe that Brazilians and other Latin Americans were advising the Chilean generals who were responsible for this repetition of history.*

Mr. Vance is a lawyer. He understands the meaning of precedent. Is there not a precedent — indeed many precedents — provided by the Administrations he served at a very high complicit level for *the crimes committed by the Nixon-Mitchell team*? Even in the despicable Watergate episode? How would he dispute Mr. Ken Kesey, the author of *One Flew Over The Cuckoo's Nest*, who said on public television recently that Mr. Nixon was a "ritualistic sacrifice"? Didn't Mr. Kesey have in mind the system of old boy networks — of say, a Mr. Geneen, Mr. McCone, Mr. Helms, the brothers Bundy, Mr. Rockefeller and even a Mr. Vance — (and I want to emphasize here that I am not here accusing the nominee or Mr. Rockefeller or the Bundys of any prosecutable crime); I am only referring to linkages designed to be self-serving, self-protective and self-perpetuating, linkages which gave us Vietnam in the 1960s, assassination plots and the dark legacies of all manner of covert operation.

The Soviet Union knows in detail almost the entire story of Chile as it really occurred. Not the tissues of bald lies and myths perpetuated in the so-called case study issued by the staff of the Select Committee, Dec. 4, 1975. *Indeed, the Soviet Union advised Allende in early 1973 — and promptly informed our government — to come to terms with Nixon rather than plunge recklessly towards certain economic and political disaster, rather than count upon the \$500,000,000 in hard currency which Allende had personally sought from Mr. Brezhnev.* The Soviets, as I, did not wish to envenom relations with the United States over Chile; it preferred, as I to seek ways to diminish tensions between our two countries.

Castro, like his Soviet friends, also is aware of what occurred in Chile in 1963-1973 and why Latin America had such a *fatal fascination for the Kennedys*; why it led into assassination plots and other weird doings. So do important members of the Italian Communist and Socialist parties as do a great many statesmen and diplomats in Western Europe. Why then should the U.S. public not know? Even more to the point today in this room, what conclusions will the Soviet Union draw about the U.S., about its Secretary of State, as a result of this strange, perverse betrayal of truth, this traducing of our press, of our public, of our Senate? Is it any wonder that the Kremlin and other governing groups take an increasingly cynical view of Washington and of this country? Is it any wonder that they heap praise on say, Mr. Don Kendall, the man who helped to persuade Mr. Nixon in 1970 to engage in the military plot in Chile, a member with Mr. Geneen of the Executive Committee of the Council for Latin America in 1970, and today the principal multinational spokesman in this country for "detente"? To take the connection one step further, is it proper for Mr. Kendall to engage as his firm's Vice President, Mr. Deke DeLoach, the former deputy to J. Edgar Hoover, a man whose mind is chockablock with the secrets gleaned about Congressmen, Senators, bureaucrats and other Americans as a result of the work of the FBI?

What, may I ask, can the Japanese and West German governments, for example, conclude about this government and this nominee when it learns that the

bribery of Allende and of his government by ITT and other multinationals was deliberately concealed from the Senate and the public, but, as soon as I testified to it in secret, the same men rushed into print the leaks about the Lockheed bribery so devastating potentially to the tranquility of these two allied democracies?

I appealed to Mr. Vance on December 26, 1975. He was one of seven distinguished Americans to whom I wrote for support. In my letter, which I attach as an appendix to this statement, I explained that the Senate Select Committee had issued two reports — on Assassination and on Chile — "in which my name is invoked often in ways that gravely, and I believe, dishonestly, unfairly and criminally impugn my integrity, morality and honor without giving me a single opportunity to testify."

I attached to these seven appeals my correspondence with the Committee's Counsel. I also gave the details of two chilling events of that week — just last week. One was the prediction from a very knowledgeable Washington Democrat, an attorney, whose advice I had sought on how to get in to testify. His reply, after scouting this place, was that I would know "anguish beyond anything" I had ever experienced if I persisted in my efforts to vindicate myself. He was correct. He said that the staffs of the Select Committee and of the Committee on Multinationals would be "very vindictive" if I did not abandon my efforts to get the truth before the Senate and the public. The second was a telephone call, a few minutes later, from Jack Anderson. He said that sources on the Select Committee staff had tipped him that same weekend to my supposed ties to ITT, a scurrilous invention which this one time Mr. Anderson had the prudence to ask me about before rushing into print.

In my covering note to Mr. Vance, I said I was not only addressing him as one who had known me fairly well in various capacities, but as the President of the Bar Association of the City of New York. Mr. Vance never acknowledged my letter. Mr. George Ball, on the other hand, informed me he had spoken to Senator Church, the Chairman of the Select and Multinational Committees. Mr. Eli Abel, the distinguished journalist who is the Dean of the Columbia University School of Journalism, telephoned A.M. Rosenthal, the then managing editor of the New York Times and James Greenfield, the then foreign editor of the Times. As a result of this latter intervention, Mr. Greenfield invited me to lunch on, appropriately enough, Friday, February 13th at the Century Club in New York. During that lunch, Mr. Greenfield told me and others possibly I had been the victim of an assault on my civil rights and that the Times intended to do a story about it.

Mr. Vance, also a member of the Century and a Director of the New York Times approached our table at the end of our lunch and greeted us both in very friendly fashion. When he discovered that it was my treatment by the Select Committee that was under discussion, he said — and this is verbatim — "the trouble with you, Ed, is that you do not know the difference between a political process and a legal process." I retorted immediately that the trouble with him was that he did not understand that such an interpretation by an eminent lawyer had led

to the crimes committed by so many lawyers in the Watergate and related matters. That was the end of that conversation.

The Times did, in fact, dispatch a reporter full time to my story in late February. John Burns, a recent Times recruit after five years of service in China for a Canadian newspaper, concluded after several days that the Times should do a major story not only about the lesser civil rights complaint but about the far more important objective facts of what had occurred in Chile. At that point, Mr. Burns was suddenly offered by Mr. Greenfield the assignment of Times correspondent in South Africa. He accepted. Before his departure for that post, however, Mr. Burns called me in May to say — as I can corroborate — that he had written a very lengthy story, that it would probably be published very shortly, that I had been badly mistreated and that he wished me to know of his sympathy. To this date, his eight column story has never seen the light of day nor any part of it. Indeed, it was only when by fortuitous circumstance, a young persistent, vigorous, courageous reporter from the Wilmington Delaware News Journal, Joe Trento, telephoned in November to inquire into certain CIA actions he was investigating that a chain of events began which led both the Times and the Washington Post to give their audiences, for the first time the slightest inkling of my efforts to get on the record the provable, documented facts about Chile.

On Nov. 28 and Dec. 19, the News Journal published a total of five full pages in two stories by Mr. Trento, including two front-page banner headlines. Even more remarkable considering that a major focus was on ITT and its alleged fraud and perjury is the fact that this newspaper is owned by the Dupont family. Apparently it has an independence which the Times cannot match. Following the hand delivery to Mr. Rosenthal at the Times of the second of these two News-Journal stories, Mr. Seymour Hersh, the Times' so-called expert on intelligence matters, telephoned to ask and to receive permission to interview me at my home that night, Dec. 21st. His interview of four hours — until almost two a.m. — led to the publication by Mr. Hersh of extraordinarily selective and minimal portions of the interview and of the documents I provided him. He suppressed totally most of the critical elements.

Now, the questions I have for Mr. Vance are these:

What did he mean by the distinction he made between a political and a legal process? Does he really feel that a Senate Committee can or should lie to the American public because of the intellectual dishonesty of its staff and Counsel? Or of some of its members? Does he mean that a Senate Committee had the right to issue reports impugning a key witness without even addressing to him a single question about the discrediting material concerning that witness which they inserted into their reports? Would Mr. Vance argue that partisanship excuses any action in the Congress — the doctrine so disgracefully carried out by Mr. Nixon and his friends? Would he argue that Senate staff and Counsel are totally unaccountable even if they violate every precept of the Bill of Rights, of justice, of simple decency? Why then not the FBI or the CIA?

Is Mr. Vance aware, by the way, that his friend, Mr.

F.A.O. Schwarz, Chief Counsel of the Select Committee, has bragged of his success in convincing newsmen not to publish any of my allegations on the grounds that I was mentally unbalanced? Is Mr. Vance aware that a staff member of the Senate Select Committee, still serving the Senate on the Oversight Committee, offered a newsman recently an improper means to learn the names of American newsmen who had worked for the CIA if that newsman would only desist from writing about the coverup by the Select Committee? Is not Mr. Vance aware, as I believe he is, that Mr. F.A.O. Schwarz admitted to a meeting of the Bar Association of the City of New York on November 16, 1976 that I should have been called as a witness prior to the issuance of the two reports by the Committee in November and December of 1975? (6).

Is Mr. Vance not aware that Senator Church claimed in a public hearing on December 4, 1975 that "the only reason" I had not been called as a witness was that the staff had concluded, as I had always maintained, that I had "no knowledge" of the so-called Track II" (the plot hatched by Nixon, the CIA and dissident Chilean generals in 1970)? As the recent President of the Bar Association which has the most active Civil Rights Committee, does Mr. Vance believe it normal, proper or even legal for a Senate Committee to issue extremely damaging information about someone without even allowing that person to be questioned first under oath? Does not such a process smack of the Moscow trials?

Even more pertinent to someone who spent 20 years in news work, was Mr. Vance not fully cognizant of the effects of his statement as a Times Director Feb. 13 on Mr. Greenfield? Did he not take into account that Mr. Greenfield had also served in the Kennedy and Johnson Administrations as a very well-informed individual positioned in a place to hear of covert as well as overt operations? Is it not a fact that Mr. Greenfield wrote Vietnam speeches for Mr. MacNamara early in the war? Did he not serve as deputy Assistant Secretary for Public Affairs and Assistant Secretary in the Kennedy and Johnson Administrations? Did he not, upon leaving government, work for a period with Continental Air which had major operations in Vietnam? What other conversations did Mr. Vance, a director of the Times, have with Mr. Greenfield or other editors, on this subject?

In the event that anyone in this room takes lightly what I am raising here, it is another of those "cohesive ties" to which I referred earlier. I have in mind why and how it came about that Congressman Harrington, a Kennedy Democrat from Massachusetts, arranged through Mr. Jerry Levinson of the Multinational Committee to leak to Levinson's good friend, Mr. Seymour Hersh of the Times, his account of the egregious testimony of early 1974 by Mr. William Colby on the so-called U.S. "destabilization" effort in Chile. I have in mind how Hersh and the Times did me great damage in his first stories by writing, without even attempting to contact

(6) *Frederick August Otto Schwartz* was the chief counsel to the Senate Select Committee on Intelligence under the auspices of Sen. Frank Church. Schwartz is from the law firm of Cravath, Swaine and Moore which wrote the tailored report of the Church Committee.

me, a series of falsehoods which the public record of Senate proceedings of 1973 showed to be outright lies. Moreover, in his first story, he indicated as the Washington Post said yesterday that I was Ambassador to Chile when Allende fell in 1973 even though I had departed Chile two years earlier.

A very few despicable newsmen have, thanks to the protective silence of men such as the nominee, been able to engage in a most sinister form of bribery by Senate employees — by people paid by the taxpayer. These Senate men have indulged in what the CIA is taught as the so-called control process by which an agent is recruited, molded and exploited. Newsmen such as Mr. Hersh of the Times and Mr. Larry Stern of the Washington Post could be fed a steady stream of official secrets - in effect, the information which would increase their standing, their salaries, their notoriety and their natural ideological convictions — and, in return, they would remain silent about evidence which might incriminate their informants or damage their political and other interests. In return they also put into print the most damaging possible information about me. The courts allow me to seek redress for such conduct and — and I shall — but as one who was an organizer for the American Newspaper Guild at the United Press in 1946, and as a reporter and editor for two decades, I want you, Gentlemen, and the nominee, to understand the depth of my revulsion at this betrayal of the First Amendment, this sullyng and despoiling of a profession which enjoys a freedom from which all other political freedoms flow.

One final relationship with Mr. Vance which I wish to place on the record, and which pertains to morality and responsibility in public life. I was President of the Association of American Publishers (AAP) in early 1973 when the then President of the United Nations Association (UNA) Mr. Porter McKeever, now an assistant to John D. Rockefeller, launched a campaign to persuade me to be his successor. I brought to Mr. McKeever's attention my impending appearance as a witness before the Subcommittee on Multinationals of this Committee; Mr. McKeever instructed the head of the UNA's Washington office to attend that March, 1973 hearing; he took other soundings. In April, he confirmed the offer and pressed for my acceptance.

Mr. Vance was a member of the UNA's Board of Governors — the Association's Executive Committee — and also the head of its Policy Studies; moreover, as attorney for United Artists, he was close to the former Chairman of UNA's Board, Mr. Robert Benjamin of New York who with Mr. Arthur Krim, heads United Artists and who had until recently been the highest donor to the UNA. Although the Association's new Chairman, Mr. Joseph Segel, then the head of the Franklin Mint, offered all manner of financial inducements to persuade me to leave the publishers for the UNA, I decided to consult Mr. Vance in New York. Mr. Vance encouraged me to accept the post and in answer to my specific question, agreed to remain as Governor in charge of Policy Studies for at least one more year.

He turned up as the luncheon given by the Governors and its overall Chairman, former Chief Justice Warren, which welcomed me to the UNA and which had just approved the terms of my generous three year contract

with the UNA, personally underwritten by Mr. Segel as well, and the text of the announcement which would be made to the press.

Soon after starting work at the UNA, I discovered the following:

— Contrary to the "80,000 individual members" the UNA declared it had in its press release announcing my appointment, there were barely 30,000 and the organization was financially dependent on the generosity of Mr. Segel for its survival.

— Mr. Segel with the knowledge of my predecessor, had arranged to give the United States Ambassador to the United Nations. Mr. Scali \$50,000 for his expenses, and although a loophole in the State Department's regulations had permitted such a transfer, the funds were being spent, I discovered, contrary to the intent of all regulations — that is, for regular entertainment of foreign diplomats at large dinners at the Waldorf Towers. Indeed, an officer of the UNA, Mrs. Jean Picker, had expressed her outrage over the entire transaction to my predecessor, and Mr. Picker, it should be noted, is very close to Mr. Benjamin.

— Not a single Black held a substantive permanent position on the staff of some 60 at the UNA; the one Black doing substantive work had a consultancy but prior to my arrival had been informed he was terminated.

— The women holding substantive jobs on the staff, as they pointed out in a petition shortly after my arrival, were paid, as a matter of UNA policy, considerably less for the same work by males.

— The UNA had misled, to say the least, in an unethical manner, the Ford Foundation in order to receive a matching fund grant of a substantial amount.

— The UNA's Vice President in charge of Financial and related matters raised the bulk of the Association's funds at two annual dinners — in New York and in Washington — by selling high-cost tables to businessmen around the country with the bait that they would "get close to a future Secretary of State" — a specific reference to Mr. Vance which, if nothing else, was as prescient a sales pitch as it was effective.

— The IRS was being deliberately defrauded by several members of the UNS staff.

— Both Mr. Segel and Mr. Benjamin hoped, according to the UNA's financial Vice President that their generous devotion to the UNA would lead to their being named to the U.S. delegation to the United Nations and thus earn, they believed, the permanent honorific of "Ambassador". Both in fact won their appointments after my departure in 1974 from the UN.

I shall not review here all I sought to do to correct this situation, reminiscent of what I encountered in Chile on arrival there in 1967.

I hired a Black very soon; I equalized female pay; I slashed staff and expenses; I sent our financial man to the Administrative Counselor of the U.S. Embassy at the UN to explain why I demanded expense chits for the \$50,000 which the UNA could at least defend.

My greatest problem, however, was what to do about the members of the UNA chapters around the country. To Chief Justice Warren in Washington and to Mr. Vance in New York, I explained the sparse membership, their advanced average age, their net cost to the Association

and other disadvantages, Mr. Warren urged that I not forget these "little men and women of faith," that I do everything possible to invigorate and rejuvenate this popular support. Mr. Vance echoed the view of my predecessor who described the membership as "little old men in tennis shoes" and urged me to divest the UNA of such nuisances so that it could concentrate on significant work.

I was ready to account to the Select Committee for all my actions in Chile. Indeed I had the mistaken conviction that I could only render such a complete accounting to a Senate committee operating in the equivalent of a post-Watergate morality. That conviction came in part from my sense of gratitude to a murdered President I had cherished, to a President who had plucked me from well-deserved obscurity and enabled me to repay some of the enormous debt I felt to this country for the opportunities it had afforded me, to a man with whose ends in Chile and in Latin America — the strengthening of progressive democratic forces such as those represented by Eduardo Frei — I agreed wholeheartedly. Equally important to me then was that I not eliminate from the political scene of Chile a man such as Frei by providing a full report of his actions, or of his party's or of this friends, in the years 1963-1973 or even more recently.

No one is without his flaws, certainly not I and certainly not presidents who must make very complex and delicate decisions in order to preserve democracy. *I still believe that the kind of democracy that Frei*

represented in Chile was the kind of system that the overwhelming majority of Americans believe in — a rational, moderate, progress in an atmosphere, above all of political freedom where every individual counts, where justice for all is guaranteed equally — for a Mr. Geneen as well as the urban impoverished who may have to steal to survive, for a Mr. McCone as well as, say, any industrial spy, for a Mr. Vance as well as the taxpayer whose interests he again wishes to represent.

I have covered the four areas of public interest I listed at the outset.

If nothing else, I hope that my statement today will serve to sharpen Mr. Vance's awareness of and responsiveness to the rights of every American, that it will also encourage every American to defend his inalienable rights, to use his wondrous capacity to think and to act to hold off the frightening, encroaching power of those in Washington who occasionally put partisanship above all else, that I may arouse the interest of Americans, particularly the media, in history, that they will comprehend what George Kennan means when he speaks of the fatal American disease, "historical amnesia," that they will understand, as I hope Mr. Vance will, that no nation can survive as a democracy, let alone prosper, if its actions derive from lies, myths, self-delusion, and self-demeaning hypocrisy if its highest representatives and bureaucrats have to perpetuate these to survive.

Opposition to Trilateralism Builds in Congress

Behind the scenes in Congress, a move is afoot by conservative Republicans and Democratic legislators to turn a scheme originally scheduled to consolidate Congress behind the Carter Administration program of deindustrialization and low-paying make-work government jobs into a battering ram against Carter's Congressional allies themselves.

The scheme is the Stevenson Plan for reorganizing the Senate committee structure, originally intended to break up political power blocs hostile to the Carter program. These networks of associations and alliances, cutting across party lines, reflect business and industrial interests extremely queasy about their future under Carter's zero-growth economics programs.

Anti-Carter Congressmen are now attempting to use the Stevenson Plan to broaden the authority and power of committees responsible for the formulation of coherent economic and energy policy. Simultaneously they have moved to strip key Carter supporters — including Senators Javits (R-NY), McGovern (D-SD), Church (D-ID), Humphrey (D-Minn) and Kennedy (D-Mass) — of their most important committee assignments, in a number of cases by abolishing their committees altogether. For example, they propose that the Church Multinationals subcommittee, which has orchestrated the Lockheed and other recent scandals against political

and industrial opposition to Trilateralism here and abroad, be shut down completely. Also slated for elimination in their reorganization plan is Humphrey's Joint Economic Committee, which spawned the model Humphrey-Hawkins jobs bill.

In the House of Representatives a similar group of conservative Congressmen is strenuously resisting Carter plans for setting up an Energy Super-Committee, stacked with Ralph Nader "energy conservation" types, with jurisdiction over all energy policy and legislation.

Bringing the anti-Carter sentiment in Congress out onto the floor, the U.S. Labor Party has testified in ten hearings on the Carter Cabinet appointments and Congressional reorganization during the past two weeks. The only organized political force in the United States to mount a widespread public challenge to the incoming administration, the Labor Party has also put forward the necessary policy for U.S. industrial recovery through a crash program to achieve a fusion-based economy.

USLP Research and Development Director Morris Levitt led off the series of Senate confirmation hearings last week by defining the relevant criteria for confirmation or rejection of all Carter nominees. "In all cases," Levitt warned the Senate Commerce Committee Jan. 7, "there is a basic Constitutional issue to be addressed: is the nominee prepared to uphold the

Constitutional principles and institutions directed toward industrial progress through technological advances, or is the nominee a de facto or representative of the anti-Constitutional tendencies associated with the zero growth and deindustrialization policies of such institutions and personalities as the Trilateral Commission, the Brookings Institution, and groupings around Ralph Nader?" In testimony reported nationally two days later on CBS-TV Levitt clearly established that Carter Transportation Secretary designate Brock Adams line up squarely behind the later policies and institutions.

The impact of USLP-FEF appearances on the Hill was visible this week at Senate Armed Services Committee hearings when the dean of Senate conservatives, Arizona Republican Barry Goldwater, demanded of Carter Secretary of Defense designate Harold Brown: "Mr. Brown, do you know what the Trilateral Commission is? And are you a member of the Council of Foreign Relations and other related organizations? And are other members of the Carter Cabinet on the Trilateral Commission?"

The same day, in testimony before the Senate Rules Committee, Senator Harrison Schmitt, a former astronaut turned Republican freshman from New Mexico, proposed to augment the power and purview of the Senate Commerce Committee whose members are by and large defenders of industrial progress.

Schmitt challenged the Senate to establish an overall Committee on Science, Transportation, and Commerce, which would consolidate all Congressional Research and Development oversight authority in one place, where its immediate implications and applications in the field of commerce and industry could be realized. "Science and

technology are the unquestioned mainstay of the modern United States," Schmitt said, "in national security, industry, health, agriculture, balance of trade, and space, among many other areas."

The following day, commenting on the Stevenson Plan, a USLP representative told the Rules Committee, "Any reorganization of the Senate must be reflective of the world outlook which has characterized this nation since 1776 — the commitment to accelerating rates of industrial, agricultural and scientific development and the form of political democracy which is consonant with that."

Both the public outcry against Carter and Co. and the behind-the-scenes fight to contain the Carterites in Congress has provoked cries of protest from the targets. Senator George McGovern threatened to resign if the Stevenson Plan went through; Rep. Richard Bolling, the architect of many a House Reorganization on behalf of pro-Carter forces, accused his opponents of staging a "back door coup." His colleague in the House, Florida Democrat Richard Stone, tried to induce the Senate Rules Committee to put off any Committee reorganization for six months, until Carter had a chance to reorganize the Executive Branch. "The Senate should then reorganize along the same lines," he told the committee this week.

Whether or not trilateralism can be kept contained and on the defensive after the official installation of the Carter crew in the White House next week now depends on how quickly the Labor Party and its allies can galvanize the enormous anti-Carter sentiment in Congress and the country at large into an broad-based organized public opposition, and the reciprocal effects such action will have an opposition to Carter abroad.

Schmitt: Science, Technology Are the 'Mainstay' of the U.S.

WASHINGTON, D.C. Jan. 11 (NSIPS) — Senator Schmitt (R-NM) speaking on behalf of conservative pro-growth forces delivered the following testimony to the Senate Rules Committee on the Stevenson Plan for reorganization of Senate Committee structure. Excerpts of his testimony outline his demand that Congress create a basic research committee to further the application of science.

...Science and technology are the unquestioned mainstay of the modern United States in the areas of national security, industry, health, agriculture, balance of trade, and space research, among many others. The intent of the Select Committee clearly was to place general oversight and legislative jurisdiction for science and technology in the new committee on commerce, science, and transportation.

Unfortunately, I find that legislative jurisdiction for major areas of research has been assigned to several other committees; for example, agricultural research would come under the Agriculture and Small Business Committee; biomedical research under the Energy and Natural Resources Committee; environmental and weather research under Environment and Public Works; military research under the Armed Services Committee;

and jurisdiction over ocean research would remain fragmented, falling under three separate committees. I strongly suggest that the Committee reconsider this split jurisdiction over basic research in science and technology and see that if at least some of them should be recombined under a very strong subcommittee of Commerce, Science, and Transportation.

In particular, I recommend that legislative responsibility for biomedical, earth resources, oceanic and meteorological research and very basic research in general, be included under the Committee on Commerce, Science and Transportation. I also recommend the committee be particularly diligent in its overall responsibilities to insure that synergism is occurring between all areas of science and technology.

...For many years I have been involved in science and technology, in an extremely wide range of fields with scientists and engineers who are presently conducting fundamental research that forms the foundation upon which we move into the future. My experiences have led me to conclude that if overall jurisdiction for basic scientific and technological research is not combined under one committee deliberating national policy, we will run the risk of missing the synergistic effect that comes from

one science interacting with another.

To illustrate the magnitude of this risk, I wish to point out the great potential transfer of technology developed in our space program to the energy field: What we have learned and developed in aerospace and R and D can be applied to satisfying our nation's future needs for energy self-sufficiency and independence. In addition, many of the greatest advances in modern biomedical research have come about as a consequence of this synergism, because physicists, chemists, and others have taken their art and their knowledge into the field of biomedicine and have contributed to a medical revolution in our country...

Mr. Chairman, I have one final comment to make about this matter. Realizing that the proposed committee reorganization represents a snapshot of the needs of the U.S. Senate in the mid 1970s and will require further modifications, I would submit to you that one area of potentially great national involvement seems to have been under-emphasized by the Select Committee. I am referring to space exploration and the use of space, science, and technology for the benefit of mankind.

At the present time, this great country of ours is embarked on developing a space transportation system which if successful will be the first major step toward opening the space environment for use and service to mankind, including use by commercial enterprises and for national security purposes. Even though the present outlays allocated for the exploration and the utilization of

space are less than 1 per cent of the total annual budget for the federal government, it, nevertheless, represents one of our principal investments in the long-term future of this country and mankind.

I believe that within ten years some of us will be meeting before the Committee on Rules of the U.S. Senate to discuss a proposal that a new committee be formed with legislative jurisdiction of the Commerce, Science and Transportation of Space....

Mr. Chairman, we have seen, in the last two decades, the beginning of a revolution in man's thinking and attitudes toward the environment surrounding his earth. That change is reflected in many ways most obviously in his analysis and prediction of weather, in his use of satellite communications, and in his intellectual view of the planet earth, of his view of the moon as a sister planet to the earth, of the other planets of the solar system in which we now live, of the sun from which we draw our sustaining energy for life and human activity, and of the cosmos itself wherein may lie the great intellectual revolutions in science and philosophy for succeeding generations.

I can speak with certainty from my recent political campaign and experiences as an astronaut, that the next generation of leaders in this country, those young people in the high schools and colleges of America are looking toward a future that will involve many of them in the science, commerce and the transportation of space.

Mr. Carter's Coca-Cola Connection

EXCLUSIVE

A preliminary investigation by this news service has uncovered evidence which strongly suggests that the Coca-Cola Co. functions first and foremost as an arm of the Rockefeller family's private intelligence apparatus, and only secondarily as purveyors of a soft-drink beverage. Specifically, Coca-Cola utilizes its vast, worldwide bottling and distribution network as a vehicle for various CIA-type covert operations ranging from bribery of politicians and government officials up through the fostering of terrorism, destabilization operations, and coups d'état. Chief among Coca-Cola's subversive activities is its probable involvement in a major international drug-running network spanning several continents, including North America.

It is vitally necessary to publish a preliminary report of these findings because of the intimate connections between the Coca-Cola Co. and President-elect Jimmy Carter. As several leading newspapers, including the Washington Post and the Wall Street Journal, have anxiously noted recently, not only is Coca-Cola's president Charles Duncan slated to be Carter's Number Two man at the State Department, but two other top Carter appointees — Attorney General-designate Griffin Bell and Health, Education and Welfare Secretary-designate Joseph Califano — have served as legal representatives

for Coca-Cola. Furthermore, authoritative sources have predicted that psychiatrist Peter Bourne, one of Carter's closest friends, will be named to a top post in the new Administration, probably in the department of Health, Education and Welfare. The Agency for International Development (AID)-trained Bourne's career as a brain-washer, controller of terrorist groups such as the Maoist Vietnam Veterans Against the War, and leading proponent of heroin "decriminalization" could never have gotten off the ground had it not been for the largesse of Coca-Cola's Atlanta-based foundations.

The most important connection between Carter and Coca-Cola, however, lies with J. Paul Austin, the company's chairman of the board. Austin, who has received scant coverage in the national press despite widespread speculation that Carter had seriously considered him for secretary of state or treasury, could accurately be characterized as Carter's *eminence grise*. Austin is the man who lifted Carter out of the obscurity of small-time Georgia politics and assisted him in becoming governor in 1970. Austin introduced Carter to his friend, David Rockefeller in the early 1970s and is now helping install Carter — illegally — in the White House.

Austin is no more an ordinary business executive than

Coca-Cola is an ordinary business. Austin is a charter member of David Rockefeller's Trilateral Commission — from whose ranks have come nearly the entire Carter Administration, including Carter himself. He chairs the board of the Rand Corporation, where Carter's newly-named special White House assistant James Schlesinger developed the doctrine of "limited nuclear war." He serves as a Public Member of the Hudson Institute, birthplace of the October 1973 oil embargo scenario. Austin is a director of General Electric, Morgan Guaranty Trust Co., Continental Oil, Dow Jones, and other major Rockefeller-linked banks and corporations. He is also a trustee of Cal Tech, whose president, Dr. Harold Brown, is Carter's choice for Secretary of Defense.

From Cocaine to Coke

Coca-Cola has figured as an arm of the Rockefellers' private intelligence apparatus since at least 1919, when a consortium of three banks including Chase (Rockefeller), Guaranty Trust (Morgan), and the Trust Co. of Georgia — then headed by Atlanta native Ernest Woodruff whose son, Robert, presided over the firm until the early 1960s — purchased the company for \$25 million.

The Morgan-Rockefeller purchase of the Coca-Cola Co. coincided with a major campaign by the top Wall Street financial interests to consolidate control of the U.S. drug industry, part of the Rockefeller emphasis on establishing a tight system of social controls following the 1910 Ludlow massacres. In this regard, the Morgans and especially the Rockefellers were following the example of the Rothschilds banking family which had been using addictive drugs since at least the Chinese Opium Wars of the 1840s to pacify and control populations.

Although by 1919 Coke's original active ingredient, cocaine — from which the drink's nickname is derived — had supposedly been removed as a result of federal legislation designating the drug a controlled substance, rumors persist to this day that Coke still contains cocaine. Whether or not this is true, the nature of Coca-Cola's operations — with branches in every key nexus of the global illicit drug traffic — lends itself to being a cover for a major drug-smuggling network.

Coke's main ingredient still comes from cocoa leaves, the source of cocaine, though the company claims that it uses a "decocainized" extract. The main source for cocoa leaves is Colombia, center of the world's illicit cocaine network. Although Coca-Cola does not purchase the cocoa leaves directly, the company and its chairman, Austin, have extensive political and business ties into Latin America.

Coca-Cola obtains its "decocainized" cocoa from the Stepan Co. of Maywood, N.J., the only licensed importer of cocoa in the U.S. According to the federal Drug Enforcement Administration, Stepan sells the cocaine it extracts from the cocoa leaves to three U.S. pharmaceutical companies: Merck, Penick, and Mallenckrodt. It is a well known fact that drug companies function as major sources of illegal drugs — as does the CIA and its offshoots. (The Merck Co., formerly a German-based firm which first synthesized cocaine in 1886, was purchased in 1919 by the Rockefeller-linked investment banks, Lehman Brothers and Goldman, Sachs. Acting as

counsel for the deal was Sullivan and Cromwell, creator of the Standard Oil-IG Farben cartel, and the law firm of Office of Strategic Studies chieftain Allen Dulles who personally set up a drug ring in southern Europe in the immediate period following World War II.

All through the 1920s and 1930s — long after cocaine had supposedly been removed from the drink — Coke was commonly referred to as "dope." To order a Coke at a soda fountain, you would ask for a "dope" or "a shot in the arm" "Dope carts" made the rounds of factories, dispensing Coke to the workers. Students at Atlanta's Emory University (financed almost entirely by Coca-Cola) honored their benefactor by issuing a student magazine called the "Dope Fiend."

Beyond these fairly obvious interlocks with the cocaine apparatus, there are several key factors which, taken together, strongly indicate that Coca-Cola is involved in drug-smuggling as well as other CIA-type covert operations.

The Coca-Cola Empire

Coca-Cola Co. has a bottling franchise or distribution network in every major part of the world, except for the Soviet Union.

The pattern of the company's expansion is remarkably in step with the development of the drug and terror networks of the CIA. For example, Coca-Cola purchased Minute Maid, including 30,000 acres of citrus orchards in Florida, in 1960, not long before the Bay of Pigs fiasco. At that time, the Miami area was rapidly becoming the major East Coast center for the entry of illegal drugs into the U.S., primarily from Caribbean and South American drug-smuggling networks. Simultaneously, the CIA was making the area into the chief recruiting and training grounds for the various Cuban exile networks employed in the Bay of Pigs and similar destabilization operations.

The individuals who run Coca-Cola's operations are generally closely tied to U.S. intelligence networks. For example, the head of Coca-Cola's Greek franchise until last month was Tom Pappas, owner of a Boston-based shipping firm closely tied to the Rockefellers' Seven Sisters oil cartel. Pappas has proudly boasted of his involvement in the 1967 CIA-instigated Greek coup. Claus M. Halle, currently director of the Coca-Cola Export Corp., the company's overseas division, was director of Coca-Cola's Central European operations until 1970, and worked for British Intelligence in Germany during the post-World War II Allied occupation of that country.

Coca-Cola's World War II Operation

Although Coca-Cola began to expand overseas during the 1920s, it was World War II which gave the company its biggest boost. At the outbreak of the war company chairman Robert Woodruff vowed that no American GI would be without Coke no matter where he was fighting. To fulfill his pledge, Woodruff, with help from the War Department, got the U.S. government to subsidize the construction of more than 60 Coca-Cola plants in various parts of the world. More than five billion bottles of Coke were distributed to American soldiers during the war.

There is strong circumstantial evidence that the Coke dispensed to U.S. soldiers at this time contained cocaine. For one thing, the War Department went to great lengths

to insure that GIs had access to Coke at all times. In fact, mobile units were specially devised to permit soldiers fighting in jungle areas access to Coke. For another, cocaine was first popularized by a German army doctor in the 1870s who found that the drug enabled soldiers to march longer and endure greater physical hardships.

"Coca-Colonialism" — Coca-Cola's Post-War Expansion

In the immediate post-war period, Coca-Cola encountered tremendous resistance to its plans for a major expansion of operations in Western Europe. The Communist parties of Italy and France teamed up with anti-Atlanticist bourgeois factions to prevent "Coca-colonialism." The Coca-Cola Co. and its product became the hated symbol of American imperialism. "A large and uniformed army that today has an outpost or guard station even in the remotest parts of our countryside," was how one Italian newspaper described the giant.

Opposition to Coca-Cola was so intense that in 1950, the French National Assembly passed a bill barring the distribution of the beverage on health grounds. The U.S. immediately responded with blackmail. According to a report in *Business Week* magazine at the time, "The attack on Coca-Cola by the Communists and special interests fed a widespread, old-fashioned nationalistic provincialism and a hostility to toward the more garish aspects of the American way of life. If can be broken up fairly easily as long as countries such as France are dependent upon Marshall Plan aid. But diplomats are wondering how easily it can be controlled when our aid takes on more informal Point-Four lines. The crystallization of this pattern could become a powerful Communist weapon for economically isolating the U.S." The boycott against Coke was quickly broken.

Coca-Cola made no attempt to disassociate itself from U.S. imperialism. As one company executive snidely remarked on the anti-Coke movement in Europe: "Apparently some of our friends overseas have difficulty distinguishing between the U.S. and Coca-Cola. Perhaps we should not complain too much about this."

Adding insult to injury, Coca-Cola hired as its European ombudsman one Alexander Makinsky, a White Russian émigré attached to U.S.-British intelligence circles in Paris, who worked for the Rockefeller Foundation for 17 years before joining up with Coca-Cola in 1946. Among the destabilization operations Coca-Cola reportedly has been involved in is funding of Israeli warhawk Moshe Dayan's anti-government newspaper which has functioned as a propaganda vehicle for the Carter-Trilateral Commission operation aimed at toppling the Rabin government in order to bring in a pro-war Israeli regime. Not surprisingly, it was through Coca-Cola that Carter, while governor of Georgia, first made contact with Israeli political circles.

There, company chairman Austin's ties to the Rand Corp. — which scripted the "Second War of the Pacific" scenario for a new war between Peru and Chile — are being heavily felt, as those two countries are provoked nearer to open fighting. Coca-Cola is also extensively tied into Latin America's right-wing political and military circles, including the right-wing bastion of Monterrey, Mexico, as well as to the extensive drug network which crisscrosses the continent.

The Atlanta Connection

Coca-Cola is a major controlling interest in the city of Atlanta and the state of Georgia. Through its ties to Georgia's leading bank, the Trust Company of Georgia (headed up by Carter's choice for director of the Office of Management and Budget, Bert Lance), Atlanta's leading law firm, King and Spalding (whence comes Carter's Attorney General, Griffin Bell), to the South's leading railroad, Southern Railway, to Georgia's main university, Emory, which it controls, and to a host of other Southern business and educational institutions, including Coca-Cola's complex of foundations, the company wields an extraordinary amount of power over Georgia and its people — as well as the Carter Cabinet.

There are two aspects of this control which are of particular interest. One is the scandal surrounding the cocaine ring operating out of the Macon, Ga. offices of Capricorn Records, a division of the Chase Manhattan-controlled Warner Communications empire. Although the connections between Capricorn, its chief "star," rock singer Gregg Allman, and Jimmy Carter have been documented in numerous media sources, the most likely source of the tremendous amounts of cocaine involved in the Capricorn drug network has been ignored. An honest investigation would no doubt uncover direct links to Coca-Cola.

The second aspect is the group of five foundations which Coca-Cola runs in Atlanta and which are directly responsible for the counterinsurgency programs established in Atlanta and throughout Georgia since the early 1960s.

The Coca-Cola foundations have given more than \$80 million to Emory University over the past ten years, turning Emory into one of the South's major counterinsurgency centers. Coca-Cola money was responsible for the establishment of Emory's School of Psychiatry, where Carter's psychological controller, Peter Bourne, received his training in brainwashing techniques. Company money also set up Atlanta's Veterans' Administration Hospital, where Bourne no doubt recruited for the terrorist-oriented Vietnam Veterans Against the War (VVAW), which he set up following his return from Vietnam. (The bottling plant Coca-Cola established in Vietnam in the 1960s produced not a single bottle of Coke, according to *The Politics of Heroin in Southeast Asia*, an exposé of the CIA's control of the illicit drug traffic from that area's infamous Golden Triangle.)

Bourne's ties to Coca-Cola extend far beyond Emory University. During the late 1960s, his "community mental health" (i.e., brainwashing) center in Atlanta was funded by Economic Opportunity Atlanta, the chief conduit for Office of Economic Opportunity funds into the city. At the time, EOA was headed up by Boisfueille Jones, who simultaneously directed (and still does) the Coca-Cola foundations. A product of Emory himself, Jones — who describes himself as a close acquaintance of Bourne — served as special assistant for health in HEW during the Kennedy Administration.

Now that Carter is nearly in the White House, Coca-Cola is moving to bring its drug-running out into the open

by pushing heavily for the "decriminalization" of cocaine, heroin, and other hard drugs. Boisfeuillet Jones is a member of the board of directors of the Washington-based Drug Abuse Council (DAC), the major think-tank in the drug abuse area. Funded by the Ford and Rockefeller Foundations, among others, the DAC is in the fore-

front of the Carter-inspired campaign to transform the U.S. into a Clockwork Orange society by making hard drugs as easily accessible as Coke. Bourne — who will soon be elevated to the Carter Administration proper — is currently working on studies pushing for decriminalization at the DAC.

Sterling Stabilized As British, West Germans Say No to Dollar

FOREIGN EXCHANGE

The major development in the foreign exchange markets this week was the international agreement to stabilize Britain's sterling balances with a \$3 billion credit line, and eventually fund them if need be by converting them into foreign-currency securities. The Jan. 10 agreement marks the withdrawal of the pound from its status as a reserve currency supplementary to the inflated U.S. dollar, and the elimination of one major source of sterling's vulnerability. The pound remained quite strong this week by 1976 standards at around \$1.70 to the dollar.

This week's markets also saw the recent dollar slide taper off. Traders explained this in terms of slight downward movements in Western European interest rates alongside a slight upward movement in U.S. short-term lending rates — and a certain relief that Jimmy Carter had not announced immediate hyperinflation of the world economy.

Sterling Plan

Arranged through the European central banks' headquarters, the Bank for International Settlements in Geneva, the new sterling settlement represents a tactical victory for Britain's Labour government and its Social Democratic collaborators in Bonn. According to the West German newspaper of record, the *Frankfurter Allgemeine Zeitung*, Prime Minister Callaghan and Chancellor Schmidt pressed through the plan "around the flank" of U.S. Treasury Undersecretary Edmund Yeo. Yeo used the Jan. 12 *Journal of Commerce* to lament his inability to exact austerity from the British as part of the deal, and taunted the British with a feeble threat, that Arab oil producers may no longer hold sterling.

The settlement does not directly fund the \$4 million in "official" pound deposits held by foreigners, who have in the past driven down sterling's exchange rate by speculative selling of the currency. Funding — that is, total conversion of pounds into another land's paper — becomes a future option for holders who will be offered bonds denominated in non-pound currencies, serviced by the British Treasury, in exchange for their pound assets. What goes into effect at once is a form of safety net; the \$3 billion medium-term credit line is available to help Britain defend the pound's parities by buying sterling if a selling wave begins to drive it down. Hence, one form of

potential blackmail against the British government is removed, the goal of Callaghan's and Schmidt's mobilization of mainly West German, Swiss and Japanese funds, to which the U.S. was compelled to add a billion dollars.

There has been little expectation of a run on the pound in any case. Government securities ("gilts") are selling so well that the consequent liquidity absorption obliged the Bank of England to release approximately 1.5 billion pounds to the commercial banks, who can now somewhat increase their lending to credit-starved corporations. The minimum lending rate is therefore expected to fall further, and tax cuts are being mooted.

These steps correspond to Callaghan's determination, affirmed yesterday, to direct industrial recovery with a strong personal rein over the Treasury; the government's austerity exponent, Chancellor of the Exchequer Denis Healy, has lost his chief justification for deflation and belt-tightening, namely, the threat of an assault against the pound.

The Dollar And The Mark

West German spokesmen, who have a slightly different form of the same dollar problem, have made it clear that, while marginal interest-rate realization can occur, they do not intend to expand either the money supply or public spending in a fashion that would among other things, weaken the mark. The Chancellor's office stated this week that no matter what the Carter administration may do, West Germany will concentrate on promoting

Foreign Exchange in Dollar Rates

	Jan. 7	Jan. 14
British pound	1.7050	1.7115
French Franc	.2020	.2010
Italian lira	.001150	.001141
Swiss franc	.4075	.4027
West German mark	.4253	.4190

capital-intensive investment; Economics Minister Hans Friedrichs and banking-industrial spokesman Otto Wolff von Amerongen publicly rejected any "ad hoc counter-cyclical programs" to stimulate the economy; and Development Minister Marie Schlei, a close collaborator of Chancellor Schmidt's, suggested that expanded Third World trade could eliminate half West Germany's 1 million unemployment.

Prospects are thus unfavorable for what New York Times columnist Leonard Silk recently described as a Trilateral Commission Carter cabinet effort to "goose Germany and Japan into expanding faster." One Brookings Institution senior fellow intimately involved in this campaign privately expressed demoralization this week; the West Germans, he said, have accepted the fact that the mark will appreciate against the dollar (thus keeping up West German export prices —Ed.) and agreed that this would do no great damage to the Federal Republic so long as the mark remained stable against other currencies in Western Europe, their major trading

partner. "Who knows, maybe they're right," the Brookings spokesman said despondently about West Germany's commitment to investment growth.

Another development affecting the dollar's medium-term prospects is the continued dollar selling by the Soviet Union, according to *The Guardian*, which has continued since Dec. 20's surprise "bear coup" against the U.S. currency. The Soviets' maneuver — generally considered an effort to boost gold prices and, more fundamentally, the status of gold for a new world monetary system — has involved sales of \$5 billion by the end of last week.

Paris Bourse Leads European Markets; Economic Entente with Arabs in Offing

INTERNATIONAL STOCKS

French stocks have rallied over the past month, with the Paris index rising 14.9 per cent from the beginning of December to the close of trading on Friday Jan. 14. The Paris market is now the most upbeat outside the U.S., compared to rates of rise of the Frankfurt Commerzbank index of 2.5 per cent, United Kingdom Financial Times Industrial Ordinaries Index of 2.3 per cent, and the Tokyo Dow Jones by 0.1 per cent over the same period.

In particular, oil and chemical shares have far outstripped the other industrial sectors. The French government-related companies Aquitaine and Compagnie Française des Pétroles have risen 24.8 per cent and 16 per cent during December and January. Michelin, Pechiney, and Rhône Poulenc rose 15.6 per cent, 21.5 per cent, and 17.8 per cent respectively.

This fact, plus the unusual rise in the market generally have led to speculation that French corporations, may be about to receive significant inflows of Arab capital, especially the oil and chemical sectors which have been historically tied to the Arab sector.

In particular, the market showed strong resilience during the week just ended, when the dollar strengthened again internationally due to U.S. Federal Reserve intervention on the Eurodollar market and in France due to capital inflows which led to a weakening in the call money rate (equivalent of Federal funds) from 10 per cent to 9.75 per cent in the course of the week. The overall Paris index slumped 2.5 per cent during Tuesday through Thursday (from 58.4 at Monday's close to 57 on Thursday) but bounced back again on Friday for an overall rise of 2 per cent on the week.

The immediate stimulus for Friday's enthusiasm was the announcement by Mr. Barre of a 34 per cent increase

in government subsidies for the state sector industries — electricity, gas, transport, postal services, etc. Very important within this is the nuclear development program component of the government electrical industry. Barre, with strong backing from the RPR (Gaullist party) has made the expansion of this industry a priority for French industry. The French government-controlled NOVATOME corporation is going ahead with

	PARIS EQUITIES				Change for December- January
	Dec. 1	Friday Jan. 7	Friday Jan. 14	Percent Week	
Paris Index	51.8	58.4	59.5	+2.0	+14.9
Aquitaine	253.0	313.0	315.8	+0.9	+24.8
CFP	95.0	111.3	110.2	-1.0	+16.0
Michelin	1112.0	1285.0	1285.0	0	+15.6
Pechiney	65.0	82.6	79.0	+0.6	+21.5
Rhône Poulenc	67.6	82.0	79.6	-2.9	+17.8
Esso Standard	49.1	56.1	55.5	-1.1	+13.0
Peugeot-Citroën	NA	242.9	260.0	+7.0	+15.0 (since
St. Gobain	109.8	118.7	115.9	-2.4	+5.6 merger)
Schneider	125.1	141.8	138.0	-2.7	+10.4
Sacilor	33.6	36.0	36.0	0	+7.1
Usinor	35.9	34.5	35.2	+2.0	-1.9

its contract with the NERSA consortium of European state electrical companies to construct the Super Phoenix fast breeder fission reactor at a cost of 5 billion francs, *Le Monde* reported Jan. 13. The future of the reactor, to be the most advanced in Europe, had previously been in doubt due to the anti-industrial growth policy of French President Giscard d'Estaing.

The government also announced this week the total computerization of the government's administration functions, which would mean 9 billion francs of orders to the flagging computer industry over the next two years.

On the international side, *Le Point* magazine reported earlier this month that France may be in for a sizable loan from Saudi Arabia, which is considered highly likely by both Paris market sources and the New York Federal Reserve. The Federal Reserve is "highly uncomfortable" at both the uncanny strength of the French franc and the prospects for a general influx of Arab capital.

The French state oil companies CFP and Elf-Aquitaine meanwhile are closely cooperating with Saudi Arabia demands that the U.S. oil companies of ARAMCO post their prices in all oil transactions in Europe and around the world. Furthermore, under the French oil companies' insistence, the French government continues its moves to reduce the U.S. majors (Mobil and Exxon) presence in the French petroleum products market by 5-10 per cent. These regulations, raising French oil companies' share of the market from 45 per cent to 50 per cent, were announced in November and raised a formal protest from Mobil's chairman to the French president.

Market observers note that Esso standard Français is also doing well despite the French government's pressure on it. This may mean a takeover of the US company's subsidiary — by French and or Arab

interests.

Le Figaro reported Jan. 13 that the French arms deal with Egypt which made headlines this week is a breakthrough for French-Arab relations. All of French industry is expecting increased orders in the military and high technology sector, the newspaper said, from the Middle East. As a result of the Egypt deal, the Saudi government has now agreed to foot the \$1 billion capitalization of the Arab Military Industry Organization which is to build a military and technology industry in Egypt, the industrial and technological orders for which are to be filled by the French and British Military-technology sectors.

The French and British industries, for their parts, which have already undertaken massive cooperation under the joint Concorde aerospace program, have extended this cooperation during the visit to London this week of M. Barre. In a meeting with British Prime Minister Callaghan, who has put Britain's industrial recovery under his own personal supervision, a joint accord was issued for Franco-British cooperation in all phases of the aerospace, nuclear, and computer industries especially regarding export of this crucial technology to third countries.

West Germany to Revalue Gold Market Price?

GOLD

West Germany's leading business newspaper, *Handelsblatt*, proposed in a Jan. 14 editorial that West Germany follow the example of France and Italy, and revalue its gold reserves to market price. Since the Bundesbank had to write down its DM 80 billion reserves by 7.5 billion, due to the 11 per cent depreciation of their dollar component, *Handelsblatt* suggests the Bundesbank should "give itself extra maneuvering room" by revaluing its gold reserves.

Since Italy revalued its 11 million ounces of gold to market price two weeks ago, South Africa and Mexico have both taken the same measure. Contrary to estimates circulated by the U.S. Treasury and Federal Reserve, the intent of the Italian revaluation was not cosmetic; the Italians are now negotiating credit arrangements for an estimated \$6-7 billion in annual bilateral trade with the Soviet Union — a large gold holder — and Italian foreign ministry sources indicated that gold will be part of the final overall credit agreement.

Official Bundesbank policy is that the central bank has no intention of changing the valuation of its gold reserves. But senior Bundesbank staffers say, off the record, that the question is under consideration. The central bank has taken one extraordinary step in the direction of a pro-gold policy: it is helping 12 developing

countries get hold of their gold in the context of the International Monetary Fund's disbursement of 6.5 million ounces, or one-sixth, of its total gold holdings, by prior international agreement. The IMF will accept hard currencies only to replenish member nations' quotas in return for gold restitution, and many Third World countries can't scrape up the cash. The Bundesbank has put up DM 31 million (\$12.5 million) on behalf of 12 countries, in return for local "soft currencies." Senior Federal Reserve officials allow that a Bundesbank revaluation is "possible," but claim skepticism.

Gold price closed the week at \$131.75, following a temporary drop earlier in the week to \$128. The earlier drop is attributable to the liquidation of gold positions held as a hedge against sterling after the member central banks of the Bank for International Settlements and the United States Treasury came to an agreement on a "safety net" for the sterling balances. The current gold trading range around \$132 is, in fact, extremely solid; the volume of gold sales at this price are exceptionally large, including Soviet bulk sales and South African Krugerrand sales.

One indication of further mobilization of central bank gold: Japan's finance ministry announced it will sell 100 metric tons, or 16 per cent of its gold stock, mainly to the Bank of Japan, the nation's central bank, and secondarily to industrial users, at a fixed price of \$119 an ounce. The transfer of gold from the finance ministry to central bank raises questions about Japan's possible active use of the metal as a reserve instrument.

Three Way Trade Deals Up in New Year

WORLD TRADE

Bilateral trade agreements from the first two weeks of 1977 represent part of an overall reorientation of trade agreements taking place between Western Europe, the socialist sector and the Third World toward the establishment of the infrastructural basis for the new world economic order. In quantitative terms, Italy ranks the highest, with Foreign Affairs Minister Forlani's trip to the Soviet Union promising to net \$6-7 billion worth of trade and new developments in "triangular cooperation."

Two deals represent important breakthroughs in the high-technology exports of their respective countries. The Swedish electrical company, ASEA, has been contracted to supply Poland with approximately \$18 million worth of industrial process computers. In a second deal which has evoked much protest from the Pentagon and Carter circles, Great Britain's Lucas Aerospace Company has agreed to supply the Soviet Union with an electronic fuel injection system for the supersonic TU-144. The Pentagon believes that the same system will be used by the Soviets for their "backfire" bomber.

While many of the contracts listed below are energy-related the most significant development in this field is that Western Europe is demonstrating its determination to go ahead with the rapid development of nuclear power, both for domestic use and export. Coinciding with the ongoing debate within the British government on the need to greatly expand nuclear production and export, to the Middle East especially, the head of British Petroleum, Mr. Walters called for British nuclear technology to replace fossil fuels by 1980. Nuclear-related contracts between Italy and Sweden, Italy and the USSR, and France and Algeria have been signed since the first of this year.

European Trade Deals Since Jan. 1

Italy

- 1- 3 — Italian Trade Minister Ossola announces creation of a \$6 billion fund for financing short-term trade expansion.
- 1- 4 — Corib will build roads in Saudi Arabia
- 1- 5 — The Italian Ansaldo Nucleare firm will deliver nuclear reactor kernels to the Swedish Forsmark plant.
— ENI's Snam Progetti wins an international subcontract for a pipeline in Nigeria.

- 1- 8 — Italy will give the South American Development Bank \$15 million to finance development projects. Italian firms will be called upon to construct large infrastructural works in exchange.
- 1-10 — Italian Foreign Minister Forlani arrives in the Soviet Union, accompanied by Deputy Foreign Minister Manzini and Foreign Ministry official Mandello. "Triangular cooperation" to be concretized. Bilateral deals under discussion include nuclear plant supplies, petrochemical and machine tool sectors, for a total of \$6-7 billion.
- 1-12 — Italian Minister of Industry Donat Cattin arrives in Iraq, with discussions centering upon increasing Italian exports of agricultural equipment in exchange for Iraqi oil.
- 1-13 — ENI subsidiaries SNAM and SAIPEM to build pipeline in Oman.
— Montedison and Japan's Mitsui have signed an agreement for the development of organic catalyzers.
— Montedison is involved in negotiations with Kuwait and Abu Dhabi for setting up joint companies in each country in which Montedison would hold minority interest. The agreement would include collaboration in the petrochemical field. While similar talks are ongoing with Libya an agreement has already been reached with Egypt.

Britain

- 1- 1 — A contract for £10 million has been signed between the Lucas Aerospace company and the USSR, which will purchase an electronic fuel injection system for the supersonic TU-144. Rumor has it that the same system would be used for the Soviet "backfire" bomber.
- 1- 2 — Vickers, a British defense contractor, is the first such company to accept Iran's oil barter instead of cash payment on a defense contract. A £80 million deal for armored vehicles will be sealed.
- 1- 8 — The State Transport Corp. of Ireland has signed a £9 million contract for Soviet oil fuel.
— The Hawker-Siddeley Power Engineering company will build a diesel power station in Sharjah in the United Arab Emirates for £4 million.
- 1-10 — British National Oil Corp. (BNOC) has negotiated a cooperation agreement with the West German Deminex company in which BNOC will control 41 per cent of Deminex's Thistle oil field in the North Sea and have 51 per cent of the rights over the output of the field.
— British Leyland has concluded a £14 million

contract with Iran to increase production of landrovers for export to that country by 50 per cent in 1977.

— British Trade Minister Edmund Deli, in Iran to preside over a joint Anglo-Iranian ministerial commission, will meet with the Shah of Iran and discuss extending the oil barter deals beyond defense contracts and into the civilian sector, for a possible total value of £1 billion.

France

1- 3 — The oil companies Elf-Aquitaine and CFP-Total are negotiating with Saudi Arabia for a 3-year contract to supply France with 36 million tons of oil. This would be a 30 per cent per annum increase in current imports, now at 9 million tons per year.

— A consortium of French companies (including Pechiney-Ugine-Kuhlman subsidiary STES, a joint PUK-CFP subsidiary MINATOM and two engineering firms) have signed an agreement with the Algerian government for the development of the Algerian nuclear industry, including extraction of known uranium reserves.

1- 5 — After concluding a visit to Syria, French Foreign Trade Minister Rossi announced the formation of a joint company Sircotel for the construction of a telephone system and another joint company for steel production. Further

cooperation may include chemicals, petrochemicals, damming, irrigation and extraction of mineral resources.

1- 6 — President Giscard meets with Saudi Foreign Minister Al Faisal, in preparation for his upcoming trip to Saudi Arabia when a nuclear project will be discussed.

Norway

1-11 — Norsk-Hydro and a Japanese company will jointly build 5 fertilizer plants in the USSR.

Sweden

1-11 — The Swedish electrical company, ASEA, will deliver industrial process computers to Poland as part of a contract worth 70 million Swedish Croner (approximately \$18 million).

Finland

1-11 — Finland will supply Egypt with 3 million Swedish Croners worth of credit (approximately \$750,000) for the electrification of 50 Egyptian villages and will build a new power system in Cairo.

Calls for Commodity Stockpiles Based on Plans for War

COMMODITIES

This week the National Commission on Shortages and Supplies (NCSS) released an extensive report entitled "Government and the Nation's Resources" calling on Congress to increase the National Strategic Stockpiles of raw materials. NCSS calls for this because of the danger of "local wars and civil disturbances" which would result in supply shortages. The Commission notes specifically the possibility of war in southern Africa on which the United States is dependent for many of its strategic requirements, including copper, manganese, chromium, cobalt, asbestos, uranium, paladium and platinum, as well as gold.

The NCSS was created and funded by an Act of Congress in January 1976 at the instigation of Democratic Senators Humphrey and Mansfield. The Chairman of the NCSS is Donald Rice, who is also the President of the Rand Corporation; a prominent member of the Commission is Philip H. Trezise who is also a Senior Fellow of the Brookings Institution.

The October 1, 1976 rulings of the Federal Preparedness Agency (FPA) determined several significant changes in U.S. stockpile policy. As of that date, U.S. strategic stockpiles of copper were zero. The FPA raised the level of the copper stockpile to 1.3 million tons. Paladium and platinum stocks were also to be increased from 328,00 and 187,500 troy ounces, to 2.5 and 1.3 million ounces respectively. Additionally, the decision was made to store aluminum feed as alumina rather than bauxite, a step closer to immediate war availability, which eliminates the need for the large energy expense at the transition stage in a period of crisis.

An important component of the stockpile operation is the fraud that is about to be perpetrated on the Third World with the complicity of certain members of the United Nations Conference on Trade and Development (UNCTAD). This is the great buffer stock commodity for price stability scheme. While UNCTAD is trying to encourage Third World leaders to contribute to such buffer stocks, the Executive Director of the NCSS told an independent reporter that they saw the stocks, some of which would be held in the U.S., as a supplement to the

Strategic Stockpiles. Even excluding the outright seizure of the stocks in a period of "local war," he said, the war would result in a rise in the cost of the commodity necessitating, under the agreement, the sale of the stocks!

It is no secret that the same sources who are calling for "defensive" stockpiles are complicit in starting the conflicts against which they are purporting to hedge.

EIR has previously documented that the U.S. and NATO have been providing arms and training to the South Africans and Rhodesians and have made every effort to sabotage British attempts to peacefully resolve the crisis in the area. Nelson Rockefeller and Henry Kissinger and the other controllers of Carter's Administration are prepared to run extended warfare in southern Africa and other regions to create instability to preclude Third World nations from gathering sufficient muscle to implement the new world economic order program called for at the Colombo Conference of Non-Aligned Nations last summer.

Rice and Trezise were the prime movers of the Commission and typify the private intelligence apparatus behind the Carter Administration. (The broader geometry and details of this apparatus have been published in the U.S. Labor Party's "A Special Report to the U.S. Population: Carter and the Party of International Terrorism.")

Trezise is also a member of the Council on Foreign Relations (CFR) and a member of the Center for Law and Social Policy's (CLSP) Board of Advisers. Another Brookings Senior Fellow, C. Fred Bergsten, who was a principal witness before the NCSS is also a Council on Foreign Relations member and a CLSP Adviser. He is Carter's nominee for a senior Treasury post. Former Brookings Senior Fellow Charles Schultze, whom Trezise described as "a very reasonable fellow who would look favorably on this study," has just been named to be Carter's Chairman of the Council of Economic Advisers. Bergsten is also a member of the Trilateral Commission.

David Rockefeller is Chairman of the Board of the Council on Foreign Relations and personally created the Trilateral Commission of which he is a member of the Executive Committee.

The Trilateral Commission is the Carter Administration. Trilateral members include President Carter, Vice President Mondale, National Security Council Brzezinski, UN Ambassador Young, Secretary of Defense Brown, Secretary of the Treasury Blumenthal, and Secretary of State Vance.

But the reason for choosing the President of Rand Corporation to head the task force charged with the responsibility of ensuring that the U.S. has the resources it needs before it launches full scale regional wars in various parts of the globe are deeper than personal connections.

Rand has always reflected the "utopian" perspective of military strategy, originally charted by the Strategic Bombing Survey during World War II. Former Atomic Energy Director, CIA Director, and Secretary of Defense James Schlesinger, who in the Carter regime would have responsibilities over certain commodities from southern Africa (the NCSS wants to create a Cabinet post of Energy and Raw Materials) was formerly director of Rand's Strategic Studies Division.

One of the principal functions of the Rand Corporation is to draft various "scenarios" for regional wars. As exposed in the Egyptian paper *Rose El Yousef*, Rand drew up the bloody Lebanon Civil War scenario. In 1974 Rand also drafted the scenario for the "War of the Pacific" between Chile and Peru — two of the largest copper exporters to the U.S. In 1975 Rand staffer Jenkin released a scenario entitled *High Technology Terrorism: Surrogate Warfare*. Rand has also researched scenarios for southern Africa.

According to the NCSS report, "Determination of targeted quantities for...the Strategic Stockpile is currently undertaken by the National Security Council on the basis of analysis by the Federal Preparedness Agency of U.S. defense and civilian requirements...The FPA employs a sophisticated set of models to determine annual supply-requirement imbalances for strategic commodities under various wartime scenarios." (emphasis added) On Oct. 1, 1976 on orders from Kissinger the FPA raised the war scenario time period from one year to three years (that is the period of time during which the U.S. should be prepared to be involved in a war or be subject to supply cut off because of one) thus variously tripling the stockpile requirements.

The Commission report states that, "The stockpile quantity targets are set by applying one scenario which the National Security Council directs the Federal Preparedness Agency to use for planning purposes."

There is little doubt that, in addition to other volatile areas, the NCSS has southern Africa particularly in mind. Says Rand President Rice in the report, "...the growing military and political tensions in southern Africa come to mind in this connection....Interruptions in supplies might be relatively complete and prolonged...as compared with the improbable threat of a deliberate embargo, the possibility of supply disruption (from) local hostilities seem real enough to warrant policy attention."

A few figures highlight the point. The following represent percentage U.S. dependence on external source for selected commodities:

	<i>Chromite</i>	
USSR		28%
South Africa		19%
Rhodesia		8%
	<i>Manganese</i>	
South Africa		36%
USSR		19%
Gabon		9%
	<i>Cobalt</i>	
Zaire		67%
Zambia		9%
	<i>Platinum-Paladium</i>	
USSR		47%
South Africa		46%
	<i>Copper</i>	
Zambia		12%
Zaire		8%

The NCSS serves as the principal spokesman for a broad range of private intelligence networks which are being mobilized to push the stockpile and other war preparations. Significantly, the NCSS has contracted specific research projects to Charles River Associates of Cambridge, Mass., the Arthur D. Little Company, the Stanford Research Institute, and Wm. Barber Associates.

Charles River has former Rand and Brookings members on its staff. CRA has studied specific stockpiling proposals and has recently completed a study of the extremely vulnerable South African railroad routes which could easily be sabotaged, effectively cutting the U.S. off from the strategic materials. Last year the southern African railway system was the prime subject of a study by the Washington Office on Africa, a small think tank in the Capital. WAO Director Edgar Lockwood is a member of the Board of Trustees of the Institute for Policy Studies (IPS) and is a Director of the American Committee on Africa. The Institute for Policy Studies has written civil war scenarios for Rhodesia and South Africa. IPS co-director Marcus Raskin was a former member of the NSC and assigned to the NSC "Special Staff" responsible for overseeing covert operations and nuclear war planning. W. Anthony Lake, author of the *Tar Baby Option* (a race war scenario for

southern Africa prepared for the NSC) is Director of the International Voluntary Services (IVS). IVS is funded by several foundations including AID and is the Africa-oriented part of the Transnational Institute, the Third World penetration arm of the IPS. Lake has been nominated as Carter's Head of Office of Policy Planning at the State Department.

Not coincidentally Carter's nominee for HUD, Patricia Harris, a Director of Rockefeller's Chase Manhattan Bank, is a member of the Fried, Frank, Harris, Shriver and Kampelman law firm. Kampelman is General Counsel to the Committee on the Present Danger. Sam Harris, who headed Wall Street Lawyers for Carter and who is the Harris in the firm's title, is a Director of Rio Tinto Zinc Ltd. of England, which has vast mineral holdings throughout southern Africa. Another member of the firm, Robert Preiskel, was the attorney who helped set up the Congress for Racial Equality (CORE), which actively and openly recruited mercenaries throughout the U.S. and Europe to fight with the CIA's UNITA and FNLA against the MPLA in Angola.

Arthur D. Little Co., in addition to providing back-up for the NCSS research, drafted the reorganization scheme for the Atomic Energy Commission, helped derive the commodity indexation scheme with Bergsten support, and helped work up Project Independence legislation.

Industry Braces for War, Supply Cutoffs

CORPORATE AFFAIRS

The U.S. corporate sector is under intensifying pressure to accept a Fortress America policy. Exemplary of this trend, the recent \$1.3 billion bond issue floated by Cleveland-Cliffs Iron Company, Jones and Laughlin Steel Corporation, and other U.S. and Canadian iron ore and steel producers to expand their Marquette Range mining operations was privately placed. The investors said the higher cost of mining iron ore in the U.S. compared with Latin America was outweighed by strategic considerations — the imminence of regional wars breaking out around the globe and the threat of further expropriations of U.S. investments.

According to a spokesman for Cleveland-Cliffs, the decision to expand operations at two mines in the Upper Peninsula of Michigan reflected a "change in philosophy" — a growing wariness about investing in overseas properties after Venezuelan and Peruvian nationalizations and worry about general political instability. The expansion program is scheduled to begin yielding additional iron ore tonnage by mid-1979, which will supply the participating steel companies.

There are indications that corporations are adapting to a wartime perspective in the short-term. The most obvious example of this is heavy purchases of ferromanganese by steel producers and other industrial

users in anticipation of the outbreak of war in South Africa and cut off of the only source of supply of that commodity. In addition, commodity traders indicate that the recent stronger buying of copper, tin, and other metals may be due in part to corporations getting into those metals not only as a hedge against inflation, but in case regional wars disrupt normal supply flows. Spreading this wartime mentality, the National Commission on Shortages and Supplies (NCSS) this week called on Congress to increase the National Strategic Stockpiles of raw materials because of the threat of "local wars and civil disturbances." The NCSS report pointed in particular to southern Africa, which supplies the U.S. with copper, manganese, chromium, cobalt, asbestos, uranium, and other critical raw materials.

These developments are taking place against a backdrop of moves by key Atlanticist-controlled corporations such as General Electric and Atlantic Richfield (ARCO) to ensure that they have supplies of vital raw materials under control. On Jan. 12, just hours after a Federal Appeals Court Judge turned back the Federal Trade Commission's attempt to block Arco's acquisition of Anaconda, the merger was completed, giving Arco access to uranium oxide as well as copper mining and refining industries. The uranium oxide, used in making fuel for nuclear reactors, gives the major oil company further control over alternate sources of energy, in the tradition of the Continental Oil purchase of Consolidation Coal.

Anaconda was open for takeover because of the severely depressed state of the entire copper industry. In 1975 Anaconda registered a net loss of \$39.8 million, stemming from the collapsed industrial and speculative demand for copper. In June of 1975 world copper prices plummeted to a low of 52 cents after rising to a high of \$1.52 in the commodity boom of the previous year. Tenneco Inc., a Houston-based diversified oil, manufacturing, and gas transmission company, also hoped to acquire Anaconda, but couldn't compete with Arco's offer.

*Multinational Oil Companies
Step Up Looting Of U.S. Economy*

Simultaneously, the multinational oil companies are moving to get Project Independence off the ground — the energy conservation and "development" program that is the model for all other autarkic moves. Exemplary of the insane schemes for achieving energy independence that are proliferating is the report prepared for Carter by a task force headed up by his Keynesian economic advisor, Lawrence Klein. The gist of the Klein report, which is being carefully considered by the Carter transition team at present, is that "price incentives" are the best approach to conservation and energy development. The report argues the long-standing multinational line that "higher prices through a relaxation of price controls on oil and new natural gas" are needed to give the oil

companies the incentive to invest in exploration.

Even without ramming through full decontrol of energy prices, multinational oil company looting of the rest of the economy through rising energy prices has continued to grow. In 1973 the total energy bill for the U.S. economy was \$70 billion or 5 per cent of Gross National Product. In 1975, after the 400 per cent OPEC price rise engineered by the Seven Sisters, the total energy bill was a staggering \$150 billion or 10 per cent of GNP. Total energy costs in 1976 were in the \$150 billion to \$200 billion range. Between May and October of this year the fuel and related products and power component of the wholesale price index rose at an 18.5 per cent annual range, compared to a 6.1 per cent annual rate of increase for all other industrial commodities. The fuel costs had to be absorbed by manufacturers, who could not pass the entirety of the increase on because of soft demand throughout the economy.

The increases in fuel cost to industry have been staggering. Cleveland-Cliffs just announced a 4.5 per cent increase on iron ore pellets, citing the increased cost of fuel and capital expenditures. Over the first half of 1976 the base energy costs of the iron ore producer rose an excess of 25 per cent. In 1970 U.S. steel paid \$14.90 for energy per average ton of product. In 1976 the cast was over \$60. Both Cleveland-Cliffs and U.S. Steel have been subjected to the natural gas "shortage" this winter and have had to pay excess for alternate fuels or unregulated natural gas.

1976 Steel Production Still Below 1974 Level

STEEL

1976 was a complete disaster for the steel industry. While total world steel production rose some 6.2 per cent from 1975 levels, the total production figure of 690 million metric tons was off almost 20 million mt from 1974's record level of 708 million mt. Following is a breakdown of steel production over the past 3 years (in million metric tons):

	1974	1975	1976 *
USSR	136	140	146
USA	135	108	117
EEC	155	125	132
JAPAN	117	102	107
World Total	708	650	690

* (1976 figures are preliminary figures supplied by the Int's Iron and Steel Institute in Brussels)

Omitted from these figures for 1976 are the facts that much of the steel produced was sold at very low price levels, in frequent cases below cost. The auto sector in many countries, especially the U.S., single handedly held up the steel sector throughout the second half of the year as utilization rates fell to below 70 per cent. In the U.S. these factors translated into an earnings-to-revenues ratio of 3.6 per cent, below the level obtained during the recession year of 1975.

In West Germany preliminary figures released by the Federal Office of Statistics indicate a 5 per cent production gain over the disastrous level of 1975. Still, crude steel production of perhaps 42.5 million mt will be well below the 53.2 million mt record of 1974. German steel mills are currently operating at 60 per cent of capacity and unemployment in the industry is now equal to 20 per cent of the work force, or 58,000 workers. Expectations for 1977 are cautious, with a 5 per cent possible increase over 1976 the current guess by West German steelmen. December output of 104,900 tons was 15,000 tons below November's poor figure.

Falck, Italy's largest private steel producer, and second largest overall recently announced that an additional 1,500 workers will be put on shorttime in the Milan region due to a drastic fall in demand. Plants involved in the cutbacks will close one week per month in each of the first four months of this year.

In Japan, production for the first quarter 1977 is expected to drop an additional 2.3 million tons (8 per cent) from the already low level of the fourth quarter of 1976. Steel output for the entire fiscal year is estimated to post only a 4 per cent increase over the previous fiscal year to about 114 million mt. It is expected that as a result of this limited increase Japanese steelmakers will cut their capital expenditures by as much as \$1.4 billion, further weakening the Japanese economy. Some projected cutbacks are as follows:

Company	1976-Expenditures	1977 (Projected)
Nippon Steel	\$1.03 bn	\$600 mn
Kawasaki Steel	\$698 mn	\$667 mn
Sumitomo Metals	\$850 mn	\$800 mn
Nippon Kokan K.K.	\$500 mn	\$477 mn

As their situation further deteriorates steelmakers are making additional layoffs and cutting back on capital spending on the theory that it's only a matter of time before capital spending and employment pick up in other sectors.

In another development, U.S. Steel has agreed to a plan worked out by the government to reduce pollution at its Clairton works in the Monongahela Valley. The plan forces expenditures of \$600 million by USS but more importantly will reduce employment in the area, and has already caused the shutting down of No. 18 coke oven battery. This latter sacrifice will result in the loss of 370,000 tons of coke, and 3.3 billion cubic feet of coke oven gas annually, the equivalent of heating 9,000 homes. This case merely serves to indicate another major problem confronting steelmakers, that of government intervention in the industry forced by environmentalists. Although some types of pollution control are necessary, this type of panicked intervention will only result in increased unemployment and the siphoning off of revenues needed for capital expenditures.

Arabs, EEC, Move to Break Rockefeller Control of Oil Markets

The European Economic Community and its Arab trading partners have added an important new dimension to the cluster of oil-for-technology trade deals which have proliferated in the weeks since the close of the December 1976 OPEC conference. With the goal of increased energy production, industrial growth, and development for both sides of the Mediterranean firmly in mind, the Euro-Arab axis has undertaken to break the international oil markets free of Rockefeller domination, delivering to the OPEC nations control over the marketing of their energy supplies through nationalized oil-producing concerns, and destroying Wall Street's oil weapon before it is wielded against a rebellious Europe by an angry Carter Administration.

To this end, the leadership of OPEC has begun to attack the Trilateral Commission-controlled International Energy Agency and Rockefeller's oil multinationals. OPEC has linked its attacks to a campaign for EEC cooperation in cutting short all Rockefeller attempts to milk a speculative profit from sales of the cheaper supplies of Saudi Arabian crude oil now coming onto the international market. The Europeans are cooperating in this anti-profiteering enterprise, and are stepping up their efforts to break Saudi Arabia permanently out of the Rockefeller camp. This development would insure increasing supplies of Arab oil to a hoped-for cartel arrangement among the EEC's nationalized oil companies.

Toward a European Oil Cartel

During the December 1976 OPEC conference, Saudi Arabia and the United Arab Emirates (UAE) opted for a five per cent increase in the price of their oil exports. OPEC's remaining eleven members settled on a ten per cent hike. This two-tier pricing system left Rockefeller's oil executives scratching their heads. The Wall Street Journal and the New York Times spun off tales of splits within the cartel despite affirmations to the contrary by the Saudis, Venezuela and the Shah of Iran. In fact, the two-tier system was diabolically designed to expose the Wall Street oil giants' speculative game of price shaving and market manipulation.

Shortly after the OPEC meeting Saudi Arabian Oil Minister Sheikh Ahmed Zaki Yamani publicly warned the four Rockefeller-dominated companies that participate in the Arabian-American Oil Company (Aramco) not to attempt profiteering with the cheaper

Saudi Arabian crude. Later, the Saudi government issued a call to nations consuming Saudi oil for "strict auditing measures of the prices at which Saudi crude oil is sold in their countries,... insuring that no party other than the final consumer benefits from the low prices."

In response, the European Economic Community (EEC) has established a comprehensive oil price reporting plan which will expose any price manipulation by the multies in the European markets. The proposal came directly from the EEC's five nationalized oil companies under the leadership of Italy's ENI. It is designed to free Europe of the Rockefellers' energy parasitism, which since the 1973 Mideast oil war has squeezed the European "independents" out of the oil business while forcefeeding the continent with overpriced oil via the International Energy Agency. The recent Euro-Arab oil-for-technology deals insure that Western Europe's refining and oil dependent industries such as petrochemicals, now depressed at 60 per cent utilization, will be cranked up to full capacity.

Euro Markets to be Widened

Europe is looking forward as well to building expanded oil markets in alliance with the Arabs. Following adoption of the EEC's price reporting plan, EEC Vice President Simonet wrote that Europe must have a "healthy oil industry, earning enough to make the investments needed for exploring and developing new oil sources and adapting refining capacity to future needs. This will be achieved through "conditions of fair competition." If enforced, the anti-profiteering campaign can at minimum limit the mafioso-style tactics companies like Rockefeller's Exxon have long used to gain hegemony in the international oil business. It can as well give the European companies the maneuvering room to set up a cartel arrangement, establishing benchmark prices for imported crude and refined products. The prestigious London-based *Petroleum Economist* reports that this plan has, not surprisingly, been heatedly opposed by the multies.

A battery of new projects are aimed at increasing the flow of Mideast oil into Western Europe by a minimum of 1.5 million barrels a day. By summer of 1977, four new pipelines less than a year old will feed the Mediterranean with OPEC crude, significantly alleviating the high costs of shipping oil around the horn of Africa. The Saudis, who sit on the largest reserves in OPEC, announced last

month that the longstanding 8.5 million barrels a day ceiling on their production would be lifted.

The Saudi government's upcoming full nationalization of the Mobil-Exxon-Texaco-SoCal Aramco combine will give it greatly increased power to decide where Saudi oil is sold and will set the stage for other producers to assert greater political control of their oil minus the multinationals.

In the last week, the Italian semi-public chemical Montedison sent a high-ranking company official, Giuseppe Ratti, to the Persian Gulf to begin negotiation around the forming of a joint venture for a new petrochemical complex with Abu Dhabi and Kuwait. Montedison is also engaging Libya in a similar proposal. The Middle East oil producing states, according to the *Oil and Gas Journal* are estimated to be allocating \$67 billion in future downstream development, a healthy percentage of which will go to plant and equipment for petrochemical production.

Saudi Arabia Key

Europe, with the British and their Mideast contacts in the lead, are prying the Saudis out of the Rockefeller camp — a development key to establishing the desired realignment in the oil business. Saudi Arabia has begun to realign its traditional dependence on the U.S. for imports and technology in favor of the Europeans and Japan. A recent article in the Saudi *Gazette* detailed the scope of the shift, reporting that \$5 billion of military aid from Britain has cut into the country's arms dependency on the U.S. Saudi Oil Minister Yamani will open talks next month with a group of Japanese businessmen interested in investments aimed at the development of new oil fields capable of producing five million barrels a day — without the participation of Rockefeller's four Aramco partners. According to the *Asahi Evening News* "if (the Japanese) participation is permitted, there will be international repercussions since, at present, major American oil companies have a monopoly in Saudi Arabia."

Underneath the efforts to expand oil production is a quiet but persistent dialogue over alternative forms of energy, in which nuclear generation is being seriously considered. The *Financial Times* of London reports this week that debate within the British cabinet will take up the nuclear question. According to the *Times*, the British Control Policy Review Staff is proposing that Britain concentrate on exporting nuclear plant and technology to the wealthy Mideast oil-producing states. The director of the British Nuclear Power Company, which would be in the center of such an export drive, is a strong advocate of fusion energy as the new alternative source.

Similarly, the Soviets are taking a strong behind the scenes role in forging a new Arab-European energy pact underscored by an item in *Red Star* last week. For the

first time, the Soviets address the "intensifying quest on the part of certain states in the region (the Mideast — Ed.) to take under their own control the extraction and sale of oil."

Saudis Get Tough with Four Multinationals in Aramco

The Saudi Arabian government has granted the four oil companies that participate in the Arabian American Oil Company (Aramco) the go-ahead to lift and market additional crude oil now that the traditional 8.5 million barrel-a-day production ceiling has been removed. But there's a catch.

In the past the four — Mobil, Exxon, SoCal and Texaco — could resell the oil to whomever and on whatever terms they pleased. This time the Saudis have attached the unprecedented requirement that the oil must be sold only to those parties designated by the Saudi government.

The surprise decision from Riyadh is backed up by an agreement with the European Economic Community to give the cartel of nationalized European oil companies a boost. According to a former Middle East diplomat, "the Saudis want to make sure that the European national oil companies can buy directly from Aramco. If the Aramco partners try to exclude, ENI, Elf-Aquitaine and so on — they will try, although that will be very stupid — then they will have serious problems in Saudi Arabia."

A Wall Street financial analyst who specializes in oil, interviewed here today, underscored the new tough attitude on the part of the Saudis. He disclosed that Exxon and the others only went along with the Saudi decision because Riyadh threatened to market the entirety of its output independently. He added that the long overdue complete nationalization of Aramco would soon be finalized with the Saudi government taking 10 per cent of its production to market directly to the Third World.

As well, the Saudis have put the screws on the marketing procedures of the four companies, requesting detailed auditing reports from both the companies and the consuming nations as a means of insuring that cheaper price for Saudi oil be passed on to the consumer.

The new purchasers of Saudi oil will be disclosed to Aramco next week in London, according to the *New York Times*.

Iran's Shifting Development Perspective Anticipates Greater State Control Of Oil

Negotiations are near completion between the National Iranian Oil Company (NIOC) and its Italian counterpart ENI to form a joint company. The deal will provide the Iranian government with a new means of marketing its oil without the participation of the multinational ("Seven Sisters") oil companies. NIOC is scheduled to buy up a 50 per cent share in ENI's distribution and refinery networks in Africa and Europe, excluding Italy. The deal is part of a campaign by the Iranian government to use its oil resources to negotiate state-to-state trade contracts which will insure inputs of technology into Iran and expertise to revitalize its development plans.

Throughout 1976, NIOC has markedly stepped up its independent marketing of oil either by direct sales to foreign customers or through joint ventures which together presently account for over 20 per cent of Iran's total oil sales, according to a NIOC official. Increased utilization of NIOC gives Iran the ability to decide politically to whom and on what terms Iran's oil will be sold. NIOC has thus acted as the key source of pressure on the Shah of Iran to shift the nation's budgetary priority from its large defense budget to agriculture and industrial development.

Iran has signed a series of new and extensive trade agreements and protocols with the Comecon, totaling over \$10 billion in the last six months. Exemplary of such deals is a \$2.5 billion contract with Czechoslovakia for Iranian liquified natural gas to be supplied from a pipeline extending through the Soviet Union into Western Europe. Radio Free Europe reports that this is the largest foreign deal ever signed by the Czechs. A set of deals has also been established to diversify Iran's economy away from strict dependence on oil. Italy's ENI is set to build a new steel mill on the Persian Gulf; the Soviets are enlarging a plant at Isfahan; India has contracted to supply Iran with ore.

Challenges to Chase

According to a recent report in the *Washington Post*,

NIOC has repeatedly locked horns with the Iranian military establishment over Iran's oil pricing policy. The military which is politically dependent on the U.S. weapons firms has pressured the Shah into a hawkish posture on oil prices in order to fund Iran's mammoth \$10 billion defense budget. Iran's defense expenditures and a development plan with a focus on high consumption primarily dictated by Rockefeller-allied firms have contributed to Iran's deepening economic crisis despite its \$20 billion a year income in oil revenues. According to the *London Times*, British contractors are pulling out of Iran for lack of funds from Iranian clients. Moreover, numerous Iranian businesses and industries have been shut out of Iran's national credit market due to a worsening cash flow problem. This problem has placed additional political pressure on the Shah.

Under such conditions, the Shah significantly won a six-month long fight with close associate David Rockefeller over the rate of interest on a \$.5 billion loan to be extended through a consortium of New York banks led by Chase Manhattan. Chase, according to the *Financial Times*, was calling into question Iran's national sovereignty when negotiating loan terms, but in November the bank backed down and gave the loan to Iran at the requested low rate.

Like its oil-producing neighbors, Iran desires to use its rapidly diminishing oil reserves (Iran estimates 20 years of crude in the ground) for petrochemical production rather than as a simple fuel source. The managing director of the Iranian National Petrochemical Co., B. Mostofi has announced that by late 1978 or early in 1980, Iran will have invested \$3 billion in new petrochemical facilities. In an interview two weeks ago with the Italian daily *Il Giornale*, the Shah surprisingly praised the late Italian oil maverick Enrico Mattei for his fight against the world oil monopoly held by the multinational oil companies — an indication of which way the wind is blowing in Iran.

British Government Debating Outlines of Long-Term Energy Strategy

A series of recommendations from British government bodies over the last several weeks testifies to the government's intention to go for a large-scale, long-term development of energy production, both in Britain and

internationally. This marks a sharp divergence from the "Operation Independence" strategy of the incoming Carter Administration in the United States. Stressing the need for continued development of the most highly

advanced technologies in the energy field, the emerging British program will push for immediate modernization and expansion of coal and oil supplies for domestic use, with nuclear and energy technology generally being developed for export to Arab and Third World countries.

Hydrocarbon Development

The British government's first priority in energy development is obviously North Sea oil, but the high cost of developing the oil reserves has put severe restraints on the amount of oil that can be economically pumped from the sea bed. Consequently, most reliable sources are warning that the country will already have enjoyed the bulk of the benefits from the North Sea by the mid-1980s. While this is more than enough time to give the government the leeway it needs to regenerate the country's economy, it hardly provides the basis for a long-term energy policy.

To fill this energy gap, the National Coal Board announced this week that it was embarking on a 25-year investment program, dubbed Plan 2000, which would pump a total of 10 billion pounds into the industry and would mean "virtually the rebuilding" of coal capacity. The NCB is aiming for the production of 170 million tons of coal a year, as compared with 130 million tons in the past five years, and to treble productivity by shutting down exhausted pits and concentrating on equipping existing viable and new pits with the most advanced mining technology. The Coal Board's investment program must still be approved by Parliament, and a spokesman for the NCB stressed that its acceptance would depend largely on trade union cooperation.

Why Not Nuclear Energy?

The general collapse of industrial investment in the past 5 to 10 years has had a major effect on such high technology fields as nuclear energy where up-to-date production is dependent upon a large research and development sector. Britain's major nuclear project, development of the light water AGR reactors, has finally shown some success with the successful operation of the

Hunters Point and Hillingdon reactors, but the prospects for expansion of domestic orders are practically nonexistent since the Central Electricity Generating Board — the country's prime nuclear contractor — already has a 40 per cent energy surplus.

Nonetheless, the government has consistently reaffirmed its commitment to the development of nuclear power, both in British companies and in the context of a joint European nuclear energy policy. Culham, the site of Britain's fusion research center, is a central research center for U.S., European, and Soviet scientists, and a major contender for the site of the European fusion research project.

The Central Policy Review Staff, the private "think tank" for the British Prime Minister, released a proposal this past week which would allow for the continuation of this critical high technology sector by restructuring it for export, rather than the home market. The Nuclear Power Company, the operating arm of the National Nuclear Corporation, which is a government-inspired amalgam of major power station contractors in which the Government holds a 50 per cent stake and GEC (General Electric Corporation) 30 per cent, would have major "turnkey" responsibility for export orders to the Mideast and developing regions. Implicit in such a policy would be a reversion to the "heavy-water" reactors of the type developed by the U.S. which have more reliable completion and delivery dates.

This export strategy for nuclear technology complements the decision announced by Energy Minister Tony Benn several weeks ago to launch a major campaign to export oil technology to the Mideast, Asia, Africa and Latin America to allow for maximum oil exploitation in those regions. The Financial Times of Dec. 30 linked this announcement directly to the "eclipse of power of the major international oil companies," and noted that "there is now less likelihood that oil deposits in any given country would be left undeveloped because their development would go counter to the production and marketing strategy of a major international oil company."

ERDA Taking Another Look at Project Independence Energy Programs

The Federal Energy Research and Development Administration (ERDA) is questioning the economic and technical feasibility of aspects of the Rockefeller family-backed Project Independence energy program, according to articles in the Dec. 26 edition of the *ERDA Bulletin Information*. An ERDA review of current research and development efforts in oil shale and a reevaluation of a pilot coal conversion project show that the generation of synthetic fuels from coal and oil carry a "high technical risk," involve substantive

environmental problems, and entail economic uncertainties which have combined to weaken government and industrial commitment to such projects, reports the *Bulletin*.

Dr. Philip White, ERDA's Assistant Administrator for Fossil Energy, noted in the *Bulletin* that the agency is reevaluating the Clean Boiler Fuel Demonstration Plant Project (Coalcon). The proposed Coalcon demonstration plant, using a process called hydrocarbonation, would use 2,600 tons of high sulfur coal a day to produce 3,500

barrels of liquid fuels for use in boilers and 22 million cubic feet of synthetic pipe-line gas. Currently, however, it appears doubtful that the plant will ever be built. This, according to White, is because "the technology for hydrocarbonization with agglomerating coal is considered to be high risk and the projected economics of a full scale plant are marginal when compared with projected economics of other coal conversion processes."

The problem of economic feasibility for all coal conversion schemes is highlighted by White's "Statement on ERDA's R and D Program in Oil Shale" published in the *Bulletin*. Here, White asserts that because "production of liquid fuels from oil shale is technically simpler than from coal (it is) consequently

cheaper," and yet without financial assistance from the government there will be no commercial shale oil plants developed between now and 1985.

The development of shale oil synthetic fuel production might be useful as a secondary fuel source in the context of the necessary increased energy utilization required for economic recovery, for it yields fuels which are primarily important in the nation's mass-transportation sector and, as White points out, is the second most plentiful domestic fossil resource.

ERDA estimates that the production costs for fuel derived from shale oil would range from approximately \$10 to \$29 per barrel, depending on the method used. The Occidental method is claimed to cost only \$6 per barrel.

New Method of Extracting Shale Oil Reported

Occidental Petroleum, a private oil company, has developed an economical capital-intensive method for extraction of shale oil which circumvents the more costly labor-intensive procedures being developed under the auspices of the federal Energy Research and Development Administration (ERDA). The Occidental method is an in situ retort procedure, yielding kerosene crude oil from buried shale oil beds. Briefly, after drilling into the shale and removing some of it, a controlled explosion is set off to loosen the oil-containing rock and make it uniform. Pumped-in methane and air burn in the upper part of the bed, thereby lowering the viscosity of the shale oil which is then pumped out from the bottom layers. (Limiting the methane-air flow limits the fire to the methane mix, and thus prevents the shale oil from burning as well.) Although many other companies are no longer pursuing the shale oil business, some of those still in operation are planning to use this new method. Reportedly the in situ retort procedure can produce kerosene at the competitive price of \$6 per barrel, including interest and profit. Occidental Operations Director Don Bater says "We think our method is the only game in town."

Oil Spill Hoax Exposed

In 1973, the Ocean Affairs Board of the National Academy of Sciences sponsored a workshop on inputs, fates, and effects of petroleum in the maritime environment. The workshop report makes it clear that although large oil spills are undesirable and may cause temporary, short term biological damage, there is no basis in fact to claim that they constitute or contribute to any sort of ecological disaster. Following are several quotes from one of the most comprehensive reports to the workshop, that of Clayton McAuliffe:

"Based on observations of previous moderate to large oil spills, the quality of sea water should not be significantly affected by moderate or even large spills of crude oil or refined products. If affected, the effects are of short duration. Probably the most important effect would be the physical presence of a floating oil slick. Oil coming ashore would be aesthetically objectionable and would interfere with recreational activity ... No instances of major damages to fisheries due to crude oil have been reported."

The report notes that in several previous oil spills, large plant and animal kills have been the direct result of the application of toxic detergents and emulsifiers by frenzied environmentalists, and not in fact due to the spilled oil.

This report, and a reading of the circumstances and press furor surrounding the statistically improbable number of recent oil spills, leads to the conclusion that the spills and resulting publicity is more political than ecological.

Experimental Evidence To Refute Quantum Electrodynamics?

Quantum electrodynamics, the study of the particle-like properties of the electromagnetic field, has been beset with tremendous conceptual problems since its development 40 years ago. Although the approach does not make internal sense, it has provided the most accurate method of predicting features of the electromagnetic field of any theory ever devised. It has been able to predict some properties of atoms and charged particles to one part of a million!

The first serious challenge to quantum electrodynamics approach emerged from an experimental discrepancy reported this week by a research group at the University of Michigan. This group finds a difference of more than one part in a thousand between the predicted and observed value of a key quantity in quantum electrodynamics.

The building block, in a conceptual sense, of quantum electrodynamics is the fact that light, if it is of high enough energy, can convert itself into an electron and positron (an electron with positive charge). Almost all of the more complicated calculations in quantum electrodynamics are based on the calculation of the properties of the interconversion of an electron-positron pair and a pair of light rays. The most recent data in the calculation of the lifetime of the electron-positron pair (which can exist in a quasi-stable state called positronium) differs from the calculated value by about one half per cent.

If this discrepancy cannot be resolved, the foundations of quantum electrodynamics will be seriously threatened. Such a discrepancy has been expected by physicists since the 1940s.

ERDA Announces Laser Analysis Technique

The energy Research and Development Administration announced on Dec. 16 the development of a technique which heralds a new era of analytical capabilities. Researchers at the Oak Ridge laboratories have reported that they have been able to detect a single atom of cesium in a sample of at least 10 quintillion (10 billion billion) other atoms and molecules of different kinds.

In this method, a laser beam of a frequency and intensity unique for the atom to be detected is pulsed into a chamber containing the sample. The particular atom is energized and thereby ionized by the beam, while the other atoms are unaffected. The detection and counting is actually done on the single electrons which the ionization of the atom in question has yielded. Although ERDA has so far indicated applications to compositional analysis only, the method should provide information and insights concerning chemical reactions, and field-matter relationships within atoms. Over the longer range, there is also the possibility of using the laser technique to trace impurities in gases by collecting the ionized atoms on properly charged surfaces.

Former French Admiral Advocates Europe's Disengagement from NATO

In a two-part article published in Le Monde Jan. 12 and 13, former French Admiral Antoine Sanguinetti called for Europe's "disengagement" from NATO on the grounds that "the Atlantic Alliance has slipped toward new finalities, tending to irreversibly ensure the United States' economic and political control over a Europe which is potentially its main industrial and commercial rival." The following are excerpts from Admiral Sanguinetti's article.

(...) The evolution of American strategy, from the alliance's inception, has always resulted from the US' concern to protect itself from the risks of a European war. Begun at the time of the American atomic monopoly under the aegis of 'massive retaliation' against any Soviet aggression in Europe, it evolved, along with the rise in power of Soviet nuclear forces, toward the 'graduated response' of Mr. McNamara, who announced, in June 1963, a counterforce strategy to 'incite the enemy to spare American cities.' In 1974, as the Soviet force had acquired the capacity to annihilate the U.S. territory, Mr. Schlesinger continued to evoke a strategy of attack against enemy military objectives; but the doctrine became more refined, to limit even more the risks of extension of the hostilities to the American sanctuary....

To this end, (Mr. Schlesinger) breaks all the means of deterrence and defense down to a 'triad': conventional forces are designed to oppose conventional attacks; theater nuclear forces to oppose nuclear attacks against the theater; finally, the strategic forces, directed against the enemy's sanctuary, will tend exclusively to prevent a general nuclear conflict, although they can, if necessary, reinforce the theater nuclear forces in the carrying-out of their limited mission.

The fact that the tactical nuclear forces have become theater nuclear forces means, unambiguously, that their use is conceivable only on theaters which do not involve the U.S. sanctuary. On these theaters, there will henceforth be a tendency to accept defensive combat rather than to deter it....

Such conceptions are perfectly coherent, one could even say judiciously reasoned from the exclusive standpoint of American interests. They are more difficult to accept for a European conscious that American security is to be won at the price of accepting additional and exorbitant risks for the people of our continent....

Whereas Mr. McNamara's 'graduated response' doctrine did not, in fact, assign any a priori limit to escalation and maintained as a last resort, for the protection of the European theater, the diffuse threat of a total American strategic involvement, the Schlesinger doctrine eliminates this possibility. It is impossible to better notify the adversary that, in case a conflict becomes necessary in Europe, he can throw himself into it without extraordinary fears regarding his own sanctuary.

Such an attitude involves, of course, the major danger of facilitating a future armed intervention by the Soviets in Europe. But it has essential advantages for the Americans, in case they should find it in their interest to detonate the conflict.

In this regard, one cannot overstress the importance of Europe in a conjuncture marked by a confrontation of the two superpowers for world domination. The spiritual, demographic, cultural and economic weight of our continent is such that its definitive collapse into one or the other camp would guarantee that camp with a decisive advantage in its overall design. Consequently, it is preferable for both that Europe be totally destroyed rather than appropriated, unharmed, by the adversary. Let those who are still too naive and doubt this find another explanation for the stockpiling by both camps of over 12,000 tactical nuclear warheads, all ready to explode, as well as for their possible use.

Indeed, beyond the ravages and suffering already unleashed by a conventional conflict, the use of such a high number of atomic weapons on our continent would necessarily mean its desertification and the annihilation of its population, with no risks to the main protagonists. The very idea of such a possibility should be intolerable to the threatened Europeans....

The coming to office of Mr. Jimmy Carter in the U.S. has elicited certain hopes. Let us, however, remember the continuity of American options... and let us note that, among the old political roaders who gravitate around the new president-elect, we precisely find Mr. James Schlesinger, a member of the 'Committee on the Present Danger' and an open supporter of preemptive warfare....

In the coming months, there will be no shortage of more or less real causes for conflicts, nor even of possibilities to manufacture some. At a time when storms are brewing on all sides of the international skies—monetary disorder, economic enslavement, general indebtedness, impoverishment of Third-World

countries as well as of the immense majority of individuals, and, finally, the temptation to substitute confrontation for dialogue, we must remember the teachings of history. History shows that societal conflicts have often been treated through violence and persecution, and internal difficulties masked by external adventures. And we must reflect that things do not only occur to others.

It is urgent that the citizens of European countries free themselves from the control of pressure groups, which place ideological enslavement or material interest above the independence and the freedom of action of their nations. It is urgent that European countries disengage from the ideological blocs, whose primitive antagonism may very rapidly lead to a cataclysmic confrontation.

USSR Answers 'Team B' Report

The official Soviet press has stepped up attacks on Western propaganda about a "Soviet threat" to the U.S., identifying its source as the Committee on the Present Danger (CPD), the American Security Council, and the "Team A" vs. "Team B" strategic intelligence estimate controversy. A major feature in the party daily, Pravda, on Jan. 8 located the "Soviet threat" campaign as an attempt to "shock the population" and step up arms spending and militarization in the West. The following day Pravda warned that "the danger stemming from this kind of hysteria must not be underestimated."

Pravda warned that a U.S. push to surpass the Soviet Union in strategic capability — the CPD-dominated "Team B" demand — would be viewed in the Soviet Union as a departure from the West's own notion of a "balance of forces." *The clear implication of the Pravda article is that if the CPD line becomes dominant in the West, the USSR will view this as a declaration of intent to go to war.*

The paper particularly debunked scenarios of Soviet tank invasions of Western Europe as completely incompetent. The real military issue in Europe, Pravda stressed, is not "tank superiority," but "the strategic conceptions and military programs" of NATO and the Warsaw Pact — for instance, the placement of "huge stocks of (NATO) tactical nuclear weapons" at the borders of the socialist countries. This deployment, known as "forward defense," has previously been characterized by Warsaw Pact spokesmen as a blitzkrieg strategy against the East.

Politics Decides

It is politics that decides everything in matters of war and peace, declared Pravda on Jan. 8. The perception of

U.S. politics, expressed in Pravda, and simultaneously in the Soviet military paper Red Star, is that the "Team B" line represents tremendous pressure on Jimmy Carter not to go for a new strategic arms agreement with the USSR.

The Soviet Union is publicly giving credence to Carter's ostensibly pro-détente utterances: his promised reductions in the defense budget and stated desire to succeed in negotiations with the Soviets to curb arms. This credulity is based on a profound *wish* that the Carter Administration might contract disarmament agreements and not give full rein to James Schlesinger (the ideologue of the CPD) to provoke confrontation, and that such agreements would make war less likely. The Soviet response to the "Team B" ruckus indicates that even this flawed hope that war could be avoided in a world still dominated by Schachtian economic policies is disintegrating.

The Soviet government daily, Izvestia, in a Jan. 8 feature on disarmament which also included the line that Carter is basically favorable to Soviet disarmament initiatives, also pointed to a fundamental factional issue in the United States — the question of development. Noting that massive military spending precludes solution of global problems such as food production and raw materials development, Izvestia observed that "it is possible that precisely these growing global needs will finally force some of the most stubborn people of the bourgeoisie to recognize the necessity of shifting resources for social purposes." Izvestia cited Edward Teller — the Rockefeller family scientist who in 1976 was brought to the point of advocating fusion power development by the impact of Soviet advances in that field — for his estimate that U.S. energy needs require investments seven times the size of what now goes for arms.

Trade Union Leader Revives Schacht Program for W. German Workers

Heinz Oskar Vetter, the chairman of the West German Trade Union Confederation and a former Trilateral Commission member, has been making headlines throughout West Germany over his call for a shorter work week with less pay to relieve unemployment. Under Vetter's plan, employees would work fewer hours with no compensation in wages, and the time and money saved would help establish make-work jobs for West Germany's more than one million unemployed.

Top industrial sources have already compared the plan to the slave labor programs of Nazi Finance Minister Hjalmar Schacht. "In the early 1930s, people like Franz von Papen, banker Max Warburg, and the Braun Commission elaborated an entire program which Vetter is just plagiarizing," said one source. "Schacht merely took up von Papen's labor program, and that's what Vetter wants now."

Predictably, Vetter's only support comes from fellow Atlanticists and assorted labor counterinsurgents. Free Democratic Party (FDP) parliamentarian Otto Graf von Lambsdorff endorsed Vetter's plan, as has FDP chairman and West German Foreign Minister Hans Dietrich Genscher. Norbert Bluem, a member of the opposition Christian Democratic Party (CDU)'s Social Policy Committee, has been defending Vetter's plan on the grounds that it will avoid the danger of setting up real public works slave-labor jobs!

Aside from these few individuals, there is broad opposition to Vetter's call for slave labor, opposition which has isolated him politically, and formed the nucleus of a joint industry-union push for new skilled jobs as the way to fight unemployment. Adolf Schmidt, a

Social Democratic Party (SPD) parliamentarian and the chairman of the Miners and Energy Union, has countered Vetter with his union's program of more energy-intensive jobs through the construction of nuclear power plants. The Printers Union and the White Collar Employees Confederation (DAG), both influenced strongly by the SPD, rejected Vetter's call. Even the Metal Workers (IGM) chairman, Eugen Loderer, another former Trilateral Commission member, has been able to support Vetter only hesitantly because of the opposition in his own union to slave labor.

The most searing criticism of Vetter's slave labor plan — and all other such programs — appeared in a Jan. 6 editorial by Hans Mindorf in *Handelsblatt*, the West German financial daily. Mindorf attacked Vetter by name and lashed out at all deindustrializing schemes that would destroy West Germany's major economic asset — its highly skilled and productive labor force. "Rationalizing jobs away...is just not what the market economy is about," Mindorf said. "...Limiting productivity and progress would cost too much because industry would have to create 250,000 new jobs just to limit progress at the level used today. The problem with all these solutions is that they are not compensated for by increased productivity; they would only be sensible in theory."

Mindorf concluded by reminding Vetter that even his own unions have rejected his call. "Vetter, by the way, provoked strong protest from the individual trade unions over his proposals to shorten the work week with no compensation pay, and these individual unions know their members better than Vetter does."

Debre Forms 'Committee of Public Safety' to Lead Gaullist Drive for Power

Following the French Constitutional Council's controversial Jan. 5 ruling that the election of a European parliament does not contradict the Constitution of the Fifth Republic authored by the late

General De Gaulle in 1958, former French Prime Minister Michel Debré has announced that he will officially create a "Committee for the Independence and Unity of France." The new Gaullist committee,

announced by Debré at a Jan. 20 press conference, will act to stymie President Giscard d'Estaing's plans to integrate France into an Atlanticist-dominated "political Europe," and to frustrate former Prime Minister Jacques Chirac's stated desire to make accommodations with the president on this issue. Debré has already stated that he will challenge careerist Chirac's leadership over the Gaullist RPR party, and possibly found a new party dedicated to the implementation of a rigorous national independence policy.

In anticipation of his press conference, Debré said in the Jan. 14 issue of the French newsdaily, *Le Figaro*, that his fundamental goal is the formation of an emergency "public safety" government, whose function will be to save France from general economic collapse and

Atlanticist control. Debré stated that this government must, at the latest, be formed immediately after the municipal elections, scheduled for the end of March.

Already, several Gaullist personalities and groups have voiced support for Debré's initiative. RPR member Alexandre Sanguinetti said last week that, should the European election plan go through Parliament, Giscard's government would lose all "legitimacy, even though it would still be legal in the technical sense of the word."

The Gaullist youth group Union des Jeunes pour le Progrès issued a Jan. 11 communique declaring itself "ready to join all those, including the Communists and the Royalists, who would like to thwart the disastrous and dangerous Giscardian initiative."

EXCLUSIVE

The Abu Daoud Affair

The Abu Daoud affair was staged from the beginning to force a crisis in the growing alliance against the dollar between the Arab states and Europe. Rockefeller's Die Spinne terrorist networks, including Interpol, and its French, W. German, and Israeli networks, arranged the Paris arrest of Palestinian leader Abu Daoud to provoke Arab rage against the European governments involved and to provide a context for terrorist incidents and counter-terrorist repression.

The provocation backfired, however, despite an international press effort to turn the arrest into a full-fledged anti-Arab campaign, and even conservative French press sources are now openly discussing the fact that the U.S. CIA and related intelligence agencies were behind the whole affair. To be more specific than these French sources, the arrest involved the Interpol network of police and paramilitary right-wing organizations as well as the leftist networks of the Washington-based Institute for Policy Studies, with the entire operation under the aegis of the U.S. National Security Council and the Rockefeller financial interests.

The Facts of the Abu Daoud Affair

Abu Daoud, also known as Mohamed Daoud Odeh, is a 39-year-old Palestinian leader of Al Fatah, the grouping within the Palestine Liberation Organization led by Yasser Arafat.

Abu Daoud arrived in Paris Jan. 5 from Beirut, after having obtained a proper visa from the French foreign ministry. On Jan. 6 he met with French officials at the foreign ministry to discuss the investigation of the murder of PLO representative Mamdouh Saleh, gunned down in Paris a week earlier by Israeli agents operating with the complicity of French Interior Minister Michel Poniatowski.

Saleh's assassin was identified at a public press conference in Paris by leading Gaullist Vincent Monteil. Monteil named Harlay Libermann, the Israeli military attaché in Paris in 1965, as the coordinator of a continentwide hit squad responsible for a series of murders of Palestinian Arabs. Monteil stated that he had provided the evidence on Libermann to French authorities, but had achieved no result.

On Jan. 8, Abu Daoud was suddenly arrested by the French secret police (DST). It was initially reported that the arrest was made on the basis of an Interpol warrant issued by West Germany, which blamed Abu Daoud for the 1972 Munich Olympics massacre. Later, however, it was revealed that West Germany had issued no such request, and the DST and Interpol had acted solely in cooperation with Israeli Intelligence.

Israeli Intelligence, meanwhile, contacted the right-

wing Bavarian state government in West Germany, dominated by the political machine of neo-Nazi Franz Josef Strauss and his Christian Social Union, to get them to put pressure on the federal government to demand Abu Daoud's extradition from France. Aware of the international crisis that such an event would cause, the West German government stalled and refused to grant the Bavarian request.

The incident, solely the result of an Interpol provocation, developed as a major political crisis for France. The Arab states put tremendous pressure on France, while Gaullist and communist forces inside France sharply attacked the DST and Poniatowski's interior ministry over the arrest.

On Jan. 11, Abu Daoud was released unconditionally and flown to Algeria.

Interpol's Failure

From the start, the purpose of the arrest of Abu Daoud was to disrupt European-Arab relations. Had Abu Daoud been held, and had he been extradited to West Germany or Israel, Arab sentiment would have exploded. In addition, the arrest was intended to trigger a number of spectacular terrorist incidents run by the Institute for Policy Studies' networks in so-called retaliation for the Abu Daoud arrest. The terror option, used as a political weapon by Interpol, was meant to trap Western Europe in support for the U.S.-Interpol "counterterror" repression, thus worsen European-Arab relations.

With the release of Abu Daoud, the whole affair — so

West German Paper Asks:

Is CIA Responsible?

Die Welt, Jan. 13: "France Puzzles: Who Wanted Abu Daoud?"

"... There is completely open speculation in France over whether the American secret service, the CIA, and behind them possibly the State Department or the Israeli lobby in the USA, might not have had an interest in burdening France's constantly improving relations with the Arab world. This is particularly significant since only days from now Giscard will visit Saudi Arabia, a country which until now has been an exclusive bastion of American capital."

carefully planned by Interpol and its French, Bavarian, and Israeli allies — backfired. Throughout France, the Gaullist political machine that mobilized, along with Arab support, to force the Daoud release has now turned its wrath against Poniatoski and President Giscard d'Estaing with a force that may topple the Giscard's Atlanticist regime. *Le Monde*, France's leading daily, has accused Poniatoski of virtual treason in sabotaging

Daoud Comments on His Arrest

PLO leader Abu Daoud delivered the following remarks in a telephone interview conducted with reporter Bob Graham printed in the New York Post Jan. 14:

"I am a member of Al Fatah and proud to be a member," Daoud said in perfect English, "but we have no contact with such people as Black September. The rumors that I am a terrorist and planned the Munich affair are propaganda created by the Israelis."

The 39-year-old Palestinian laughed when he answered questions about his reported involvement with terrorist groups: "I too have heard these rumors. Yes, I have heard them. But they're not true."

"I am also a father of six children and I understand how fathers of children feel when their relatives are killed." "I was sorry for those killed in Munich. I felt the sorrow that many people felt."

"The Israelis wanted to get me out of France because they are worried about close ties between France and the Arab nations. They are trying to ruin that connection."

"The Israeli secret police used propaganda to force the French police to arrest me illegally and get me thrown out," Daoud said. "I know that the man who arrested me for the French is one of the Israeli secret police."

French-Arab relations, causing Poniatoski to dive for cover rather than face up to the accusations. According to the *Washington Post*, Poniatoski "at first gave out conflicting accounts of the arrest and then retreated into silence as the government embarrassment and Arab criticism grew."

In the course of the affair, the Arabs exerted powerful pressure on France, especially Algeria. "Once again, the Elysée administration has unveiled its anti-Arab face, which had long replaced that which, at a certain moment, made France into a friend to the Palestinian and Arab cause," wrote *El Moudjahid*, the Algerian daily. The English language *Koweit Times* said: "The Arab world expects the French government to act very carefully over this arrest. Any other action... could have serious consequences on the presently healthy and friendly Arab-French relations." In addition, the PLO's second-in-command, Abu Iyad, told a rally in Beirut: "Someone in the French government is trying to sabotage French-Arab relations." *Le Monde* pointedly noted that Abu Iyad meant Poniatoski.

West German Chancellor Helmut Schmidt's refusal to acquiesce in the Strauss request to extradite Abu Daoud contributed to the rapid collapse of the Daoud affair. Schmidt's decision received critical support from members of his cabinet, including Justice Minister Vogel, who asserted that government would reject the Bavarian application for extradition if it were outweighed by "grave considerations," such as "high priority foreign policy interests," — an allusion to growing Euro-Arab cooperation around oil.

Abu Daoud's release was a major defeat for the Carter team as evidenced by their reaction. Outgoing Secretary of State Henry Kissinger announced, "We are outraged," while the *New York Times* attacked France as "foolish, abject, even cowardly." Israeli Foreign Minister Yigal Allon charged that Paris had "failed the international test of courage and integrity." Although this Interpol operation failed, the ease with which the Interpol apparatus could so easily operate across national borders, using its agents with impunity, underscores the vulnerability of Europe to another, more successful operation in the future, unless the Interpol-Institute for Policy Studies network is taken apart.

Egypt's Sadat Continues to Back PLO,

Push United Arab Front at Geneva

Egyptian President Anwar Sadat continued diplomatic and political actions this week that indicate his refusal to be part of a plan by the U.S., Israel, and Syria — piloted by Carter advisor Zbigniew Brzezinski — to undercut the Palestine Liberation Organization. Western press reports to the contrary, Egypt is insisting on maintaining

firm support for the PLO, a position that placed Egypt in opposition to Syria throughout the civil war in Lebanon.

The reason for Egypt's persistent stand is simple. Sadat realizes that in the overall context of a Middle East peace settlement, the PLO is an important vehicle to restore normality to Soviet-Egyptian relations, a

condition that Sadat considers vital to repairing Egypt's shattered economy.

Authoritative Palestinian sources dismissed as "distortion" Western press reports that Sadat has shifted Egypt's position in favor of a West Bank controlled by Jordan. The *Washington Post* claimed that Sadat was in agreement with Syria's position that any Palestinian state on the West Bank must be linked to Jordan in a "confederation" — essentially the Israeli position on the issue. "I read the interview in the *Washington Post* several times," said one Palestinian official. "At no time did Sadat say what the *Post* attributed to him. In my reading, Sadat stated clearly that any Palestinian state on the West Bank must first be established independently, and then the government of that state can decide on its relationship to Jordan."

The Palestinian official accused the *Post* and Israel's Foreign Minister Yigal Allon of deliberate misrepresentation of the issue.

Sadat's government has been organizing to guarantee a united Arab stand, including the Palestine Liberation Organization, in support of an early reconvening of the Geneva Mideast peace conference, a proposal backed by the USSR and Great Britain. The prime focus of Egypt's diplomatic effort is to ensure the continued viability of the PLO as an independent political force in the Middle East and to establish a Palestinian state on the West Bank and Gaza as part of an overall solution to the Middle East conflict.

Israel opposes the Egyptian plan and so far has refused to consider the establishment of a Palestinian state on Israeli-occupied territory. The United States, which is actively seeking to prevent the reconvening of a Geneva conference has also nixed the Egyptian peace plan. Various right-wing factions in Syria, Jordan, and Lebanon, meanwhile, are opposing the Egyptians and consolidating under the rallying cry of a "Greater Syria" — to include Syria, Jordan, Lebanon and the West Bank — led by Syrian President Hafez Assad.

Jordan's King Hussein arrived in Cairo Jan. 14 for talks with Sadat. According to reliable sources, Sadat plans to insist that Hussein relinquish any hopes of regaining the Israeli-occupied West Bank, and will issue a joint declaration with Jordan that the PLO, as per the 1974 Rabat accords, is the sole, legitimate heir to the West Bank.

Earlier this week Egypt's Foreign Minister Ismail Fahmi walked out of a conference of Arab foreign ministers in Riyadh, Saudi Arabia, reportedly because

the Arab states present — Saudi Arabia, Kuwait, Syria, Jordan, and the Gulf states — wanted Egypt to go along with a resolution that would abrogate the decision at the Rabat Arab summit conference to give the PLO authority to negotiate for the West Bank. The London *Financial Times* reported that Fahmi opposed the attempt to return the West Bank to Jordan's King Hussein, while Cairo's Voice of Palestine radio sharply criticized the Riyadh meeting for failing to invite the PLO.

Splitting the PLO

In recent weeks, Syria, Israel and the U.S. have worked together to split the Palestinian movement and the PLO along factional lines. The splitting tactic involved the attempted bribery of the PLO faction that favored the creation of a "demilitarized" puppet-state on the West Bank, politically subordinate to Jordan, to get this faction to break away from the main body of the PLO led by Yasser Arafat. The joint U.S.-Israeli-Syrian gambit was meant to weaken the PLO with infighting as a prelude to its political extinction. This has been the goal, unfulfilled, of the Syrian intervention into Lebanon since 1975.

The western press has continued to push the idea of factional fighting in the PLO between so-called moderates and radicals. The French *Nouvel Observateur*, the British *Guardian*, and several Arab publications — such as Qatar's news agency QNA — have hinted that these moderates are planning a coup d'etat against the "pro-Soviet" wing of the PLO led by Faruq Kaddoumi, Abu Iyad, and Abu Zaim.

Repeatedly named as the leaders of this moderate faction are two quasi-officials of the PLO, Issam Sartawi and Sabri Jiryis, who have been holding a series of well-publicized meetings with Israeli affiliates of the Institute for Policy Studies. One of these Israeli groups is the Israeli Council for Israeli-Palestinian Peace, led by Uri Avneri.

Syria has been working at a splitting operation in the PLO for two years; carefully cultivating a nest of agents in the PLO, grooming them as possible replacements for Arafat and Kaddoumi. But the bloody Syrian role in the Lebanese war discredited the chief Syrian Trojan Horse, the Saiqa organization, as well as its leader Zuhair Mohsin, aliminating them as a credible radical force. Other PLO agents, such as Khalid Fahoum and the Damascus PLO representatives, are of doubtful loyalty to Syria.

Turkey's Invisible Prime Minister

EXCLUSIVE

The Turkish National Security Council met last week in a special five-hour session and warned Prime Minister Suleyman Demirel that the Turkish military is growing increasingly impatient at his inability to curb the increase of bloody clashes in universities and work places throughout Turkey.

Participating in the meeting was Deputy Prime Minister Alpaslan Turkes, a ruling coalition partner of Demirel, who for 20 years has acted as top coordinator of Interpol's destabilization operations against the Turkish government. A self-avowed Nazi and open admirer of Adolf Hitler and Bavaria's Franz Josef Strauss, Turkes (pronounced Turk-aysh) over the years has built up a vast network of paramilitary commando units. At the appropriate political time, he has let these thugs loose throughout the country to stage terrorist attacks against students and workers, and political opponents.

The current chaos in Turkey is directly the work of Turkes. As "Prime Minister" of Turkey's invisible government and the official head of Turkey's internal security apparatus, Turkes has fully mobilized his shock troops — which by some estimates number in the tens of thousands — to throw Demirel off course and disrupt the growth of Turkish-Soviet relations.

Should Demirel not be terrorized into submission, Turkes is prepared — as evidenced by the latest outbreak of violence that led to the near shut down of Turkey's university system — to provoke the military to seize power.

So far, Demirel has held back from moving against Turkes and dismantling his Interpol apparatus because he fears it would collapse the government. Turkes' neo-fascist National Action Party now holds four parliamentary seats, which Demirel needs to maintain a majority in Parliament.

Turkes maintains close links to Interpol via his state security apparatus, and more often than not, his thugs are backed up by the local police. Turkes' shock troops currently operate out of more than 35 camps around the country. Unemployed village youth, mostly from Turkey's backward east, are recruited into the camps and drilled in martial arts. Thoroughly indoctrinated into Turkes' brand of fascism, the youth are armed with guns and knives and sent out to universities to kill leftists, to shoot indiscriminantly into classrooms or crowds, and to incite riots. Turkes also sends his troops to the factories organized by DISK, the pro-socialist trade union confederation.

Turkes the Turanist

A Cypriot by birth, Turkes emigrated to Turkey in 1932 where he entered the military academy, graduating in 1938. In an effort to blend into mainland Turkish society and become a "real Turk," Turkes adopted a militant, super-patriotic posture to compensate for having been born outside of Turkey. In 1944, as a young officer, he was

arrested for his participation in anti-communist demonstrations and for publishing poems he had written advocating racist pan-Turanism, a doctrine espousing the unity of all Turks. Turkes's Turanist organizing was a barely veiled attempt to stir up divisive nationalist hysteria, not only in Turkey but also in the Soviet Union, where the majority of Turkish-speaking people in the world live.

Since the 1940s, Turkes' primary assignment has been to block the growth of Soviet-Turkish relations. Following World War II, the U.S. used NATO, the Truman Doctrine, and the Marshall Plan to try to take over the Turkish economy and destroy Turkey's state-sector enterprises set up by Kemal Ataturk, the bonapartist, pro-development founder of the Turkish Republic. In 1950 the U.S. State Department in collaboration with the American Information Service, rigged the national elections and put its own group in power. Among other dirty tricks, the U.S. distributed leaflets calling for the removal of the incumbent Republican People's Party, the party of Ataturk in power since the formation of the Republic. The newly formed Democrat Party, a creation of NATO, "won" the election and pledged to carry out U.S. policy to destroy the state sector as well as the People's Party and open up Turkey for looting by private enterprises.

The 1960 Coup: A Case Study

By the middle 1950s it became clear that the Democrats were unable to break internal resistance and implement U.S. policy; the Ataturk legacy was too deeply ingrained in the Turkish population. Turkey's debt soared, the economy plunged into bankruptcy, and, according to one account, the International Monetary Fund became "terrified." By 1959, Prime Minister Menderes, faced with growing unrest at home, began to look toward the Soviet Union for assistance.

At this point, Turkes was ordered into action to pull off a coup against Menderes. As early as 1957 Turkes had been involved in a clandestine movement to stage a coup d'etat. Following a stint in Washington as Turkish Military Attaché in 1957-58, Turkes returned to Turkey to coordinate NATO's plans for a military takeover. On May 27, 1960 Turkes personally made the announcement on state radio that the military had seized power. There was no doubt that the coup was run out of NATO's offices. Turkes just prior to the takeover was officially assigned to the NATO Land Forces Command in Ankara.

From May through November 1960, Turkes ran Turkey, implementing the IMF's program for a "controlled economy." As member of the 38-officer National Unity Committee (NUC) and Special Counselor to Gen. Gemal Gursel, whom he had installed as head of the military government, Turkes was the driving force behind a massive purge of the armed forces that

“retired” 5,000 traditionalist, pro-Ataturk officers. His controlling role in the government was so open that at Gursel’s press conferences Turkes would sit beside him and tell him what to say in reply to reporters’ questions!

The more traditionalist officers in the military and the NUC favored giving up power to a civilian government, but Turkes and his 13 supporters in the NUC adamantly opposed the idea. On orders from the IMF, Turkes pushed for the reorganization of the Turkish economy, for the restraints on the state sector that the Democrat Party could never implement, and for other restrictive measures. He purged the universities; he proposed the extension of military rule for at least four years. But the issue that forced open the fight between Turkes and the traditionalists was the decree he proposed in November 1960 for the formation of a National Union of Ideals and Culture, a fascist superministry to take over the ministry of education, the media, and several other agencies. The fascist superministry was to operate as a police-style bureau, not responsible to any other ministry including the prime ministry, and was to be led by an immovable “minister” who would “take all necessary measures, free of political pressure and interference, to save the nation....” The outcry from political leaders, intellectuals, and traditionalist military layers against Turkes’s attempt to impose a fascist dictatorship was immediate. Gursel, a traditionalist, finally broke with Turkes, charging him with “endangering the country’s interests.” Turkes and 13 of his collaborators in the NUC were exiled.

The exiled Turkes surfaced in New Delhi, India and maintained close contact with the other 13 as well as with his collaborators still in Turkey. In October 1961, national elections brought to power a coalition government headed by Ismet Inonu of the People’s Party, Ataturk’s closest associate and Turkey’s leading pro-development figure. Following the election, 6 of the 14 fascist exiles met in Paris and denounced the civilian elections. In a joint communiqué they declared, “We do not believe that the important problems existing in our nation can be solved by a parliament which is established at this time....”

Three months after this announcement, in February 1962, a confidant of Turkes, Talat Aydemir, Commander of the Ankara War College, staged an unsuccessful coup against the new government. A year later, Turkes and his 13 cohorts were permitted to return to Turkey and immediately coordinated another coup attempt, again abortively carried out by Aydemir. Aydemir was arrested, tried, and executed; Turkes and 3 of the 13 were arrested for complicity but were acquitted.

A Party of His Own

Turkes was far from washed up. During his stay in

India, he had cultivated ties with the Union of Nationalists of Turkey, an avowedly fascist organization set up during his exile. After his return to Turkey, Turkes focused his energies on forming his own neo-Nazi party, the purpose of which was to sabotage Turkey’s increasing movement away from NATO and toward the Soviet Union. Turkes’s efforts paralleled a marked détente in Turkish-Soviet relations that took place after Inonu’s election in 1961. In response to growing NATO pressure to stay in line, Inonu threatened to leave NATO and set up numerous trade deals with the socialist bloc. In January 1965, he requested a moratorium on debt owed to European and U.S. creditors. Less than one month later, a contrived parliamentary crisis forced Inonu out of office. His successor, Prime Minister Urguplu, also worked to better ties with the Soviets. In October 1967, Prime Minister Demirel, who succeeded Urguplu, announced upon returning from Moscow that the visit had erased “the last traces of hostility” in Soviet-Turkish relations. Meanwhile, the pro-Moscow Turkish Labor Party, formed in 1961, continued gathering strength and for a while formed ties with several other parties, including Inonu’s Republican People’s Party.

To stop Turkey from bolting out of NATO, Turkes consolidated his allies. In March 1965 Turkes, along with 4 of his 13 NUC collaborators, joined the Republican Peasants National Party; by June, 6 more of the 13 had joined. The party chairman resigned and Turkes became inspector-general of the party, using the post to organize support for himself. At the August convention of the party, he became chairman and used the party as a springboard for establishing numerous neo-fascist organizations throughout Turkey, the most important being the “Union of the Hearths of Ideals,” a straight paramilitary operation modeled on Nazi Germany’s youth organizations of the 1930s.

In 1968, when international student unrest was at its peak, Turkes was ordered into high gear by his Interpol controllers. He changed the name of his party to the National Action Party, reorganized it around a new constitution, and published his neo-Nazi “theoretical” work, *The Nine Lights*. In the summer of 1968, Turkes received funds from the Central Intelligence Agency and opened three large camps in Istanbul, Ankara, and Izmir for training commandos. The Izmir and Ankara camps were run by two of his NUC colleagues, Dundar Taser and Rifat Baykal. By the end of 1968, Turkes was launching large-scale commando raids against the Turkish left. The ensuing chaos ultimately led to a military takeover in 1971. Turkes openly supported the coup, and as a result his publication *Devlet* was the only publication not shut down following the coup.

Rhodesian War Danger Rises

Rhodesian Prime Minister Ian Smith yesterday called the Geneva conference on the future of Rhodesia "a dead duck, according to the *New York Times*, and hoped that the Carter administration "would continue where the outgoing administration left off." If the Patriotic Front of Joshua Nkomo and Robert Mugabe — recently given exclusive support by Africa's five front line states — takes over in Rhodesia, Smith added, "...the Russians will take over in this country...and I can believe that that would be a disaster for the future of the free world." Smith also said that his government would seek to negotiate with the "moderate" faction led by Bishop Abel Muzorewa, which has effectively been dumped by the five front line states.

The Rhodesian government claimed on Jan. 13 that anti-aircraft gunners in Mozambique shot down a Rhodesian reconnaissance plane. Although the plane was claimed to be over Rhodesian air space when hit, it inexplicably crashed in Mozambique. The incident, which may be used as further justification for increased Rhodesian raids against Mozambique, also brought to light the fact that the Rhodesian army is now systematically violating Mozambican air space to scout targets for these same raids.

Smith's declaration followed a communiqué Jan. 9 by the five front line states — Angola, Botswana, Mozambique, Tanzania and Zambia — which gave "our entire support — political, material and diplomatic — to the Patriotic Front," the alliance between black Rhodesian leaders Joshua Nkomo and Robert Mugabe which speaks for the pro-socialist Zimbabwe People's Army (Zipa). The new policy, which is implicitly backed by the Soviet Union, is an attempt to preempt any Angola war-style faction fights between nationalist forces and the State Department and Institute for Policy Studies-linked factions headed by Muzorewa and the Rev. Mr. Ndabaningi Sithole, which would lead to a much more serious confrontation than in the Angola war.

Speaking to a session of the European Parliament Jan. 12, British Foreign Secretary Crosland said that a conflagration of the Rhodesia crisis will bring about an immediate East-West confrontation. His statement was an echo of remarks made by Ivor Richard, chairman of the Geneva conference on Rhodesia, who last week told the *Kenyan Daily Nation* that "the risk of disaster is enormous" if the Rhodesian crisis is not peacefully settled; "we would finish by finding ourselves in a situa-

tion as dangerous as the second World War." Richard's visit to Kenya coincided with a visit there by British Defense Secretary Frederick Mulley, and Richard later told reporters in Dar Es Salaam that he had "miserably estimated the force necessary" to solve the Rhodesian crisis," according to the Cuban press agency Prensa Latina Jan. 7.

While British statements on the seriousness of the Rhodesian crisis have expressly omitted allegations of Soviet designs on the region, and have instead foreshadowed decisive British action to settle the matter, American commentary has concentrated on the "Soviet menace."

"The apparent failure of the U.S. effort for peaceful transfer of political power...in Rhodesia is triggering direct Soviet intervention there," say columnists Evans and Novak on Jan. 13, a situation, they agree with Smith, which "goes to the heart of U.S. and Western security." "...the Rhodesian stage is being tragically set to replay Angola,..." they continue, "not because of Smith's obduracy, but because various (black) factions...could not agree among themselves." "The price will be high," they added, "if Congress ignores the Kremlin's move into Rhodesia in '77 as it did the Soviet Angola takeover."

Evidence mounted this week that the American CIA is already replaying Angola. American mercenaries have been recruited for the Rhodesian army, according to one who deserted last week quoted by Prensa Latina, through the same networks used by the CIA to recruit for the FNLA in Angola, principally "Soldier of Fortune" magazine. Another mercenary who was involved in Angola, David Bufkin of Kerman California, told the *New York Times* Jan. 11 that he was working for the CIA in Rhodesia in counterintelligence operations against a "Cuban spy ring" in Salisbury.

From the European side, former West German Defense Minister and leader of the right-wing Christian Social Union Franz-Josef Strauss this week travelled to the West African country of Togo. During the Angola war, Strauss was the primary advocate of NATO intervention, and advanced the proposal that the alliance extend its jurisdiction to the Southern Atlantic. This is the proposal that led to the launching of the South Atlantic Treaty Organization (SATO) idea, an alliance which would include Brazil, Argentina, South Africa and other countries, and which, according to reports in Brazilian newspapers this week, would extend aid to the

anti-communist National Front and National Union guerrillas in Angola.

Visiting Togo simultaneously with Strauss was Zairean strongman Mobutu Sese Seko, who is the primary sponsor of the FNLA, and whose country is a possible SATO member.

The prospect of Carter Administration support for Smith-Muzorewa negotiations was boosted this week by a *British Daily Telegraph* profile on Carter's U.N. Representative-designate Andrew Young. Young's primary emphasis, the *Telegraph* says, is to reverse Soviet influence in southern Africa. "Ian Smith and Dr. Vorster can wind up in cook pots," the article continues, "if that is what it takes to prevent Russian puppets from creating chaos and destroying what (Young) perceives to be a natural evolution of basically pro-American black

moderate governments in their places..."

If Smith negotiates with Muzorewa, however, the cook pots may be dispensed with. Both Muzorewa and Sithole have long standing close relations with the same liberal-Christian counterinsurgency organizations — particularly the American Committee on Africa (ACOA) and the National Council of Churches — where Young gained a good deal of his early political experience. The ACOA, in addition, literally founded the Angolan FNLA.

In regard to South Africa itself, Young told the *New York Times* last week that he would "have no problem" vetoing a move to throw South Africa out of the United Nations, adding that he thought that increased American investment in that country would be a better way to "foster change."

Nigeria Organizes an Industrial Revolution

EXCLUSIVE

A Nigerian government delegation arrived in Moscow Jan. 6 to continue discussion of the huge steel complex which the Soviets are now building in Ajaokuta, near Lagos. The complex has been described by Nigerian Commissioner for Industries Dr. R. A. Adeleye as "the most important single project in the whole of our Third National Development Plan." The project is part of an across-the-board industrial program undertaken by the 18-month old government of Nigerian President Gen. Olusegun Obasanjo. Nigeria, with a population of 80 million and invaluable natural resources, is considered the powerful nation in black Africa.

The mechanization of agriculture has been made a national priority under the plan. The government expects Nigeria will have three steel plants and three rolling mills by 1981. In oil and gas the government is expanding exploration, production, storage, refining, transport and marketing. The purchase of fission reactors to produce electricity is being negotiated. To facilitate this national transformation, the government has created two new banking institutions designed to serve the needs of national planning and development. A nationwide road and rail network is about to begin construction.

The government is concerned to insure that as this industrial revolution takes place, the Nigerian population develops the skills necessary to operate the new industrial plant. Universal, compulsory primary education began last September, and in December the government issued an expanded national plan for education for ages three through graduate study.

Nigeria's industrialization drive is relying chiefly on the import of capital goods from West and East Europe and is exemplary of the triangular cooperation now emerging among West European, OPEC and Comecon states to revitalize world production. Italian Foreign

Trade Minister Ossola, who government has led Western Europe in this cooperation, will include Nigeria in a tour this month ranging from Latin America to the Middle East, and ending in the Soviet Union sometime in February.

Oil exports are the basis for Nigeria's development. As the world's sixth largest oil producer, Nigeria is lifting 2.1 million barrels per day, and the figure is rising. Commissioner for Petroleum Resources Col. Muhammed Buhari is streamlining the operation of the nation's oil industry by consolidating the functions of the Nigerian National Oil Corp. and the Ministry for Petroleum Resources into a new National Petroleum Corporation, whose chairman will sit in the cabinet. The new corporation reportedly is being planned along the lines of Algeria's Sonatrach, and may have Algerian technical help in getting established.

Nigeria's only refinery, near Port Harcourt, has a capacity of only 60,000 barrels per day. Two new ones are planned. Contracts have been awarded to the Italian government oil firm's construction subsidiary, SNAM Progetti, for refineries at Warri and Kaduna which will handle 300,000 barrels per day of crude combined. The Warri plant will have a liquefied petroleum gas unit to produce 300 tons per day. Roads and jetties at the port are at an advanced stage of construction, and the refinery should be in production by April 1978. The Kaduna plant will also produce 250,000 tons of lubeoil a year, asphalt and bitumen. It is to be in production by late 1979 or early 1980:

A system of pipelines to carry refined products to main consumption centers is under construction with contracts totalling about \$320 million. The Japanese conglomerate Mitsui won the contract to supply the entire 1700 miles of pipe for \$32.2 million, while contracts for building the pipelines have been distributed among

Tsvetmepromexport of the Soviet Union (\$84.3 million), the Italian state-owned firm Montubi (\$106.5 million) and Williams International of the U.S. (\$34.7 million).

The production of liquefied natural gas will diversify Nigeria's energy production. A liquefied natural gas plant is to be built by Shell-BP near their oil terminal outside Port Harcourt for a figure variously reported at \$1.6 to \$2.4 billion. It is to be complete by the early 1980s. Another LNG plant nearby is to be built on a comparable scale by a consortium of the government, Agip-Philips and the French ELF. The government will own 80 per cent of both projects.

Because Nigeria's oil is found in scattered pockets and hot huge underground lakes, extensive exploration is continuously needed, even though it has proven reserves of 19-20 billion barrels, and perhaps as much as 20 billion more may be discovered. While the oil companies have been reluctant to maintain the level of exploration the government demands, the government has been exploring on its own and with Agip. Nigeria found oil at the end of August in their first attempt on their own, although more drilling is necessary to determine viability. Agip is pushing ahead with a comprehensive exploration program.

Anticipating eventual oil depletion, Nigeria is negotiating with the West German firm Kraft-Werk Union for the purchase of nuclear power stations of 500-600 megawatts, worth at least \$500 million, and is setting up an Atomic Energy Commission with responsibilities for nuclear research and development. Nuclear physics is included in the high school science curriculum.

Nigeria is starved of electric power even at its present level of development, with certain districts suffering periodic power losses. The Yugoslav firm Energoprojekt has concluded arrangements with Nigeria of over \$250 million for expanding electric power generating capacity. Ogun State alone — one of Nigeria's 19 — plans to spend \$15.8 million on rural electrification. Borno State is spending \$10.2 million for the first stage of the Marte hydroelectric power station, for which a contract was signed with Britain's Hawker Siddeley Power Engineering in December. The station will provide 14 megawatts for rural electrification initially, and is to be scaled up to 30 megawatts.

Iron and steel — the backbone of any industrialized economy — are to be Nigeria's first major departure from the production of raw materials. Agreement was reached with the Soviet Union last June to go ahead with the huge iron and steel complex at Ajaokuta, near Nigeria's largest iron ore deposits, which will incorporate two direct induction steel plants with a combined capacity of 1.3 million tons per year. The \$1.3 billion contract was awarded to the Soviet firm Techno-Export. Work on a double track rail line from Port

Harcourt to service Ajaokuta is underway. Contracts were awarded in November for two lesser, direct reduction steel plants, one at Warri and one at Port Harcourt, to have a combined output of one million tons of iron and steel per year. Three further rolling mills are also under consideration for the hinterland.

Domestic production of iron and steel is small at present. Nigersteel near Enugu, the country's largest steel rolling mill with capacity of 30,000 tons per year, was destroyed during the Nigerian civil war of 1966-69, and resumed production only in November.

To speed the country's development on its way, and integrate all of Nigeria's 80 million people into it, a new national road and rail system is planned — under which even the existing rail lines will be relaid — and ten additional berths are being added to the port of Lagos. A Japanese firm has received a contract for \$33 million in locomotives and rolling stock. The Ministry of Works was to have accepted delivery of \$8.5 million in road construction equipment from the British Braham Millar Group by the end of December. The order included 3 mobile asphalt plants with a capacity of 45 tons per hour and 48 bitumen heaters.

Nigeria accepted delivery in July of its first oil tanker — a super-giant capable of carrying 270,000 tons of crude — which was built in the Uljanik Shipyard in Yugoslavia at a cost of \$43.5 million. Sixteen giant tankers will be needed just to carry the projected liquefied natural gas output.

The Nigerian government is shaping the crucial banking sector to serve the needs of rapid development. It has acquired 60 per cent of all commercial banks in order to "share with them the risk inherent in the rapid expansion of banking activity," according to Commissioner for Finance A.E. Ekukinam. For related reasons, the Nigerian Bank of Commerce and Industry (NBCI) was reestablished in November. Ekukinam explained that the NBCI was being created to challenge the "unprogressive portfolio policies of existing institutions... Impetus will be constantly given to the banks to go into the agro-industry sector with enthusiasm." About the same time, the Nigerian Agricultural Bank was established to provide credits to the Nigerian farmer at highly subsidized interest rates.

Nigeria seeks to extend its trade relations even further. Finance Commissioner Ekukinam concluded a meeting in Lagos Dec. 17 with Polish Vice Minister for Foreign Affairs Bugenines Kulaga by telling the press, "Foreign countries who wish Nigeria well and are ready to sink capital, expertise and technological know-how into developing Nigeria's vast arable land will be welcomed." The invitation has been repeated by other high officials with reference to all aspects of national development.

Scandal Shakes U.S.-Korea Relations; Carter Support for Park in Doubt

The ongoing scandal over South Korean bribery and influence buying on Washington's Capitol Hill has severely shaken relations between the United States and its ally, South Korea. This crisis is sure to deepen; Jimmy Carter is committed to revamping the relations between the two countries, including the defense pact that has been the cornerstone of relations between the two countries since the post-war period.

The crisis has directly brought into question the future of South Korean President Park Chung Hee, who is privately viewed with contempt by Carter's closest advisors, and whose ability to rule following the expected loss of mandate from official Washington is unlikely.

The scandal revolves around alleged bribes to members of the Congress by operatives of the Korean government in return for legislative and diplomatic support for the Park regime. The scandal's central figure is Tong Sun Park, a Korean businessman based in Washington through whom many of the bribes were allegedly conducted.

Many South Koreans, including official circles close to President Park, have suggested that the extensive publicity surrounding the scandal is aimed at forcing changes in the South Korean government. Evidence cited is the apparent close coordination of several wings of the United States government, including the State Department and intelligence agencies, with the press in publicizing the allegations.

"Insiders" on the Carter team, especially Anthony Lake, who will be the chief of Policy Planning in the Carter State Department, are known to be encouraging the investigations with the hope of provoking a replacement of President Park.

The publicity surrounding the scandal also provides an immediate pretext for Carter to more easily carry out his planned withdrawal of the 40,000 U.S. troops still stationed in Korea.

Since the initial allegations became public, the South Koreans have issued public attacks on the United States for the "defection" of an official of the South Korean Central Intelligence Agency stationed in Washington to the State Department, where he will now reportedly cooperate with the investigations into the bribery charges. The KCIA is a major target of the allegations because of its reported coordinating role in the influence peddling activities.

The second focus of the South Korean attack was the published accounts of U.S. intelligence agencies' bugging

the offices of President Park, which provided evidence linking Tong Sun Park's activities directly to the Korean President. The transcripts of these tapes have reportedly been turned over to the Justice Department by Secretary of State Henry Kissinger.

Last month the South Koreans demanded a public denial of the reports on U.S. bugging and the release of the KCIA official from "forced detention." A series of negotiations in Seoul between South Korean and U.S. officials followed these demands and led to the issuance of a South Korean government statement last month. The statement termed the U.S. charges "groundless allegations and distorted facts," and while accepting private U.S. assurances that Park's Blue House was not bugged, warned that such acts would "grossly infringe upon the national sovereignty of the Republic of Korea."

Trilateral Considerations

Park's fears are not without basis. Highly informed sources report that at a recent, private seminar at the New York Council on Foreign Relations, Carter's chief of National Security, Zbigniew Brzezinski suggested that U.S. support for Park be removed, and the U.S. instead should encourage formation of a government headed by U.S.-university trained "technocrats" with a new "liberal capitalist" image.

Brzezinski, well known for his general support of such "technocratic" governments, believes such a regime in South Korea would be more acceptable in Japan and the U.S.

In addition, Carter advisor Paul Warnke told Japanese news agency Kyodo recently that "if the Korean people should rise against the Park regime, the new U.S. government would not support it (the regime)."

The former CIA station chief in Seoul, Donald Gregg, predicted that Park "would not live to serve out another six year-term if he were re-elected in 1978." The former official was station chief in Seoul from 1973 through early 1976; he has reportedly been telling private audiences that Park should be forcibly removed from office.

The withdrawal of U.S. troops from Korea also provides the needed pretext for a rearming of Japan as the primary military strength in the region. David Rockefeller, in a speech two days ago at the Trilateral Commission meeting in Japan called on Japan to "assume its share" of defense spending. With that charge, the recently elected government in Japan headed by Takeo Fukuda will attempt to comply.

Peking Posters Call for Teng's Return, Purge of Remaining Maoists

Reports from Peking since the start of the mass demonstrations Jan. 8 confirm that the anti-Maoist grouping of senior military men and most top party leaders is moving for a decisive showdown with the remaining "former" Maoists on the Politburo and in leading provincial posts. The reports indicate that Party Chairman Hua Kuo-feng himself is under attack, apparently for trying to shield the intended purge victims to maintain some independent support for himself.

The demonstrations were ostensibly called to commemorate the first anniversary of the death of premier Chou En-lai, but turned out to be a show of support for the restoration of former deputy premier Teng Hsiao-ping and the purge of those behind Teng's purge last April 7. Teng was dumped two days after mass demonstrations honoring Chou ended in violence, for which he was blamed. The support for Teng's return and the purge of the remaining former Maoists comes from the senior Peking-based and regional military commanders who have been the prime moving force behind the anti-Maoist coup d'etat since the arrest Oct. 7 of the "gang of four"—Mao's widow Chiang Ching and three Politburo associates.

The evidence for this conclusion has come largely from the wallposters plastered all over central Peking since Jan. 7, plus unconfirmed reports of an enlarged Politburo meeting attended by the regional party, and perhaps army chiefs. The fact that none of the Politburo or provincial leaders have made any reported appearances since Jan. 6 makes it likely a top-level meeting is in progress.

"Bring Back Teng"

It appears that the anti-Maoist grouping forced the enlarged meeting to coincide with the Chou anniversary, to use the certain mass response to support their demands. A poster probably instigated by this grouping, was put up on Jan. 7 opening the new phase of the campaign. Under the title "To Straighten Out the Historical Truth That Was Twisted by the Gang of Four," the poster said the "gang of four" had used the April 5 incident to "smear the name of Comrade Teng Hsiao-ping," and charged that the "gang itself had provoked the rioting.

On Jan. 8, a large number of posters began calling for "arrangements (to be made) concerning the question of Teng Hsiao-ping working again" in the words of one. Another poster said that Teng's only "error" had been that he had lacked the strength to dump the Maoists earlier, concluding with "We don't know anyone who struggled harder than him" against the "gang."

A third poster put the question to Hua with an implicitly threatening statement saying "We believe the

Party Central Committee under Comrade Hua Kuo-feng will take a correct decision on this question. We hope the decision will be made quickly and people will be informed quickly so that the hearts of the world may be at peace."

Other posters developed the factional implications a "reversal of verdict" on the April 5 violence. If the incident heretofore labeled "counterrevolutionary" is now to be adjudged a heroic act, then those responsible for putting down last April's violence can be held accountable and disciplined accordingly. One poster made the first mention of deaths associated with the April 5 rioting, saying that "if justice is not done, people in their hundreds of millions will not be reconciled,"—a hint that the whole nation might be mobilized behind the "bring back Teng" movement.

On Jan. 9 the demonstrations and postering continued unabated, with an escalation of the demands and charges. Peking's mayor Wu Teh, a Politburo member who rose as a Maoist in the Cultural Revolution, was criticized by name for his role in suppressing the April 5 violence. On Jan. 10, the calls to bring back Teng began naming him prime minister, the post held by Chou En-lai from 1949 until his death last year, and now held by Hua Kuo-feng. One poster said "With Teng as prime minister, Chou En-lai can rest in peace." On another poster, "prime minister" was crossed out and replaced with "chairman."

In probable response to Hua's continued refusal to support completing the Maoists' purge, posters on Jan. 10 attacked by name Liu Chuan-hsin, the Peking city chief of public security charging him with being "responsible under the law for the blood-shedding Tien An Men incident." Hua, as Minister of Public Security, was Liu's immediate boss, and is thus implicated as well.

Hua in the Middle?

The possibility that Hua is vacillating, trying to maintain a "middle" position, was circumstantially supported by two other reports. One was the surprisingly undated news release of a meeting that Hua had recently with an Honduras delegation, accompanied by Politburo member Wang Tung-hsing. Wang's presence was unprecedented. He is the chief of the secret police, a very long-term Maoist who has headed Mao's bodyguard unit. Undoubtedly in danger of purge as well, Wang never performs diplomatic functions. The only immediate explanation for the release was that it was Hua's attempt to stay in the news, and to give the Maoist Wang support.

Second, a retrospective view of the events since Oct. 7 suggests that Hua supported the immediate purge of the top Maoist conspirators because they were wrecking the country and threatened Hua himself, but sought to limit further purges, especially at top levels, in order not to be

forced to rely totally on the Army-Teng grouping for support. That grouping, which now dominates Chinese politics, probably has offered Hua security as Chairman, but only if he plays ball. It would definitely upset the

population if Hua were suddenly deposed. The reported poster campaign seems designed more to warn Hua and urge him to cease blocking Teng's return and support of the Maoists than to prepare for his actual ouster.

Japan's 'Resources Faction' to Send Oil Mission To Saudi Arabia

A top level, 25-member Japanese business delegation will tour Saudi Arabia, Iraq, the United Arab Emirates, and other oil-producing Mideast states in February to set up extensive oil-for-technology agreements, including perhaps the development of a new 5-million-barrel-per-day site in Saudi Arabia. If successful, the mission will include Japan in the kind of development deals that the Europeans and Arabs began months ago, and which have begun to free both from the dollar. The deals will also weaken the power of Rockefeller's allies in the Japanese oil industry, particularly Ataru Kobayashi, chairman of the (Japanese) Arabian Oil Company.

The mission — the first top-level one to the region since 1971 — includes major leaders of Japan's pro-development "resource faction," including Shigeo Nagano, chairman of the Japan Chamber of Commerce and Industry and of Nippon Steel; Sohei Nakayama, Chairman of the Comprehensive Energy Promotion Committee and senior adviser to the Industrial Bank of Japan, and Hiroki Imazato, Chairman of the Japan Oil Development Co. It also includes the chairmen of the banks and trading companies of Japan's leading zaibatsu groups, Mitsui and Mitsubishi.

In Saudi Arabia, the team will meet with Oil Minister Sheikh Yamani to discuss creating large-scale direct deal oil agreements between Japanese refiners and the Saudi national firm Petromin, bypassing Rockefeller's ARAMCO. In addition, the delegation will request that Japan be permitted to participate in the development of a new field between Gawar fields and Riyadh that could produce up to 5 million barrels per day — equal to Japan's present total consumption. According to the Asahi Shimbun of Jan. 4, "It is reported that Saudi Arabia is giving friendly consideration to the Japanese request."

Asahi notes the major "international repercussions" the agreement would have. Saudi Arabia reportedly will not give anyone the rights to develop the new site until it has settled nationalization of ARAMCO.

The Saudis "will demand Japanese cooperation in other development projects in return for giving oil development rights and direct supply of oil," e.g. petrochemical and port facilities. According to the Asahi, the Mitsubishi group (which finances Rockefeller's chief ally in Japan, current Premier Takeo Fukuda) is "hesitant" about creating development projects there, claiming they are economically unviable. This coheres with the statement of Fukuda's new Minister of International Trade and Industry, Tatsuo Tanaka, that sales of overseas factories are "too generous" and "dangerous," a reversal of the pro-development policies of Takeo Miki, the man Fukuda ousted as Premier. It is expected that the resource faction members on the mission, who backed Miki politically, will push for the development deals.

If successful the mission will undercut the present stranglehold on Japan's access to Saudi oil by ARAMCO and its ally within Japan, Arabian Oil Co. Chairman Kobayashi. Kobayashi, a leading backer of Fukuda with close ties to ARAMCO, Caltex, Chase Manhattan Bank and the CIA, has for years kept Japan's oil refining firms and access to foreign oil under the control of Rockefeller networks. Resource faction leader Nakayama has fought Kobayashi for years, and has had success in some countries but not — up until now — in Saudi Arabia. One official of a resource faction firm told NSIPS that if the Saudi mission is successful, "It will greatly reduce the power of Kobayashi in Saudi Arabia and in the Japanese oil industry as a whole."

Philippines May Oust U.S. Bases to Deepen Ties to Third World

Philippine President Ferdinand Marcos has appointed a committee to re-evaluate all aspects of his country's military relations with the United States — a move that could mean the withdrawal of U.S. military bases from that country. Speaking before the Law Alumni Association of the University of the Philippines, Marcos said it might be time for the Philippines to grow up and cease "being dominated" by the United States.

Marcos called upon the committee to "determine whether these bases do in fact provide us effective protection, or whether they only increase the danger to our country because of the provocation the bases represent." He went on to say that the huge U.S. military presence is blocking the Philippine entry into the group of Non-Aligned Nations and leadership among Third World nations — his government's major foreign policy objective.

In the same speech Marcos attacked the U.S., using as a pretext that the Philippine government and people had been "insulted" by a U.S. State Department report on alleged violation of human rights in the country.

Marcos' move to force the withdrawal of the last U.S. military bases in the Southeast Asian region is indicative of regional opposition to any further U.S. attempts to militarize the Association of Southeast Asian Nations (ASEAN), comprising the Philippines, Indonesia, Malaysia, Thailand and Singapore. Since the military took power in Thailand last October through a bloody coup, it has been the major advocate — on behalf of the U.S. — of a regional military alliance. This alliance has been also supported strongly by Singapore's Prime Minister, Lee Kuan Yew. However, key regional leaders, particularly in Indonesia, Malaysia and the Philippines, are well aware that any military alliance is a provocation against the Communist states of Indochina and the Soviet Union — with whom these Southeast Asian nations are seeking closer economic relations.

Though the Western press has characterized Marcos' sudden nationalism as a mere "bargaining tactic" in negotiations for the new treaty with the U.S., the fact that it comes at a time when the Philippine economy is facing severe economic problems, including a \$4.9 billion foreign debt, indicates that it is more than posturing.

The Soviet party daily, Pravda, reports Jan. 6 that Philippine "foreign debt soared 42 per cent in 1976 as a

result of the decline of world prices for sugar as well as the lessening of demand." A recent meeting of Philippine sugar producers and labor officials predicted that if the crisis in the industry is not solved, mass layoffs can be expected in March of this year. Sugar is the Philippines' most import export; the industry employs nearly 250,000 workers.

Though Marcos has balked for years on the question of U.S. military bases it is clear he feels his country can no longer afford the isolation from the Third World the bases represent.

A top analyst for a U.S. "think tank" who recently returned from a tour of ASEAN capitals confirmed that, except for Singapore and Thailand, no one wants a regional military pact. In fact, he reported that the Indonesians, Malaysians and Filipinos wanted a U.S. policy for the region that includes recognition of Vietnam and Cambodia as well as U.S. aid for the industrial development and reconstruction of Indochina.

The same source disclosed that Thai Prime Minister Thanin's recent tour through the ASEAN countries to seek support for a regional militarization was a profound failure. Thanin was told that any return of a U.S. military presence in the region was "absurd and ridiculous." Only Prime Minister Lee Kuan Yew of Singapore praised Thanin, in particular for the new Thai junta's murderous anti-communist policies.

Despite its isolation in the region, the Thais have embarked on an "anti-insurgency campaign" and related provocations against Laos, Cambodia and Vietnam which threaten peace throughout the region. The Thai Internal Security Operations Command is coordinating Vietnam-type village-by-village pacification operations in the country's four southern provinces bordering Malaysia. Two hundred insurgents have been killed in operations so far.

Nhan Dan, the Vietnamese Communist Party daily, this week denounced Thailand's contradictory policy of "preaching friendship with the countries of southeast Asia" while carrying out provocations against them. The paper cited the closing of the Thai border with the landlocked Laos and military activity along the Cambodian border. Nhan Dan accused the Thais of "slandering the government and people of Vietnam to mislead public opinion" and persecuting Vietnamese residents in Thailand.

Malaysia: A Growth Faction Battles Colonial Backwardness and Exxon

Last month, the Malaysian parliament repealed several clauses in Malaysia's Petroleum Authority Act which were of central importance to the overall nationalization and growth policy pursued by the country's Prime Minister, Katuk Hussein Onn. The relevant clauses, which empowered the state-owned Petronas oil company to cheaply purchase "management shares" in the foreign-owned oil majors, fell victim to a destabilization operation against Onn conducted by right-wing intelligence networks under the highly visible management of the Rockefeller family Exxon Corporation.

Malaysia's petroleum controversy is part of a profound political battle over economic development raging throughout the region. With strategic rubber and tin resources as well as oil, Malaysia is potentially a most important member of the Southeast Asian "Peace and Development Sphere" envisaged by the Onn government and Indonesian, Filipino and Japanese progressives, who have sought detente with Indochina's Communist states to secure a basis for such co-development. The stratum of intellectuals, nationalists and commercial and business spokesmen gathered around Onn have fostered economic cooperation with Malaysia's neighbors and a policy of domestic investment control inclusive of some outright nationalizations of foreign companies to bring Malaysia's economic activity into line with national and regional development needs.

Last month's reactionary parliamentary vote against state control of petroleum would have been inconceivable without the preceding six months of anti-government activity organized by Exxon, including direct economic sabotage and an intense "red scare" campaign directed at the leading figures in Onn's growth faction, and carried out by the right-wing intelligence faction in Onn's own ruling UMNO party. The campaign featured a rampage by Malaysia's "Special Branch" security police who arrested or "watergated" many of the Prime Minister's closest party and government colleagues as "communist agents."

The rightists, whose program is unqualified support for raw materials extraction under multinational control, heavily interface with the Malaysian intelligence and security establishment, created and trained in the use of the most advanced, socially destructive counterinsurgency technology by the post-World War II British special forces. Not coincidentally, Onn's contrasting development perspective is a continuation of the New Economic Program of 1969 which his late predecessor, Tun Razak, introduced as the only permanent solution to "communal" bloodletting between "poor" ethnic Malaysians and "rich" emigrant Chinese — a periodic rioting whose manipulation has historically been the most powerful weapon at the disposal of the imperialists' counterinsurgency.

Razak demanded a broader industrial growth for Malaysia based on a public sector, thus singling out the preponderantly Rockefeller-controlled raw materials multinationals — not the Chinese "Jews" — as the enemy of the Malaysian. In the current Exxon-led operation to crush Onn's continued adherence to the Razak perspective, speculation is naturally rife that the "communal riots" which have marred Malaysia's modern history will recur under the guiding hand of those domestic intelligence services specially trained in provoking them.

Tun Razak and his development faction, including Hussein Onn, took over the Malaysian government in the spring of 1969, at the close of a weeks-long period of Chinese-Malay communalist bloodshed provoked by the rightist intelligence faction in an effort to maintain their dominance after serious election reversals in May of that year. Right UMNO faction leader Harun Idris, who has been prominent in the most recent "red scares," is said to have organized the 1969 rioting. Razak, however, then Deputy Prime Minister, mobilized his supporters around broad disenchantment with the conservative UMNO's policies to take command of the situation, easing out Prime Minister Rahman and assuming the premiership himself. Almost immediately, he advanced high-growth policies as the means to resolve the discrepancy between "rich" Chinese businessmen and poor Malays, between the poverty-stricken Malay laborer and his Indian communal counterpart. Forming a National Front coalition with former opposition parties, Razak launched his New Economic Program on the proposition that 30 per cent of commercial and industrial ventures must be brought into Malaysian hands, meaning a battle with the raw materials multinationals who then owned 61 per cent of the country's corporate sector.

Hussein Onn was, at this time, one of Razak's chief supporters in the party. Onn's father had been the founder of the UMNO, but had left the organization, by that time heavily infiltrated by British intelligence, in 1953 to found a new non-communal, interracial party. This goal, unity of the races and religions, has inevitably been the special concern of the Malaysian intelligentsia from the beginning.

The sordid, bloody tradition of communalism, which continues to represent a potential for social holocaust in the hands of Rockefeller agencies, is an original product of the British colonial administration. Malaysia, in particular, became the social laboratory for Tavistock Institute and related counterinsurgency technologies perfected for the enforcement of backwardness throughout the empire. The nature of the legacy with which pro-growth Malaysians must deal is capsulized in an official British report on colonial education. Malaysian schools, said the report, must be designed "to teach Malays so they do not lose their skill and craft in fishing and jungle work." The colonial policy largely

shaped by the Rothschild interests emphasized special care to avoid "the trouble which has arisen in India through over-education."

Like the Maharajah system of India, Malay Sultans ruled the rural population for the British, who brought in Chinese commercial interests, coolie laborers, and to a lesser extent, Indian laborers for use in the tin mines and rubber plantations. The Chinese were kept politically disenfranchised and separated from the ethnic Malay "community." British success in creating and exploiting such communal tensions were almost singly responsible for the defeat of a post-war revolutionary upsurge in Malaysia.

When Tun Razak became premier, the ethnic problem was necessarily his foremost concern, and he surrounded himself with individuals who shared his commitment to a resolution of the colonial legacy through industrial differentiation and growth. One such colleague, Dr. Mahatir Mohammed, authored a controversial book. The only solution to the Malay ethnicity problem, he wrote, is "social revolution" predicated on urbanization through both government and private development projects, and special programs to give Malays industrial skills, "destroying the old ways and replacing them with new ideas and values." Mahatir Mohammed's book, *Malay Dilemma*, is now banned from the country.

Razak's first steps included the formation of such state-owned holding companies as Pernas (tin) and Maras (rubber), empowered to buy into foreign owned companies. Razak subsequently set up Petronas, now the state oil company. Tengku Razaleigh, who was named the first chairman of Pernas, was also named chairman of Petronas, which was modelled on Indonesia's Pertamina oil company.

Razaleigh, whose resignation from Petronas Exxon demanded and recently won, played a principal role for Razak in the New Economic Program, most importantly in the government's takeover of Sime Darby, up to that point one of the largest British owned multinational companies in Southeast Asia. Denouncing Sime for taking profits from its lucrative Malaysian mining and plantation interests to invest elsewhere in disregard of the country's crying development needs, Razaleigh worked through Pernas which owned 9.9 per cent of Sime stock to organize shareholders in Hong Kong, Singapore and the Philippines as well as Malaysia to force a change in the Sime Board of Directors.

The Rockefeller Assault

Razak did not secure the passage of the Petroleum Development Authority Act until April, 1975. It immediately prompted cries of "backdoor nationalizations" from the Seven Sisters cartel and the Lower Manhattan financial community. Then, following Prime Minister Razak's death last spring, the Exxon-led oil majors went on the offensive.

First, Exxon delayed a new production-sharing agreement with Petronas by demanding an 80-20 split in Exxon's favor. The stalling of the agreement brought enormous financial pressures to bear on the new Onn government, which was already shouldering heavy payments on a new tanker fleet scheduled to come on stream early this year, which depended on the government's share of the oil revenues. (The tankers are to carry liquified natural gas from Sarawak, East Malaysia to Japan.) Exxon also suspended all expansion

and exploration plans, and withheld critical information on oil reserves from the Malaysian government.

In short order, the economic sabotage was complemented by an all-out political campaign against Onn's development faction. Lee Kuan Yew of the neighboring Singapore city-state, a close associate of the Rockefeller brothers, announced the arrest of two men who were closely connected to the noted Malaysian journalist, Samad Ismail, editor of the *New Straits Times* and an Onn supporter. With Samad's colleagues in Singapore detained for "communist subversion," Malaysian "special branch" police seized Samad himself, placing him under arrest as a "Communist agent" on the added strength of his detention by the British from 1951-53 as a card-carrying Communist Party member. Only one day before his arrest, Samad had been awarded a special literary prize by Prime Minister Onn.

Samad's arrest signaled a broad "McCarthy Era" type "anti-Communist" purge of growth-advocates from both the Onn government and the UMNO party, supervised by Harum Idris, 1969's communalist provocateur. Those arrested in the government included Datuk Abdullah Ahaad, Onn's Deputy Minister of Science and Technology, once a personal aide to Razak and a major proponent of the Petroleum Authority Act; and Abdullah Majid, Deputy Minister for Labor and Manpower, both of the UMNO. Leading figures in the Malaysian People's Socialist Party, and the Malayan Chinese Association, a key part of Onn's National Front coalition, were also arrested — all as "Communist agents." The intelligence networks deploying the "special branch" security police have also rumored the arrest of Razaleigh, Dr. Mahatir Mohammed, and others, the core of Onn's nationalist inner circle.

Oil Question Unresolved

Despite the gutting of the Petroleum Authority Act and dismissal of Tengku Razaleigh from the chairmanship of Petronas, Exxon cannot claim victory. In the international atmosphere defined by OPEC defiance of the Rockefeller cartel, Petronas was able to secure a 70-30 per cent production sharing agreement in its favor. Like the Saudi Arabians (who have frequently taken Petronas officials to OPEC meetings as part of their delegation), the Malaysian company is actively seeking independent development and marketing channels, to secure those crucial aspects of oil supply control now exercised by the Seven Sisters.

Petronas is carrying on development discussions with the Norwegian National Oil Company, and technical experts from West Germany are scheduled to arrive in the country soon. Pertamina, the more developed Indonesia state oil company, has already sent 40 advisors to Malaysia. Onn himself has repeatedly hinted he may nationalize oil to put an end to the multinationals' power. This month, Onn made a special official visit to the Middle East, to discuss policies of oil and development with Egyptian and other Arab counterparts. Though not a member of OPEC, Malaysian prospects depend on OPEC's current round of discussions with Europe and the Soviet Union. A counteroffensive by Onn can still succeed against Exxon intelligence operations, if Europe and the Third World agree on a new world economic order.

Media Whip Up War Tensions in Latin America

When ten days ago *Time* magazine ran a lengthy article discussing the danger of a second War of the Pacific in the Andean region, few Latin American politicians or commentators — even those who vigorously protested the provocative nature of the *Time* piece — would have suggested that this was the beginning of a coordinated press campaign to heighten tensions in Latin America to the exploding point, and to prepare the U.S. population for such a war and likely U.S. intervention. Now it is clear to all that this is in fact the case. In the past eight days, the following major articles have appeared in the international press as follow-ups to the argument laid out by *Time*:

***On Jan. 7, the French financial daily *Le Nouveau Journal* published an article entitled "Moscow Master Coup: The Russians Implant Themselves in Peru," in which it is charged that the recent Peruvian purchase of Soviet war planes establishes a Soviet beachhead in Latin America. *Le Nouveau Journal* reports particular concern about these purchases in Chile, "where antagonism with Peru subsists after the War of the Pacific (1879-1883) that ended with Chilean occupation of the mineral-rich Atacama Desert, considered as the Peruvian Alsace Lorraine" (emphasis added).

***On Jan. 9, Eliot Janeway — a top advisor to the editor in chief of *Time* magazine and a member of the Council on Foreign Relations — pulled Brazil and Venezuela into the media with an article in the *Washington Star* that called for a Brazilian invasion of Venezuela — on the grounds that Venezuela is the source of all of Brazil's economic ills. Wrote Janeway: "Overrunning Venezuela would be easier for Brazil than swarming over Alsace-Lorraine was for Bismarck, Hindenberg and Hitler" (emphasis added).

***On Jan. 5, the British magazine *Defense and Foreign Policy* ran an article by Leight Johnson which called for the formation of a South Atlantic Treaty Organization (SATO), which would be available to intervene in any "hot spots" in the South Atlantic region. Previous discussion of SATO in many press sources has emphasized the role that Brazil would play in such an arrangement as a "surrogate policeman" for New York banking interests in the region.

Latin America Protests

Today, ten days after the *Time* story and three war-scare articles later, most of the Latin American press and many politicians are outraged.

Venezuelan Foreign Minister Escobar Salom identified the Janeway article as an attempt to encourage conflict where none existed, and the Brazilian daily *O Globo* sarcastically derided Janeway. Itamaraty, the Brazilian State Department, issued a statement refuting Johnson's call for Brazilian participation in SATO, stating that Brazilians had no intention of involving themselves in such international military accords.

On the Peru-Chile front, the Peruvian Foreign Ministry denied the *Nouveau Journal* slander, and charged the article was a total fabrication designed to create a climate of artificial tension where none existed. The Foreign Ministry's statement explicitly denied that any military accord with the Soviet Union existed, and predicted that this attempt to poison Peruvian-Soviet ties would fail. The Chilean Ambassador in Lima called the *Time* magazine article "nonsense" (un disparate), and Chilean Naval Minister Merino said *Time* was clearly "dimwitted and absurd" for trying to create conflict where none exists. Even the Ecuadorean Foreign Minister this week denounced the creation of a "war psychosis" in the region.

The Rand Corporation's War Scenario

Despite these protestations of pacific intent, and the rage that the press barrage has provoked in Latin America, the subcontinent is now closer than ever to war. The entire media campaign, designed and orchestrated by the Rand Corporation depends on creating an atmosphere of paranoia and national chauvinism in the various countries, which can then be manipulated into overt acts of war under appropriate circumstances of (media-created) regional tension. This is how press articles based on not one shred of actual fact lead straight to war.

There are three other distinct goals of the Rand Corporation's manipulation, in addition to the provocation of war itself.

First, to create the political conditions advantageous to the various pro-Rockefeller political factions in the respective countries. Second, to generate so much war hysteria among Latin America's population that they can be induced to plead for United States or OAS intervention even before an actual war breaks out. And third, to psychologically prepare the population in the U.S. in particular for just such an intervention. On all these counts, this past week's Media War has furthered the Rand Corporation's goals significantly.

'Venezuela Out of Line — Point Brazil at Her'

The following are excerpts from an article which appeared in the Washington Star Jan. 9 by Eliot Janeway entitled "Oil Gouge on Brazil Imperils Venezuela":

When does an idea take hold in America? When *The New York Times* discovers the realities of the idea and reports them as a possibility.

It has just done this very thing in Latin America. A long dispatch from Rio De Janeiro filed by Jonathan Kandell, remarkable for its journalistic clarity and comprehensiveness, has flushed out the biggest open secret on the South Atlantic Gold Coast. Brazil is hurting, and the backlash from her agony is threatening Venezuela with reprisals.

While Venezuela is the unmentioned villain of the *Times* piece, OPEC figures prominently in it. Kandell's reportage describes the costly effects of the oil price gouge on Brazil, and rightly names OPEC as the culprit. But it fails to single out Venezuela as the bad neighbor directly responsible for Brazil's malaise.

If Latin America's sorry substitute for an economy were all that were involved in the bitter grudge, Brazil now has reason to bear against Venezuela, the virus now incubating there would be no worse than a bad cold. But economic dislocation is the least of Latin America's endemic problems....

The spectacle of a weak bad neighbor inflicting intolerable damage upon a restless budding giant is a first in Latin America. Not even the idiotic history of aggression in the Balkans, or of warlordism in Asia, reveals a parallel to Venezuela's vampire-like bleeding of Brazil's overcommitted resources.

American opinion is remarkably insensitive to the tinderbox in Latin America, despite the systematic eruption of the disaster that had been brewing these many years in Mexico....

Ever since Venezuela assumed the role of the rogue elephant and led the rampage of the world's oil producers against its consumers, the conscience of the civilized world has bled for the Third World. It has indeed been pillaged. One of the characteristics of the world's various oil patches is that they support more millionaires than average people....

The school of neo-Machiavellian righteousness has gone further. Identifying America as the malefactor of great wealth, ideologues of the Left have welcomed OPEC as the long-awaited instrument for the redistribution of wealth. In the grand manner of Lenin, who remarked that you can't cook omelets without breaking eggs, it has shrugged off the actual distress and the threat of depression brought on by OPEC's dedication to the politics of piracy....

The judgment of these ideologues has been as impractical as their righteousness was misplaced. OPEC has not served as the answer to the shortcomings of our industrial system, but it has wrecked and looted the Third World.

Hence the spotlight on Brazil. Kandell's profile encapsulates all that need be known about this unruly adolescent of the Amazon. Napoleon's famous dictum—"An army can do anything with bayonets but sit on them"—has a less familiar corollary. Brazil can do anything with her rich arsenal of resources but sit on them for the simple reason that, as Kandell says, a full 40 per cent of her present earnings from them are needed to service her foreign debt. The fact that her debt is the largest in the developing world is enough to qualify Brazil as its sorest trouble spot, certainly as far as America's embarrassed banks are concerned.

But Brazil is suffering from indigestion for another reason. Not only do her internal stresses make it impossible for her to sit on her resources, but they deliver her political processes over to the military. Her foreign debts make it impossible for her economy to go anywhere with these resources unless the military outfit in charge decides to travel. When it does, it will use the modern highway which leads to Venezuela.

Overrunning Venezuela would be easier work for Brazil than swarming over Alsace Lorraine was for Bismarck, Hindenburg and Hitler. And Venezuela is asking for it....

The fact that Venezuela is no Saudi Arabia as to either the quality or the quantity of her resources will not spare her from the backlash of an antagonistic neighbor—especially since the *New York Times* has reported that the Brazilian establishment is lamenting the death sentence OPEC has decreed on its recent promise to travel the growth road....

"Any time Venezuela gets out of line," I used to joke, "all we need to do is point Brazil at her." This was a laughing matter before Brazil started to hurt. Now that she herself is in a rage, it's no longer funny.

Secretary of State Vance will be training his cool and practiced eye on this trouble spot in the nick of time. He knows at first hand how overripe OPEC is for the plucking, especially now that the Shah has been softened up by the Saudis' dramatic change of stance. But the Middle Eastern storm center has been a threat to prosperity, not to peace.

The real irritant is Venezuela in our own backyard. If not for the timely changing of the guard in Washington, Kissinger might very well have been given an opportunity to protect her from the military consequences of her own greed.

The Rand-Linowitz 'Little Wars' Scenario

The following is excerpted from Rand Corporation document entitled "Future U.S. Security Relations in the Latin American Contexts," written in 1974 by David Ronfeldt as a consultant to the Linowitz Commission. This document was a working principle for Secretary of State Henry Kissinger and his chief advisor on Peruvian and general military affairs, Rand Corporation's Luigi Einaudi.

"While U.S. analysts of the 1960s regarded internal security as the proper mission for Latin American militaries...The changing regional and international context of the 1970s is returning external defense against neighbors to the priority it held before the Cuban Revolution...

"...Governments are turning outward toward their neighbors....Local neighbors are receiving the level of foreign policy attention formerly accorded only to foreign powers. Controversy about Brazil's emergence as a subregional power, the rival ambitions of Argentina, jostling for influence in Bolivia and the other buffer states, as well as boundary tensions among Chile, Bolivia, and Peru have all served to raise new doubts about the future prospects for harmony and cooperation. The most important potential threats perceived by those states are those that may derive from conflict of interest within the Latin American region itself, as happened around the 1930s (the bloody "Chaco War" between Paraguay and Bolivia).

"Thus it should come as no surprise that militaries...are turning once again to traditional missions of external defense, and to a focus on their neighbors as potential rivals for regional leadership, natural resources, economic markets, investments, and the control of border domains that could form issues for local conflicts rather than regional integration. Indeed, there appears to be a resurgence of 'frontier-minded' military nationalism...Arms procurements, training, troop deployment, and doctrinal thinking all reflect a renewed emphasis on external defense...

"In line with these trends, local 'geopolitical' analysis are increasingly prominent elements in national security doctrines and foreign policy processes...This trend is particularly pronounced in Argentina, Brazil, Chile and Peru; and relates clearly to their concerns about regional leadership and strength...(after mentioning conflicting interests between Brazil and Argentina)...Other sensitive areas include: Colombia's Guajira peninsula claimed by Venezuela, the potentially oil-rich Amazon and Andean territories that border several countries, Bolivia's Santa Cruz region, and Chile's northern province once captured from Bolivia and Peru....

"...At present, only a few armed forces have the capability to engage in regular defensive, much less offensive, operations against a determined neighbor for more than a week or two, about the time it would take to arrange international mediation to restore order."

Ronfeldt notes, in a footnote, that "local press media, by their capacity to inflame nationalistic passions, are more likely to encourage disputes than are local military policies."

Stating that "the political interests of Latin American governments and militaries can be served by avoiding the unbalancing and balkanization that might occur if the U.S. withdrew or favored one country against another (in arms sales -ed) and by maintaining the U.S. as a potential mediator in case regional differences lead to local military engagements," Ronfeldt recommends that the United States end "restrictive attitudes toward arms transfer" and follow "a principle of unrestricted but unsubsidized military sales" to Latin American nations on a strictly commercial basis.

The following is excerpted from "The United States and Latin America: Next Steps", A Second Report by the Commission on U.S.-Latin American Relations, known as the "Linowitz Commission."

The "Linowitz Report," although not specifically addressing the problem of regional wars in Latin America, accepts the Rand Corporation recommendations on policy for United States sales of arms to the continent.

While Peru has announced its intention to purchase Soviet jets, the Commission does not believe that such a development would justify variation from the policy it recommended previously: that the U.S. should make available conventional military equipment to Latin American countries only on a competitive, commercial and non-discriminatory basis...

Brookings: They'll Ask OAS to Intervene

The following is excerpted from a Brookings Institution policy draft "Setting National Priorities: The Next Ten Years." Beginning the Third World section of a chapter on "Peace or War," the report states:

Generalization about the Third World is difficult because of its diversity, but one thing that can safely be said is that the prospects for conflict are substantial...what follows is a brief description of those tensions and conflicts that might directly affect the U.S.

Large scale wars have not occurred in Latin America for many years. They are unlikely to recur, although major tensions will persist -- notably between Argentina and Brazil in the east and between Peru and its neighbors in the west....

...We should distinguish sharply between three types of conflict situations: where only the local parties are involved, where material assistance is being provided by outside communist countries, and where armed forces of

outside communist countries are involved.

In a conflict of the first category, it would be clearly unwise to commit forces. Our vital security interests are not involved, and our capabilities are limited....We should use what political influence we have to help these countries resolve their disputes; if this effort fails, the resulting wars will not be made less bloody or useless by our intervention. It does not follow, however, that we should be indifferent to the outcome... In Latin America, we should be prepared to join any action by the OAS that may be agreed on in response to uses of force that extend across national frontiers, leaving it largely up to the Latin American countries to decide what that response should be; and we should be prepared to provide military assistance to threatened governments.

Colombia Paper Calls for OAS Intervention

The following are excerpts from the Colombian

newspaper El Tiempo's editorial of January 7:

The North American magazine *Time* has published an interesting and worrisome report on the possibility, not all that remote — according to its editors — of a war between Peru, Chile and Bolivia; that is to say, the same protagonists of the so-called "War of the Pacific" which is nearing its first centennial...

Spokesmen of the three countries implicated in this disturbing chronicle of the almost always well-informed U.S. weekly, have rushed to categorically deny as false the suppositions alluded to by the important publication. However, despite the perennial protests, there are — and this is obvious — multiple and unmistakable symptoms of ill-feeling in that very noticeable area...

...in the regular statutes of the Organization of American States (OAS) the road to all such absurd and delinquent attempts at devastation and death is shut off. This could be seen not long ago in the so-called "soccer war" in Central America between El Salvador and Honduras, which was able to be stopped in its barbarous execution by the rapid and efficient intervention of the OAS...

Pressure on Brazil to Go to War

The furor over the War of the Pacific and the creation of SATO has brought to the surface a factional brawl in Brazil which has long been building. The following grid of recent Brazilian press reflects this fight: pro-development nationalist and related forces line up behind the anti-SATO and anti-war line of Folha de Sao Paulo; and the pro-Wall Street right wingers of the Medici faction aggressively push SATO and confrontation with the Soviets through the pages of Estado de Sao Paulo.

12-29-76 *New York Times* article by Jonathan Kandell on Brazil's economic crisis stresses the importance of oil imports for Brazil's balance of payments deficit. According to Kandell, 40 per cent of Brazil's export earnings goes to pay for oil imports; another 40 per cent goes to pay its foreign debt; leaving 20 per cent of export income to meet its internal needs.

1-1-77 *Estado de Sao Paulo* reprints Kandell's article without comment.

1-4-77 A *Time* magazine article on the War of Pacific entitled "Girding for a Bloody War" contends that "the Russian role in Peru continues to worry Washington. If war broke out," *Time* continues, "...it could tempt other countries into similar action. Potential territorial disputes, for example, simmer between Venezuela and Colombia and Guyana."

1-5-77 *O Globo* and *Jornal do Brasil* report *Time's* article without mentioning the problem of Bolivian sea access, a major issue of contention in the War of Pacific. The article reports only on Peru's purchase of Soviet weapons.

Defense and Foreign Policy prints an article by Leight Johnson pushing for a South Atlantic Treaty Organization (SATO) to replace the OAS' Interamerican Reciprocal Assistance Treaty (TIAR).

1-6-77 *Folha de Sao Paulo's* editorial says that because of its political, economic, and military importance, Brazil should be concerned about the hot situation between Chile, Peru, and Bolivia. It criticizes the arms buildup between countries who have serious economic problems, saying "the road to development is not through war."

1-7-77 Brazil's Foreign Ministry rejects *Defense and Foreign Policy's* article, saying that Brazil will "definitively" not participate in a SATO with Argentina, Chile, Uruguay, and South Africa. "TIAR will be preserved as a valid instrument for the defense of the continent when and if it is threatened."

Estado de Sao Paulo's editorial says that the Leight Johnson article is a U.S. "trial

balloon" for SATO, and reports that there are rumors that "the foundations of a SATO are already being structured." The editorial, entitled "Creation of a South Atlantic Treaty," favors a "more active" Brazilian role in the African Atlantic zone, "in order to influence the evolution and shape the developments according to our national and ideological interests." It then emphasizes that in order for SATO to be solidified, "it is absolutely necessary that the U.S. participate in it effectively through means other than logistical, armaments, and training support." The editorial also praises Brazil's decision to participate in the NATO-sponsored Carib Ops naval maneuvers off Puerto Rico later this month.

The French daily *Le Nouveau Journal* calls the Soviet Union's plane sale to Peru a "master coup for Moscow" that now "threatens a fearful Chile."

1-8-77 *Folha de Sao Paulo* reports Brazil's Foreign and Army Ministries answer to the *Nouveau Journal* article. The Foreign Ministry points out that Peru's arms purchase will not affect Brazil-Peru relations, which have been at high point since the Nov. 5, 1976 Geisel-Morales Bermudez meeting. The Army Ministry says it is not worried about the purchase, since Peru is neither Communist nor Marxist and bought the Soviet equipment only because the Soviets offered the best terms.

Folha de Sao Paulo prints a small note

reporting that the war between Peru and Chile is building.

Estado de Sao Paulo claims that Brazil will have a more aggressive policy towards Central America and the Caribbean now that under President José Portillo, Mexico will not follow former President Echeverria's international policy towards those areas.

Estado de Sao Paulo reports that the French magazine *Defense Interarmée* published an article signed by Francois Dutrai that says that "the political stability and the strength of the (Brazilian) military regime create real possibilities for an imperial policy by the Brazilian government." According to *Estado de Sao Paulo*, *Defense Interarmée* contends that military power is not part of Brazil's foreign policy but that Brazil's geopolitical interests will force the country to intervene in other countries' policy.

Estado de Sao Paulo reports on a U.S. Congress investigation on the human rights question and says that Brazilian military men would be very upset if U.S. military aid is shut off.

1-9-77 A *New York Times* article by Jonathan Kandell comments that Brazil is a democracy and has only minor problems related with human rights.

Eliot Janeway in the *Washington Star* calls for a Brazilian invasion of Venezuela to solve Brazil's oil supply problems.

Venezuelan Foreign Minister Replies to U.S. Manipulation

The following excerpts are from the transcript of Venezuelan Foreign Minister Ramon Escovar Salom's press conference responding to the article by Eliot Janeway in the *Washington Star*. Escovar's comments were printed in the Caracas daily *El Nacional* of Jan. 12.

Escovar: The public opinion of our peoples must be fully warned and conscious of the fact that this is a matter of the manipulation of international suspicions against the unity and solidarity of the developing nations.

Question: And what is Venezuela doing to face this?

Escovar: The best way to fight this kind of campaign is with the truth.

Q: Does the *Washington Star* article form a part of all this?

Escovar: I have not fully read the article to which you refer. I have only read what has been published in the (local) press. I have asked our ambassador in Washington for a full report. But I can say, without referring to this item but rather to a series of articles published in the last few days, that there is a visible and concrete attempt to present certain aspects of international affairs in a distorted and incorrect manner. And Latin America in particular, along with the Third World in general, must be fully aware of those manipulations so as to be able to fight them.

Q: What circles do you think are behind this campaign against the unity of the Third World?

Escovar: There could be several, but the important thing is that they exist.

'Wrong Address'

The Rio de Janeiro daily O Globo printed the following brief article in response to Elliot Janeway's Washington Star article.

"Clearly with no news to write and bored with the cold weather of New York City, Elliot Janeway of the *Washington Star* sat down at his typewriter last Saturday to defend a risky thesis: since Venezuela, from whom Janeway has Brazil buying great quantities of petroleum, is primarily responsible for the ills which affect the Brazilian economy, the presidency of Brazil should seriously study the hypothesis of invading this neighboring country, in a single blow, and free itself

from the inconvenience of oil imports and gobble up this generous source of petroleum. According to this clever journalist, it would be as easy for Brazil to invade Venezuela as it was for Bismarck, Hindenburg and Hitler to conquer Alsace-Lorraine.

"If one were to follow the logic of this reasoning, it would make more sense for Janeway to recommend this dangerous undertaking to President Carter, because while the U.S. is the main buyer of Venezuela's petroleum, Brazil only purchases 4,000 barrels per day from Venezuela — which represents a little more than \$44 thousand."

An Interview With Eliot Janeway

Q: I'd like to talk to you about your article which appeared in the *Washington Star* on Sunday — "Oil Gouge on Brazil Imperils Venezuela."

A: Sure. That horse's ass of a Venezuelan Foreign Minister is claiming there's a conspiracy to create division in the Third World. You can quote me on this. In the immortal words of King Levinsky? — I should have stood in bed. Ha! Conspiracy to create divisions! There are divisions.

Q: I'm wondering what your information on the Brazilian factional situation is. My sense is that the Brazilian foreign minister would have nothing to do with your war plan. He will be visiting Venezuela in the near future.

A: I don't know anything about Latin American politics.

Just what I read in the papers. If I'm not in U.S. politics, why should I be in Latin America politics.

Q: The *Time* magazine article on the threat of wars the week before yours kicked off similar protest throughout Latin America. With your connections to *Time*, I assume it was their mention of the Venezuela border problems that inspired your article.

A: There's nothing behind my article. Only what's in front of it. Only the article — that's all there is, And I have nothing to do with *Time* magazine. I haven't since 1948.

Q: That's not what *Who's Who* says.

A: If you're going to practice some kind of left-wing McCarthyism, I'm going to hang up.

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