

March 22, 1977  
Vol. IV  
No. 12

---

---

# **EXECUTIVE INTELLIGENCE REVIEW**

---

---

**New Solidarity International Press Service**

**five dollars**

[ THIS PAGE IS INTENTIONALLY BLANK ]

# EXECUTIVE INTELLIGENCE REVIEW

P. O. Box 1972 GPO New York, N. Y. 10001

## TABLE OF CONTENTS

### INTERNATIONAL

- 1 'Common Fund' Commodities Bailout
- 3 Effort To Keep IMF In Operation
- 4 David Rockefeller Demands A Bail-Out

### NATIONAL

- 1 Schlesinger Activates Phase II Of Coup Plot
- 2 The Real Crime Behind The Goldwater Scandals
- 4 The LEAA Report On Disorders And Terrorism
- 9 The Battle For Fusion Energy In Congress

### ECONOMICS

- 1 Business Outlook
- 2 Raw Materials
- 4 International Trade
- 5 Corporate Affairs
- 6 Banking
- 7 Agriculture
- 8 Special Report

### SCIENCE AND TECHNOLOGY

- 1 U.S. Labor Party Testimony On Tanker Safety

### SOVIET SECTOR

- 1 The Two Faces Of Oblomov
- 2 Arbatov Lauds Brookings' Policy

### EUROPE

- 1 West Germany
- 4 Britain
- 7 Italy
- 8 France

### MIDEAST

- 1 Strategy For Mideast War
- 3 Turkey Looks To East

### AFRICA

- 1 Zaire 'Invasion'
- 2 Castro's African Tour
- 3 Foreign Influences In East Africa

### LATIN AMERICA

- 1 Colombia: Human Rights Violations
- 3 Brazil: Fascist Response To 'Human Rights'
- 4 Mexico: 'Petro-Bond' Issue Announced

### LAW

- 1 Labor Party Call For Investigation Of FEC
- 4 'The Right Of Free Elections In The U.S.'

### LABOR

- 1 The Roots Of Carter's Public Works Program

**Executive Intelligence Review** is published by Campaigner Publications, Inc.,  
231 West 29th Street, New York, N. Y. 10001  
Single issue price: \$5.00 (U.S.)  
Subscriptions by mail: \$225 for 1 year (52 issues)  
\$115 for 6 mos., \$60 for 3 mos.  
Address all correspondence to: Campaigner Publications, Inc. P. O. Box  
1972, GPO New York, N. Y. 10001

# EXECUTIVE INTELLIGENCE REVIEW

Editor-in-Chief  
Nancy Spannaus

Managing Editors  
Linda Frommer  
Don Baier

Production Editor  
Deborah Asch

U.S.A.—Konstantin George • Economics—David Goldman • Energy—William Engdahl  
Science&Technology—Morris Levitt • Soviet Sector—Rachel Berthoff • Military Strategy—Paul Goldstein  
Europe—Vivian Freyre • Middle East—Bob Dreyfuss • Africa—Douglas DeGroot • Asia—Dan Sneider  
Latin America—Robyn Quijano • Law—Felice Gelman • Press—Fay Sober

## IN THIS WEEK'S ISSUE —

---

“A scandal in **financial** terms...equivalent of **Watergate** in political terms...” That’s what Chase Manhattan’s **David Rockefeller** said the world thinks of **his banks’** portfolios in a speech to the Economics Club of New York last week. Rockefeller went on to lay out point by point the **Carter Administration’s program** to remedy the situation...his associates put it bluntly — “**We need a \$50 billion bailout**”...“The **IMF** will make it work.”

“Sheer nonsense” replied one European central banker. Our **International Report** reprints the key passages of Rockefeller’s speech and a first sampling of the reactions.

\* \* \*

Is the world swinging into line behind the “**Common Fund**” commodities proposal, a prime ingredient in New York’s **bailout** strategy? A report on the Geneva **UNCTAD** negotiations on the fund... and signs of European, Third World and socialist bloc acquiescence which had Rockefeller insiders gloating. See **International Report**.

\* \* \*

The Third World has managed...barely...to keep the dollar monetary system afloat so far. The price they’ve paid is reflected in Europe’s trade figures. Our **Economics** section scans key global parameters...downhill all the way.

\* \* \*

What **benefits** will a bailout bring to the **U.S. economy**? **Inflation** first, then...a **Mussolini-style straitjacket** for U.S. industry. See the

**Economics** section for reports on **Business Outlook** and **Corporate Affairs**.

\* \* \*

Europe’s governments continue with a rifle at their brains:

Britain — in the wake of his U.S. trip and deliberate snub by Carter, Prime Minister **Callaghan** is threatened with a vote of “**no confidence**” in Parliament...he’s under **heavy pressure** to adopt a new “positive attitude” toward the U.S. Administration.

\* \* \*

West Germany — Destroying Chancellor **Helmut Schmidt’s** resistance to Carter’s “reflation” plans was the priority item at last week’s “**Atlantic Bridge**” meeting in Princeton, N.J. Rockefeller ally **Willy Brandt** pointedly referred to Schmidt as “acting Chancellor.” EIR was there, and brings you a full report.

\* \* \*

Italy — Despite backing from the Communists, the **Andreotti** government **hangs by a thread** in the wake of student violence and parliamentary scandals...and the **IMF** is on hand to enforce a new round of austerity.

\* \* \*

**Latin America**...is the scene of the first full scale **capitulation** on the commodities issue. With its new “**petrobond**” scheme, **Mexico** has adopted the basic feature of **Henry**

INTER-NATIONAL
NATIONAL
ECONOMICS
SCIENCE TECHNOLOGY
SOVIET SECTOR
EUROPE
MIDDLE EAST
AFRICA
LATIN AMERICA
LAW
LABOR

**Kissinger's International Resources Bank...and has agreed to pledge its oil as collateral for its debt.**

\* \* \*

The Carter Administration is preparing a major confrontation with the USSR...directly targeting Angola and continental hotspots in eastern and southern Africa. For a report on the critical situation in **Zaire...and Castro's** attempts to put the continental fires out faster than **Brzezinski** and company light them...see **Africa**.

\* \* \*

The assassination of leftist leader **Jumblatt** has touched off a dangerous wave of violence in **Lebanon**...Carter's rush of statements on Israeli borders and the Palestinian issue have set the stage for **Israel** to function as a "breakaway ally" on course for a new regional war. See **Middle East**.

\* \* \*

**Brezhnev** advisor **Georgii Arbatov** has chosen this moment to discover that the **Brookings Institution**, the Washington, D.C. think tank responsible for pioneering **Hitler's** economic policies, is a true "friend of detente." **Soviet hard liners** know better...as their statements indicate...but are still pulling their punches on political action for a new monetary system. **Oblomov** is still sleeping...See **Soviet Sector**.

\* \* \*

The end of democratic government in the

United States can't come too soon for **James Schlesinger**. Together with Carter's Johnson Administration retreads Schlesinger is running terrorist scenarios which include "phony" **presidential assassination attempts** as the pretext for **police state measures**. The step by step plan for martial law was spelled out in a Federal **report on terrorism**. For excerpts on the report, a rundown on the key agents involved, and the "weak link" in the operation already tapped by the U.S. Labor Party, see **National Report**.

\* \* \*

**Barry Goldwater**, the dean of U.S. conservatives, and a potential leader in resistance to Carter policies in Congress, is getting the full **Watergate** treatment from the organized crime networks that make up the **Institute for Policy Studies**. Here's **who Goldwater** has to name to fight back...

House Majority Leader **Jim Wright** speaks up for expanded energy output, **fusion power**. Sen. **Harrison Schmitt** calls for massive **technology transfer** to the Third World...But while Carter is acting to strangle such plans Congress is still talking...The speeches are in **National Report**.

\* \* \*

**Vote fraud** cases are still in court...threatening to blow open the whole story of how the presidency was stolen for **Carter**. New suits are filed and in preparation against Carter's **plumbers on the Federal Election Commission**. See **Law**.

# Carter, David Rockefeller Want 'Common Fund' Commodities Bailout

President Jimmy Carter, in his speech before the United Nations last night, gave his support to a commodity bailout plan for ensuring payment of developing sector debt. Carter told the assembled delegations that "The United States is willing to consider, with a positive and open attitude, the negotiation on agreements to stabilize commodity prices, including the establishment of a common funding arrangement for financing buffer stocks where they are part of an individual negotiated agreements.

The Carter endorsement of a commodities "common fund" should come as no surprise to careful observers of the Trilateral Administration's policy toward the developing countries and the "North-South" negotiations. The core of Carter Trilateral policy was presented only days before by Carter's Godfather, David Rockefeller, in a speech before the Economic Club of New York, where he called for West Germany and Japan to take the lead in absorbing exports of Third World commodities to prevent a default of those countries on their debt obligations to the New York banks. Rockefeller linked the issue of West German-Japanese reflation — a policy he attacked them for failing to implement — to the absolute necessity of averting a debt collapse and combined that with a call for developing countries to abandon hopes for economic growth in favor of a maximum exports, minimum imports and total internal austerity.

The endorsement of the "common fund" is a clear expression of Carter support for hiking raw materials prices as the means of providing a flow of "resource dollars" into the coffers of the New York banks. The other side of that policy, presented in full in Rockefeller's speech and briefly in Carter's, is the use of the IMF, provided the Arabs, West Germans and the Japanese cough up money to refill its empty coffers, to both enforce developing sector austerity and provide immediate cash to bail out the commercial debt obligations.

The Carter speech follows a heavy arm-twisting campaign carried out at the just concluded meeting in Geneva of the United Nations Conference on Trade and Development where the "common fund" was the main topic on the agenda. Observers at the meeting report that the U.S. delegation was backing the common fund approach (although not necessarily the UNCTAD version of it) and combining efforts with UNCTAD head Gamani Corea of Sri Lanka in putting maximum pressure on the Western Europeans and the Japanese to go along with it as their big "gesture" to the developing countries. Corea was reported to have traveled from one European delegation to the next telling them that they had to back the plan if they wanted to give the developing countries a sign of their willingness to meet Third World demands

for the new world economic order. Corea, in a barely disguised display of intimidation which he not doubt worked out with the State Department beforehand, told the Europeans that since the U.S. was going along with it, they would look bad if they bucked the trend.

The UNCTAD operation is merely a continuation of the role of that particular UN bureaucracy as a pathetic launderer of the schemes for commodity control authored by organizations like the Brookings Institution. It is Brookings, with a leading role played by people like C. Fred Bergsten (now Assistant Secretary of the Treasury for International Economics), which originally put out the buffer stock schemes for the purpose of pushing up raw materials prices. The Brookings formula is nominally opposed to a "common fund," preferring a "case by case" approach, such as is represented by the already existing Tin Agreement.

The shift by Carter and Brookings is that they are pushing a "compromise" formula which they hope will bring the Europeans and Japanese into line on their commodity debt bailout plan. The compromise, something akin to the formula presented by former French Finance Minister Fourcade at the UNCTAD conference in May, 1976, calls for the creation of a clearinghouse common fund which would then fund individual, case by case, buffer stocks. This as the Carter speech made clear, is in fact the U.S. formula and was being circulated by Treasury and State Department officials at the Geneva meeting.

The Third World is nominally the proponent of the common fund plan, the UNCTAD laundered version of it which pays lip service to developing sector control of the fund and other fantasies. The fact that the fund would be used as leverage for propping up debt obligations tends to get lost on less sophisticated developing sector governments who are convinced by "friend of the Third World" UNCTAD and their bought off delegates to Geneva and the UN that the common fund will somehow magically produce more cash in their hands to buy desperately needed imports for development. This developing sector support for this stupid scheme, has been well used by the Brookings agents to circulate the line that a "concession" on this issue will divert the developing sector from the main and far more explosive issue of the massive debt overhang and their demands for general debt moratoria.

There is increasing evidence that despite the general stupidity prevailing in developing sector circles on this issue, some are seeing the design behind the Carter maneuver. OPEC representatives at Geneva put out a statement refusing to back the fund, a statement of profound significance politically and financially as it is

OPEC money which David Rockefeller wants sunk into his commodity fund. A member of the Saudi delegation to Geneva said that his country, as OPEC as a whole, would have nothing to do with any scheme whose purpose was to rollover developing sector debt to the New York banks. This is coming from a country who in the past weeks has drawn out significant amounts from their deposits in Chase and placed them elsewhere, an expression of their confidence in David's ability to pull off this confidence game.

The core of the Carter effort is directed at the Europeans and Japanese who have been determined opponents of the common fund, with West Germany, Japan and the British particularly adamant on this question. These trade conscious nations know perfectly well that what is being asked of them in supporting this insanity is a massive tax on their economies to hold up the present monetary and debt structure. At this moment it is not clear where the respective governments of countries stand on the issue, although it is clear that the pressure is bearing some fruit with regard to both Britain and West Germany where government spokesmen have been heard making noises about their willingness to "negotiate" — a fatal first step — on the issue.

At any rate this blackmail campaign by Rockefeller

and Carter will continue right up to the London summit where they hope to wring from Europe and Japan a complete capitulation on their IMF-commodities bailout policy and proceed from their "unified" into the final ministerial session of the Paris Conference on International Economic Cooperation (North-South talks — CIEC) which is scheduled to take place right after the London summit concludes. There is some speculation that David Rockefeller may offer the Europeans and Japanese a Munich "sudetanland" compromise on the fund — he'll drop insistence on the fund (for now) if they will give their full backing to the IMF bailout plan and contribute accordingly.

David Rockefeller's version of "commodity-dollars" now dancing in his head could of course immediately disappear with one word from the silent bears of the Soviet Union that they will come across with now tabled proposal for the creation of a transfer-ruble and gold-based new monetary system. Instead the bears kept silent as usual at Geneva, where besides voicing their personal disapproval of the UNCTAD plan, had nothing of note to say. The Soviets remained spectators to the disgusting maneuvers of Corea and his State Department friends in pressuring both the Europeans and the developing countries.

—by Daniel Sneider

---

## Yugoslav Weekly: Common Fund Needed For New World Order

*The following is excerpted from an article in the major Yugoslav weekly magazine VUS, March 5, 1977. The Non-Aligned nations as of now intend to put the "Common Funds" proposal on their agenda at their Coordinating Bureau meeting in New Delhi next month. The article reflects a wild illusion that this scheme could somehow be consistent with trade and technology transfers favorable to the Third World sector.*

At the upcoming New Delhi meeting (April 6-11), of the (Non-Aligned) Coordinating Bureau at the ministerial level, further efforts will be made to enable the Non-Aligned and the developing world to take the most efficient action to overcome pressures and accomplish the necessary breakthrough in the historic effort whose goal is the establishment of the new world economic order.

Among other things, the Non-Aligned and the developing nations seek a quick reconstruction of the entire international trade system. Within this framework is indexation — the inter-linking of prices of raw materials, primary and industrial goods. What is sought is the elimination of exaggerated fluctuations in the price of resources. This would ensure not only an adequate growth rate in the purchasing power of the developing nations (on the basis of corresponding incomes from the

sale of their basic wealth — natural resources), but would also stabilize the world raw materials market. The stabilization of the world market would be in the interest of both producers and consumers, and would also to some extent close the "scissors effect" between the prices of natural resources and finished products of the developed nations. World production must be reconstructed on the basis of a new international division of labor, in addition to easier accessibility of industrial products to the developing nations. The transfer of technology can only be developed in much more favorable circumstances than exist today.

The Colombo documents included measures in the sphere of international economic relations which can no longer wait. Structural changes can already begin to take place. For example: in the immediate future the establishment of the Common Fund for regulative buffer stock piles of commodities, the formation of an integrated Council of the raw materials producer countries which would strengthen their position and power in the struggle for the implementation of the well-known "integrated program of commodities." Measures to eliminate the exaggerated indebtedness of the developing nations are also urgent.

Colombo especially stressed the great possibilities of development of trade, financial, industrial, technological, and research cooperation among the developing nations. In this way, for example, the Non-Aligned and the developing world have decided to form their own Special Fund for regulating the stock piling of commodities if the developed nations do not permit the formation of the mentioned Common Fund.

---

## Javits Office Finds Third World 'Remarkably Cooperative'

*The following is an interview with John Rosenbaum, an aide to Sen. Jacob Javits (R-NY), who handles international economic affairs and Latin American affairs for the Senator.*

**Q:** It is reported in the press that at Senate Foreign Relations Committee hearings, Sen. Javits called for international financial agencies, such as the IMF to provide a \$50 billion bail-out to the U.S. banks if the Third World declares a debt moratorium. Is this true?

**A:** Yes, I checked the story with Senator Javits himself and he says it's accurate. What the Senator is saying is this. If some country defaults — Zaire is the most likely case — this in itself won't cause a crippling problem for American banks. But Zaire may be taken up as a precedent among Third World countries. What you'll have is a massive amount of developing countries defaulting or declaring moratoria. Under these conditions, such a bail-out would have to be arranged.

**Q:** Is it true that at the same Senate hearings, Javits said, "we must go on the offensive" on Third World indebtedness, and what does that mean?

**A:** We must take up the problem of OPEC. U.S. banks are shielding OPEC from the anger of non-oil LDC's. OPEC is making short-term deposits in U.S. banks, and these banks are then lending to the non-oil LDC's long-term, but it is the U.S. banks who get stuck with the risky loans and the dissatisfaction of the LDC's. Thus, U.S. banks are protecting OPEC, and why should we be the ones to receive their anger?

**Q:** Is Senator Javits supporting the Common Fund for world commodities?

**A:** Yes. The Common Fund is needed to stabilize commodities, and eliminate the boom-bust cycle in prices. But down the road the Common Fund raises questions. At what price should commodities be set? What happens if the prices are raised very high?

I think what will happen is that this will provide a

stimulus for U.S. companies to search for alternatives to these commodities. Let's say Jamaica raises the price of bauxite too high. Then U.S. aluminum producers might have to search for bauxite in domestic clay supplies. This may be the stimulus needed to make investments in processing American clay, which would then take away the uncertainty of American bauxite supplies. We can make other substitutions. For instance, we can drink more tea to some extent and less coffee. Instead of using copper for piping we can use plastics. We can also use glass fibers for telephones instead of African copper. Thus we can reduce copper importation.

**Q:** Are you making any preparations for the North-South talks?

**A:** We're seeking adjustments in the U.S., like legislation, that would make it easier for us to bargain at North-South, that would give the U.S. wider bargaining latitude. Some of these changes we would like to see are: first, legislation to allow the Third World to increase its exports to the U.S., to give them more access to the U.S. in terms of trade; second, to increase technology transfers to the Third World; third, to increase the role of multi-lateral lending agencies; and fourth, to make changes in PL-480, the U.S. food-aid, so we can use PL-480 in setting terms of trade.

I think also, we'll have to get legislation that will allow American industries that are harmed by increased Third World trade some form of adjustment. The Foreign Economic Policy subcommittee (of the Senate Foreign Relations Committee) will be studying and trying to work out overviews on the North-South dialogue, OPEC, East-West relations, and the role of U.S. bank lending to the LDC's in the next few weeks of hearings.

**Q:** How do you think the U.S. should handle strident countries, such as Algeria, at the North-South talks?

**A:** Not all Third World countries are alike, some like Algeria are radical, and others are not. What I find remarkable is that the Third World countries are cooperative. Despite their differences, they show a remarkable amount of cohesion.

I'll tell you what else amazes me is why the Soviets have not done a goddam thing about the Common Fund. They talk about colonialism and neo-colonialism being the chains that oppress the Third World. They could be doing more."

---

## Carter Administration In Desperate Effort To Keep IMF In Operation

Undersecretary of State Richard Cooper and Treasury Secretary W. Michael Blumenthal last week informed Congress of a full-scale effort by the Carter Administration to beef up the funding and police powers of the International Monetary Fund. Virtually all Adminis-

tration and related Congressional outlets, as well as banking spokesmen, now demand that the IMF "move to the very center of the world's financial stage," in the words of *Business Week* March 28.

The sudden contraction of attention on the IMF —



*Business Week* speaks of a "dramatic rebirth" — is a response to a series of events which has placed the Western banking system, and over-exposed institutions like Chase Manhattan, on the chopping block. First, both Western European and oil-exporting countries showed at this week's meeting of the United Nations Conference on Trade and Development in Geneva that they could not be cowed into accepting UNCTAD's price-fixing plans, despite the Carter Administration's swing in favor of the program. Secondly — as a special report by a Senate Foreign Relations subcommittee warned this week — West Germany has made it plain to the Carter Administration that the latter's demands for "coordinated deflation" are totally unacceptable. These two developments are related, since the continued rollover of about \$300 billion in Third World debts depends on high commodity prices and high rates of inflation in the leading industrial countries. Third, as the David Rockefeller address before the Economic Club of New York states bluntly, the Western banking system will not make it through without the intervention of the international institutions.

Carter, Rockefeller, Blumenthal and Co. are making a final demand on Europe, Japan, and the oil-exporters: the credibility and bailout-power of the IMF must be kept together at all cost. The IMF presently has almost no funds for additional loans whatsoever. The Fund's authority to impose additional levels of austerity against Third World debtor economies, which all spokesmen of the Rockefeller group agree is a pre-condition for the survival of the Eurodollar market. Last year the Eurodollar banks survived because they were able to convert close to \$30 billion of volatile short-term Third World debt into long-term debt, but the premise for this was a 15 percent cut in imports in real terms.

A further round of such cuts means the application of the Chile "solution" to virtually the entire Third World, and is not possible without the top-down control of the IMF as the world's monetary policeman.

Numerous plans are in circulation (see EIR Vol. IV no. 11) including a pet project of Zbigniew Brzezinski to revive the old OECD "safety net" formula, and a \$10 billion special IMF kitty cited by Secretary Blumenthal

in a March 16 interview with the London *Financial Times*. The content of these various "options" is identical: Rockefeller desperately wants a few more months' of time to extend covert operations and open armtwisting against uncooperative governments, in order to break European and other resistance to his program. In effect, he is telling Europe that he only wants the Sudetenland, and that the question of Poland can be postponed.

Sophisticated Wall Street estimates say that the main financial conjuncture this year will come towards the end of the third quarter, at which point even the proposed IMF scheme, if it succeeds, will be inadequate to hold the financial situation together. The Third Quarter represents the bulk of the approximately \$20 billion in Third World amortization, and also the seasonal high of U.S. Treasury financing. Getting through until then demands the cooperation of the Europeans, Japanese and Arabs to "restore" confidence in the bankrupt dollar monetary system, and provide cover for U.S. "enforcement" against the Third World — as in the case of Cyrus Vance's intervention into the Zaire events. "Keeping the ball rolling" also depends on high levels of price inflation in the U.S. economy, in order to maintain Third World export earnings (see *Business Outlook*).

Western European governments know that if they crack under the pressure they may not survive in power this year. The case of the IMF's austerity terms to the Italian government of Giulio Andreotti is the most important test case. If Andreotti accepts the public-spending limitation the IMF has demanded, his working alliance with the Italian Communists will be endangered. But none of the governments is yet willing to publicly reject the IMF plans, and directly provoke a collapse of the dollar. So the Europeans are employing elaborate stalling and disinformation tactics to keep Carter at bay until the IMF's Interim Committee meeting in Washington April 28. "Absolutely nothing concrete has been proposed or agreed to, and there is no concerted agreement of any sort" on IMF funding, says a European Executive Director in Washington. But the time the Europeans have left to stall is measured in days.

## David Rockefeller Demands A Bailout

*The following is excerpted from the address by David Rockefeller, chairman of the Chase Manhattan Bank, at the Economic Club of New York on March 15, 1977.*

...You will recall that last year at about this time, America's newspaper headlines and nightly T.V. news shows were dominated by a spate of dramatic stories about banks allegedly in trouble — all over the country. Understandably, these stories shook the confidence of the American public in our financial institutions at a time when confidence was badly needed.

More recently, the subject of banking problems has reappeared in the press in the form of *bank lending to foreign borrowers*. And as before — if not yet as

dramatically — this story too has made its way to the front page, in an increasingly foreboding tone.

To gain some perspective on these issues, let's look back briefly to the "problem bank" story of January 1976. It began with an article emblazoned across the front page of the Sunday *Washington Post*, which centered on the Chase and Citibank. Basically, the story concerned a then 18-month old confidential report of the Comptroller of the Currency — obtained through unnamed sources — which allegedly labeled both institutions as "problem banks" due primarily to classified loans. Reaction from the banks, the Comptroller and the chairman of the Federal Reserve Board was immediate and unified in its denunciation of the newspaper article and the im-

plications it suggested for the soundness of the U.S. banking system. Nonetheless, the damage was done, and the media across the country joined in on what appeared to be a blockbuster story.

Two days after the *Post's* revelations, *The New York Times* rushed to print with a one-year-old Federal Reserve Board list of 35 "problem" bank holding companies. Some days later, an FDIC list of 300 "problem banks" was revealed. Television anchormen warned of the — quote — "impending erosion of confidence in the banking system." And on Wall Street, where the gallows humor always runs high, local bars introduced a new recession cocktail — banking on the rocks!

To the casual newspaper reader and TV viewer — and I should add the foreign financial markets — these stories could not help but indicate that the banking system was clearly in a shaky condition. To many, in fact, it probably appeared that the press had uncovered a scandal in financial terms which was the equivalent of Watergate in political terms....

Three years ago, you will recall, the media raised the specter of imminent disaster for the oil-importing countries and consequently for the international banking system due to the huge surpluses which were piling up in the oil-exporting countries. The more extreme voices in the Fourth Estate predicted the system's collapse under the enormous recycling burden.

There were a number of us at that time — lone voices in the crowd I'm afraid — who argued that the private market could bridge the financing gap for some time, but that over the longer-run, greater assistance would be needed from public sources — as well as strenuous efforts by deficit countries to reduce the need for financing. When the predicted petrodollar catastrophe failed to materialize due in no small part to the immediate and skillful role of the private banking system, the media seemed to lose interest in the subject...

Recently however, the issue of recycling the surpluses of the oil producers has reemerged — as debt-servicing problems have occurred as external indebtedness has grown. A number of journalists and congressmen have voiced concern over the extent to which the private international banking system is committed to loans to less-developed countries.

A careful reading of these reports suggests two separate lines of concern. The *first* is the claim that the large volume of foreign lending by U.S. banks has resulted in the denial of credit to borrowers in the U.S. and thus delayed the U.S. economic recovery. The *second* is the allegation that banks have made large numbers of unsound foreign loans with the expectation that the federal government will bail them out when foreign debtors run into payment difficulties.

On the first concern, the lending officers of the Chase and the other major New York banks will, I'm sure, find a certain ironic amusement in the charge that they have denied credit to would-be U.S. borrowers. The fact is, with a 15 percent decline over two years in loans from major U.S. banks to commerce and industry, bank competition for business in recent months has been particularly fierce...

The second concern — that banks have dangerously overextended themselves in making foreign loans to

chronic debtor countries, particularly the lesser-developed countries — requires a more extended response. For the reality of the role of the private banking system in helping to finance LDC deficits is far more complex than the alarming headlines or glib statements would have us believe...

New loans to governments for straight balance of payments purposes will still be taken up by banks, but I believe lenders will be increasingly selective and cautious in adding such credits to their portfolios. Certainly it is *our* posture at Chase. If there is any serious question as to the ability of a loan to be adequately serviced, whether for balance of payments or other reasons, that loan is simply not extended.

In this regard, it often is forgotten that the largest proportion of overseas loans by American banks — about 70 percent of our total at Chase — is to industrial countries, including the OPEC surplus nations. Moreover, among LDCs, the greatest volume of credit has been extended to what the World Bank calls "high- or medium- income" nations — countries like Mexico and Brazil. Comparatively little bank lending has flowed into so-called low-income countries — India, Pakistan and many African nations. For example:

There is no denying the fact that bank loans to LDCs as a group have expanded significantly since the oil price increase in the winter of 1973-74. All told, the exposure of U.S. and other foreign banks to these countries has risen from \$39 billion to \$77 billion in little more than three years. But the capacity to service debt also has been increasing, albeit at a slower rate. Over the past three years the exports of the LDCs have advanced by nearly 65 percent — not a bad performance, considering the state of the world economy.

The heart of the potential LDC debt problem is not an unwillingness or permanent inability to service contracted debt ..... but a temporary shortage of supply of the foreign exchange required to make debt payments. The normal remedy for LDCs in trouble is not default. Nor does it generally mean even debt moratorium. More usually, it involves a refunding or rescheduling of debt. Obviously, banks prefer not to reschedule, but even in cases when they must, such action neither impairs bank capital nor decreases bank earnings. Again, this critical point seems largely to have been overlooked in the current dialogue.

Clearly, some LDCs have performed better than others, and each has to be judged on its own merits. Bank debt to a number of these countries has been expanding at a rate that should not — and cannot — be sustained.

This does not mean that loans to these countries at present are excessive; nor that banks need *bailing out*. It does mean, however, that bank lending will need to slow down, and that public policies must be directed at correcting the problems that give rise to such lending — most particularly, the persistent deficits in the balance of payments of many nations, both industrial and less-developed. It is on these public policies, in my judgment, that the attention of the press and the Congress should now be focused.

Unfortunately, many countries in the world, both those in deficit and those in surplus, have not yet undertaken

the tough adjustments that are required to bring their structure of international payments into better balance. As I mentioned earlier, the deficit countries — particularly the LDCs, but also some industrialized nations — need to expand their exports. They can only do this as the economies of the principal industrial nations grow and prosper. Germany, Japan and the United States occupy center stage in this respect, and thus far none has accepted the full role it must play. Germany and Japan have failed to provide stimulus for economic expansion, or to show a willingness to incur deficits in their own current accounts. The U.S., on the other hand, has failed miserably to fashion an adequate energy policy — one that will curb its appetite for oil imports thereby helping to cut down the OPEC surplus.

Meanwhile, many of the LDCs cannot escape taking difficult action to reduce their own deficits, even though this involves the painful process of slowing economic growth. Inflation must be brought under better control, over-valued exchange rates eliminated, and a more positive policy adopted toward encouraging foreign private investment. Internally agricultural sectors need to be given greater encouragement, even at the expense

of higher costs for urban areas. Because it takes time for the effects of policy changes to be felt, even an LDC that boldly undertakes reforms is likely to need international financial support at least for a period of time.

So an adequate supply of *public international credit* — credit that could be conditioned on the adoption of government policies promoting efficient adjustment — becomes a key prerequisite. This is particularly true now that bank lending will likely slow down.

While action to accomplish this could take many forms, one appropriate solution to the present deficiency in public credit might have the following four characteristics:

*First*, enlargement of existing public credit lines or guarantees. This may mean adding to the resources of international agencies such as the IMF and World Bank.

*Second*, increased public credit flows to each of the major classes of borrowing nations.

*Third*, extension of these credits subject to rigorous conditions that assure domestic policies which promote efficient adjustment.

And *fourth*, a substantial part of the funding should be obtained both directly and indirectly from the OPEC nations themselves....

---

## 'International Agencies' Will Force Third World Debt Service

*The following is the testimony of Harlan Cleveland before the Senate Committee on Foreign Relations, considering large Carter Administration pending requests for the World Bank. Cleveland testified on behalf of New Directions, the arm of David Rockefeller's Trilateral Commission which is outside of the Carter cabinet.*

... It is well-known, it is indeed a global scandal, that the oil price increases and the recession of the 1970s have created serious balance-of-payments problems in most Fourth World countries. As a consequence, many developing nations have been forced to increase their borrowing from public and private lending institutions... The result has been the creation of an enormous debt overhang which threatens further economic programs in many developing countries and raises unanswered questions about the health of the international banking system.

Emergency measures, including increased grant aid and concessional lending, will have to be taken to maintain the credit and purchasing power of countries until a more fundamental attack on the underlying problems can be mounted.

Among the most important emergency measures is a new transfusion for concessional lending, to reduce the further accumulation of unpayable debt (and hard-to-meet interest payments) and defer the obligation to repay the capital...

The instinctive objection, particularly from affluent elites in the "poor nations," is that any international pressure to do something about poverty inside their own

borders would violate their new-found national sovereignty. In the flush of just-won independence, that is a powerful objection indeed. But if the contributing countries cannot get their own people to support measures to help the "poor nations" because the help somehow winds up in the hands of an affluent urban minority, then some device will have to be found to reassure the contributors without intervening in the internal affairs of the recipients. There are, of course, precedents. When (in 1948) the United States tossed to the European countries the task of dividing up the Marshall Plan aid, the Europeans empowered their recipients' club, the OECD, to hold hearings in which each European country came up with its national economic plans and request for U.S. aid, and the other European countries probed and questioned and criticized — and even got some changes made in national plans. Even today, the procedure for seeking stabilization assistance from the International Monetary Fund involves submitting to the IMF a rather full analysis of a nation's economic prospects and monetary policies — and standing still for unsolicited advice from the other IMF members and the organization's professional staff...

Newly independent, newly developing, newly proud nations cannot accept such conditions from the world's strongest power without seeming to knuckle under to what they would see as a new kind of imperialism. But they can accept such conditions from an international institution, as the experience of World Bank group has already demonstrated.

My suggestion, therefore, would be to write into U.S. law not a unilateral take-it-or-leave-it condition, but a mandate to the Executive Branch to negotiate an international system of standards for the meeting of minimum human needs, and an international mechanism for relating such standards to the loans, grants, and other

kinds of international cooperation the developing countries need...

A new consciousness-raising process on human rights is in evidence not only in President Carter's expressed attitudes but in the seriousness with which they have been taken abroad. But the unilateral expression of American good-heartedness risks making us feel good without affecting the behavior of others. The United States should without delay initiate a wide consultation, starting with our natural friends and allies, designed to build a "community of the concerned" that would together develop a viable standard for the protection of human rights, and a mechanism for acting together to make sure that the rewards of international economic cooperation are especially available to those who subscribe to such standards....

---

## Citibank Bucks Chase : Don't Inflate

*The following are excerpts from the March Monthly Newsletter of Citibank, which rejects the Carter Administration's inflationary policy for the U.S. and its attempt to force currency revaluations and inflation on West Germany and Japan.*

According to the new view, West Germany and Japan can spur world growth by pursuing more stimulative monetary and fiscal policies. The reasoning is that a more rapidly growing Germany and Japan would absorb a higher level of imports from Britain, France, and Italy, countries confronted with high inflation, rising unemployment and severe balance-of-payments problems. But that strategy suffers on two scores. First, officials in both Bonn and Tokyo fear — and with good reason — that further stimulus will lead only to another round of accelerating inflation. Second, even in the absence of the inflation threat, it is doubtful that this linked-stimulus strategy would work.

...A country that adopts an expansionary line of monetary policy now runs the risk of getting back aboard the inflation rollercoaster. For if there's one economic lesson that was driven home in recent years, it's that accelerated money growth leads to higher inflation over the longer term.

...How much faster can Germany be expected to drive its economy in 1977?...Judging by the usual response of German imports to its real growth rate, a 1 percent gain in real GNP would probably lead to a 2 percent rise in imports. Since the total value of German imports ran about DM220 billion last year, present policy would add some DM30-31 billion to that figure, at 1977 prices. The additional stimulus then would raise 1977 imports by DM5 billion. Based on the 1975 shares (of the West German import market-ed.), Britain's slice of a DM5 billion rise in German imports would come to DM0.2 billion or something like £48 million....

The following table shows how each country's gains would measure up as a percent of its total 1976 exports and GNP, valued at 1976 prices:

	Britain	France	Italy
% of exports	0.20	0.40	0.60
% of GNP	0.05	0.07	0.15

No real economic gains, but real dangers could result from this state of affairs...

In 1976, the U.S. money-growth rate was some 6 percent measured in terms of the narrow money stock, or M1 — that is currency plus demand deposits. It was 11 percent in terms of M2 — the broad money stock, which adds time deposits to M1. By both measures, it was consistent with an annual rate in excess of 5 percent. And the rate of inflation would now be higher than it actually is were it not for the cushion of idle people and machines. So if money growth persists at last year's tempo, the inflation rate — and with it, expectations of future inflation — is bound to pick up sooner or later.

Now that pressures are mounting to loosen the purse-strings, the Fed will need to summon up all its strength to avoid erring in this direction...

---

## Bundesbank: Rockefeller Speech 'Sheer Nonsense'

*The following is part of an interview with an official of the Bundesbank, West German's Central Bank.*

Q: What is your reaction to David Rockefeller's speech at the Economic Club of New York, where he urges West Germany and Japan to reflate their economies to increase the capacity of Third World countries to in turn pay the New York banks?

A: Sheer nonsense! Nonsense! The Carter Administration is not aware of the actual problems. Therefore, people talk too much. But we have good reactions in New York. All the New York banks are not saying the same nonsense. Have you read the *Monthly Newsletter of Citibank*? They understand perfectly well our position. To reflate would only be, as they say, a "cosmetic operation." We are going to be very firm. West German bankers are against monetary reflation. Period! We are trying to convince the other countries that we are right. We are again and again going to repeat the same things. Even at the worst of the recent depression, West German exports and imports were growing in real terms. That is true assistance to other countries. It has nothing to do with monetary reflation.

Q: What are you going to do to help the Third World?

A: The only good thing to help the Third World is capital investment. To develop industry, grants.... But let me tell you that the Third World situation is much better in 1976 than before, and this has nothing to do with commodity-prices. Increases in commodity prices are only an immediate problem for the industrial countries. It does not help the Third World. That's all. The rest is sheer nonsense.

Q: How do you see the role of international agencies?

A: The role of the International Monetary Fund could be very positive. They intervene to solve payment problems. There is nothing wrong with that.

Q: Aren't West Germany, Japan, and the oil-producing countries being asked to increase their financing of the IMF, and isn't this going to channel West German funds toward the New York banks through Third World debt repayments?

A: The problem is the East Bloc. The aid of the communist countries is close to zero. Zero. It is only military aid. They should be compelled to share their part.

Q: Do you mean that East Bloc countries should participate in such international institutions as the IMF?

A: Yes, yes. They should pay.

Q: But the only way to achieve this is to create a new gold-backed monetary system, based upon credit to capital-intensive projects, isn't it?

A: ....The world being what it is, it could not work. Because of the New York banks, but mainly because of the Soviets. Yes, I have heard about the transfer ruble, supposedly to be based upon the Soviet gold reserves. But there is nothing official, nothing concrete. I know how the Soviets behave. They don't want to help the Third World. They are egoistical.

---

## Chase: Europe Will Cooperate After 'Confrontations'

*The following is part of an interview with a Chase Manhattan Bank public relations officer.*

Q: When Mr. David Rockefeller told the Economic Club of New York that some developing countries should suffer "a painful process of slowing economic growth," did he mean that those countries should pay their debts at the expense of their economic growth?

A: Well, whether those countries are going to be able to sustain their levels of growth is under question. We are confident that they are going to be able to pay their current debts. But we want no more exposure in the future. International agencies should step in.

Q: Are you confident that countries like West Germany or Japan would agree to fund the International Monetary Fund to that purpose?

A: Of course, there is a problem. But Mr. Rockefeller is confident that West Germany and Japan will lend money to the IMF.

Q: Do you mean that after this, the IMF will re-lend that money to the Third World, which will use it to pay its debt to the New York banks?

A: Yes.

Q: But it is said in Europe that overall policies of the Carter Administration — trade protectionism, inflation,

and anti-industrial measures — is leading toward worldwide confrontations. The French financial daily *Les Echos* is very clear on this. So, do you think that in this context, the European and Arab countries will increase their contribution to the IMF as demanded by the U.S.?

A: They will, but maybe after what you call "confrontations." It is a political question. It is a matter of will from our side.

Q: The Brookings Institution and the World Bank classify the Third World countries as good and bad borrowers. Do you agree?

A: Yes, it is Mr. Rockefeller's approach. Brazil, South Korea, Taiwan are good borrowers. But our banks have nothing to do with countries like Upper Volta or Zaire. The solution for those countries should be international. Projects should be worked out by international agencies. The only resource of these countries is manpower. Cheap manpower is their commodity.

Q: Do you agree with Treasury Secretary Werner Blumenthal when he says: "I see no hazard from them (the Arab countries) for the United States?"

A: Well, I see problems. But we are going to take care of them.

Q: What about the East Bloc? Aren't there plans to integrate East Bloc countries into the IMF?

A: I am not optimistic on that. East Bloc countries were purposely left out of his speech by Mr. Rockefeller.

Q: Mr. Rockefeller said that "Germany and Japan have failed to provide stimulus for economic expansion." Does that mean that the policy of the Carter Administration is the same as that of Mr. Rockefeller?

A: Yes.

---

## Brookings: There Is A General Fear Of Bankruptcy

*The following is part of an interview with Mr. Lawrence Krause, a Fellow at the Brookings Institution.*

Q: How do you see the evolution of commodity prices?

A: I do not see a general price increase. Just one-shot moves. Commodity price increases cannot last very long in a period of moderate industrial growth. Of course, you will have here and there some spectacular reactions to certain particular situations: cocoa, coffee, copper....Some specific commodities will react quite strongly, but it cannot be long term operations. Some prices will be rising, then others, and it will go on like this up to 1978-1979.

Q: As an expert in "world inflation," do you think that West Germany and Brazil should reflect their economies?

A: The two countries are in different situations. West Germany refused to reflate, and maybe they are right.

They see a 5 percent rate of growth. If their figures are correct, they are right to reject reflation. But if, on the contrary, the 3 percent rate of growth announced by the OECD was right, they should put in a new program now.

The case of Japan is very different. Their official target is a 6.7 percent rate of growth for 1977. They are not going to succeed. They have already stimulated their economy a great deal, but still, it is not enough. They can be an export-led economy only during cyclical recoveries, which is no longer the case. Therefore, they will have no other choice than to stimulate their domestic demand. I was in Japan last week, and the opposition agrees with this approach. Public works spending has already been increased by 20 percent, and it is a good beginning. But they should go further. The opposition is favorable to tax abatements, and you know that the present Japanese government is not as stable as its predecessors....

Q: How do you see the UNCTAD negotiations in Geneva bearing on the future of the Common Fund?

A: It is possible to design a broad commodity agreement, but only one based upon the idea of price stabilization. It is not possible to reach an agreement to raise prices. It makes no sense. Commodity prices are already rising, and a Common Fund would add nothing to this. A Common Fund only makes sense in a period of world depression, as a stabilizer. There is no urgent need for such a thing now.

As for the Geneva negotiations, you can very well outline the basis for a general agreement. No problem in this. A general agreement would be a good cosmetic operation. West Germany is only reticent because the purpose of the Common Fund has never been really spelled out. But the Germans would agree to an idea of stabilization, excluding speculation. The only problem is that it will take a number of years to negotiate the practical conditions, determine how it works. It will not and cannot function before 1978-1979. No way. Yes, I see a general agreement quite soon, but it will take a lot of time to make it work. I do not see it working before 1978-1979. It does not make sense before.

Q: Some people are very worried by a second wave of inflation....

A: I am not too pessimistic for 1977. The U.S. is not going back to double digits. Italy and the United Kingdom will make some progress. I see a stable situation up to 1978-1979.

Q: You keep mentioning the dates 1978-1979 as a limit....

A: By then, the economy will be close to full capacity. Inflation will become an immediate threat. It could happen that we would have to restrict internal demand much faster than ever before by then.

Q: Why do you think that the economy will be close to full capacity? If there is a period of expansion in 1977-1978, as you say, won't productive capacities be developed?

A: Well, this is not an investment-led expansion.

Q: Isn't it exactly the reverse?

A: Right....Everybody is scared to invest, The world

recession has been so sharp that there is a general fear of bankruptcy. Traumatization has removed optimism. But there is also a special reason in every country to hold off. West Germany and Japan have overinvested in the past. In France and Italy there is political uncertainty....Nobody is investing, and I see a real problem by 1978.

Q: What about the problem of the Third World debt?

A: The Third World debt is not a fundamental problem. The OPEC surplus has only to be oriented in a more efficient way toward the Third World. There are some good borrowers, such as Mexico, Brazil, South Korea, Taiwan, Singapore....But there are so few good borrowers. See the case of Zaire....This is the reason why international institutions should step in. The IMF is an efficient and flexible agency. It should intervene.

---

## German Atlanticists Into Gaullists?

*The following is part of the article, "The Time Bomb Is Ticking in the Underbrush," from Die Zeit, March 17. Its author is Trilateral Commission member Theo Sommer.*

The question is if the Carter Administration has enough patience to cool down the conflict, or will trigger an explosion. It is correct to speak of a crisis in West German-U.S. relations. Both partners are separated by deep philosophical, almost theological problems... Carter's policy contradicts itself: On the one hand he wants to give more aid to the Third World, but on the other, he wants to block their access to high technology. The Federal Republic, however, wants to prevent an explosion in the Third World, and therefore wants to deliver high technology... The U.S. is not credible. So why should Europe trust the U.S. more than Brazil?... The followers of Wüstenhagen (environmentalist leader) will greet Carter's cuts in the budget allocation for fastbreeders and for reprocessing. Even if it may have been an accident, Carter in fact cut the allocation by \$200 million. But what is that supposed to do? The President has to do some thinking about whom he wants to make politics with: with the Chancellor or with his opponents?... At this stage, I can only advise the Chancellor to stand firm... If Carter does not restrain himself, he could bring things to the point of changing German Atlanticists into Gaullists. The time bomb is ticking in the underbrush.

---

## Bailout? Yes, But How?

*The following is an interview with a staff member of the Senate Subcommittee on Foreign Economic Policy whose report endorses David Rockefeller's and other various schemes for bailout of the New York banks but questions whether these schemes will work:*

Q: Do you agree with the *New York Times* and *Washington Post* approach to your staff report for the Senate committee?

**A:** Well, what we meant is that the International Monetary Fund (IMF) cannot impose a tougher financial discipline on the borrowing countries. It is not really powerful in that regard. Look what happened with the United Kingdom... And when the IMF tried something more serious, look what happened in Egypt... There is a tendency in the U.S. government to think that because of their "neutral" status, the IMF and the World Bank can impose conditions that we never could. This is simply not true. Everybody knows that the IMF and the World Bank are not really "neutral". There is not way for the U.S. government not to be involved. It has to step in.

**Q:** What about the UNCTAD Common Fund and the Carter Administration favorable approach to it?

**A:** As for the Common Fund and other possibilities, they are going to be examined by our Subcommittee in the next two weeks. But let me tell you that there is still a

long way to go at the UNCTAD.

**Q:** How do you see the position of West Germany?

**A:** West Germany is going to be very firm on the issue of reflation. They are very reluctant. I had not read the *Citibank Monthly Newsletter* supporting their resistance to the Carter Administration on this, but I am not really surprised. A lot of people think that to reflate would be a cosmetic operation in West Germany. But the problem is that the West Germans are not even going for pro-investment measures.

**Q:** What do you mean when you say pro-investment measures? Has this something to do with reflation?

**A:** Oh no, no... We mean stimulating domestic demand.

**Q:** Other people will call that opening the money valve, won't they?

**A:** Call that what you want.

# Schlesinger Activates Phase II Of Trilateral Coup Plot

James Schlesinger, Jimmy Carter's special presidential advisor, has been identified by high-level sources as the key figure behind the Trilateral Commission's drive for a U.S. police-state. Schlesinger's efforts to provoke police state measures by terror and assassination operations are modelled on the terror-counterterror program known as "Operation Garden Plot." Garden Plot was created and organized during 1966-68 by members of the Carter Administration who then served under President Johnson; Cyrus Vance (now Secretary of State), Warren Christopher (Undersecretary of State), Joseph Califano (Secretary of Health, Education and Welfare), and Paul Warnke (chief Arms Control Negotiator).

The sources report that President Carter was to be a target of a "phony" assassination timed to coincide with Carter's Town Hall meeting in Clinton, Mass. March 16. After the attempt failed, according to the sources, Carter would have made a major public push for police state measures to cope with terrorism. Although this assassination plan was called off because of U.S. Labor Party mobilization and briefing of police departments and the U.S. Secret Service, the option is still live. Schlesinger is determined to create a paranoid climate to enable repressive legislation proposed in Congress by Senators Kennedy and McClellan to pass. Under the legislative code number S-1, proposals outlined in the 600 page LEAA Task Force Report on Domestic Disorders and Terrorism, a blueprint for step-by-step martial law, would be implemented.

### *The Garden Plot Modus Operandi*

The Johnson Administration's "Operation Garden Plot" was part of Lower Manhattan's earliest efforts in organizing a series of racial confrontations, terrorist operations, and student unrest in the late 1960s. Escalating police-military countermeasures were to follow.

The operational capacity initiated during that period centered upon the creation of a "domestic warroom" that integrated the deployment capabilities of each cabinet agency with police functions and created a massive data bank for profiling and tracking millions of U.S. citizens. It also included well-controlled terrorists and agent provocateurs. These are again in place under the immediate direction of James Schlesinger.

### *The Signal For Phase II*

On March 9 the Hanafi Muslim sect seized three buildings in Washington, D.C., killing one news reporter

and injuring scores of others in a planned operation that was to have ended in a bloodbath which would trigger a wave of racial confrontations and terrorist acts. The leader of the Hanafi sect, Khaalis, has been freed without bail under direct orders from U.S. Attorney General Griffin Bell. By keeping a tight lid on the real story behind the entire Hanafi affair — the Labor Party's exposure of the 'weak link' in the operation — Bell hopes to facilitate the next stage of Schlesinger-run domestic terrorism.

Intelligence sources say that the Hanafi operation also acted as a pretext for a major redeployment of CIA, Treasury, ATF and FBI agents into the Washington area for future use in assassination and terrorist actions.

### *The Coverup Remains Intact*

A "national security" cover has been clamped down on the story of the March 9-11 events. Through a press blackout and a Justice Department focus on stopping leaks, Bell is trying to prevent the real story in the Hanafi affair from getting out. Evidence gathered and presented by the U.S. Labor Party to the Senate Intelligence and Judiciary Committees identifies the controllers of the Hanafi sect as John H. Rees, top aide to Rep. Larry McDonald, and two authors of the LEAA Task Force Report on Domestic Disorders and Terrorism — H.H.A. Cooper and ex-D.C. Police Chief Jerry Wilson, now on the board of directors of the LEAA.

In the late 1960s Rees was directly involved in creating black paramilitary organizations in Newark and Harlem which were instrumental in racial confrontations. Rees was responsible for producing "community control" agent Immamu Baraka-LeRoi Jones, who tried to build a Vietnam-style "strategic hamlet" in the Newark ghetto. Wilson was responsible for police "mass roundup" of the 1971 Mayday demonstrations, themselves the product of anarcho-terrorist networks.

H.H.A. Cooper, author of the LEAA report; Dr. Peter Bourne, Carter's advisor on Drug Abuse Policy; and John H. Rees are all British counterinsurgents trained in psychological warfare. Cooper was also trained at the Psychological Warfare Branch of Special Forces at Fort Bragg which former Lt. Gen. William Yarborough headed under the Kennedy and Johnson Administration. Yarborough was directly involved with Vance et al. in creating Garden Plot following the 1967 ghetto riots.

### *Conditioning the Population*

Central to the terrorist operation is the press. Although there has been a "debate" around the question of



coverage of terrorism, the debate has been deliberately manipulated to condition the population into believing that the only effective way of dealing with terrorism is with police state measures. The aim is to play on people's feelings of helplessness by making it appear that terrorism is an uncontrollable phenomena with no end in sight. Only the most stringent, even unconstitutional measures can suffice in limiting terrorism, is the basic line.

A computer print-out "debate" is conducted in order to set the stage for furthering the legislation and guidelines for police state rule. One of these so-called debates is centered around hostage negotiations. It is important to note that in each of these "debates" the phenomena of terrorism is always treated as a lawful sociological and psychological problem, not as deliberately created and fostered by private political intelligence networks.

In last week's *Washington Post* article on hostage negotiation, two police chiefs participated in such a debate. On one side was Maryland's Montgomery County Police Chief and top LEAA operative Robert DiGrazia, previously involved in setting up the Boston "busing riots." On the other side was D.C. Police Chief Maurice Cullihane. Cullihane is a protégé of the LEAA's Jerry Wilson. The controlled debate proceeded as follows on the question of deals with terrorists:

*DiGrazia*—Promise them everything, but give the terrorists nothing. Once the hostages are secured, the police should not be accountable for promises given to terrorists.

*Cullihane*—Promise the terrorists everything, and keep the promise. In this way, you assure the future use of hostage negotiations as a credible instrument for saving lives.

This hard-cop-soft-cop routine is being used to shape the discussion in Congress and prevent the real measures from dismantling the terror apparatus.

The other side of the conditioning process is maximum

play for articles concerning all facets of terrorism.

\*\*\**Christian Science Monitor*—two feature articles on the "Terrorist International" cite LEAA sources to portray a vast, loose-knit network of terrorists from the Middle East to Europe to the U.S. The Popular Front for the Liberation of Palestine (PFLP), IRA, Weatherunderground and scores of other groups are mentioned to paint a picture of a spreading "underground" conspiracy to destroy democratic institutions.

\*\*\**New York Daily News*—a centerfold by Joseph Fried pictures a tightly-controlled operation commanded by the PFLP's George Habash which runs a vast network of IRA, Baader-Meinhoff, Basque, Dutch and Mideast terrorist operations funded by Iraq and Libya. Practically all the groups and individuals identified in all these articles, with the exception of Habash and the named governments, are agents of Interpol and the Institute for Policy Studies. These institutions are at the core of terrorism.

#### *Potential Scenarios*

Two of the most talked about areas for the Phase II round of terrorism are Mexico and Canada. In interviews conducted with various terrorist controllers, all kept referring to operations about to be unleashed in the two cited areas. As both Mexico and Canada border the U.S., terrorism there would produce the needed excuse for border closings — a key feature of the Garden Plot scenario.

According to intelligence sources, the city of Houston is the center of U.S.-run terrorist operations in Mexico and employ Cuban exile groups. Other "Mexican" groups under direct U.S. control are the 23rd of September League and the Chicano Liberation Front, which has operated on both sides of the border. In Canada, "old" separatist networks run out of the Paris Quebecois and the Front for the Liberation of Quebec (FLQ) are being reactivated. Their scenarios will directly interface with ongoing terrorist operations in the U.S.

---

## The Real Organized Crime Behind The Goldwater Scandals

This week, *Long Island Newsday* began publication of a 25 part series of article by Investigative Reporters and Editors (IRE) targeting Sen. Barry Goldwater (R-Ariz) for involvement in a so-called Arizona organized crime syndicate.

High level sources close to the Carter administration fact reported to NSIPS this week that the Arizona "scandal" was the combined work of private intelligence operatives under journalist cover working with Justice Department and National Security Council backup to insure that the already heavily controlled major media outlets run the Goldwater "attack" precisely by the script. Since Goldwater's public identification of the Tri-

lateral Commission control over the U.S. government and his direct involvement in derailing a number of cabinet appointments and policy initiatives deemed crucial to the Carter Administration, there has been no love lost between him and the White House. The operating principle is that if by the current "trial by character assassination" Goldwater can be crushed on the basis of the flimsiest of unproven allegations, then the message will effectively be conveyed to every potential opponent of the Carter-Trilateral policies: capitulate or be crushed.

The following report, based exclusively on material available in the public domain, answers the crucial questions of who initiated the planned program of

character assassination, why it was initiated, where the financial and logistical support came from and who are the personnel directly and indirectly responsible.

*General Background of the Conspiracy:  
Russell Sage Foundation and FIJ*

The two principal institutions through which the lower Manhattan financier group has developed the capacity to run blackmail, character assassinations, frameups, and watergatings over the past decade are: the Russell Sage Foundation and the Institute for Policy Studies adjunct, the Fund for Investigative Journalism.

The Russell Sage Foundation (RSF) has been the Rockefeller family's private intelligence vehicle dating back to the pre-World War I period in which it was founded as an American parallel to the British Roundtable's Fabian Society project.

It was the RSF that spawned the Fund for Investigative Journalism through a decade-long pilot project during the 1960s in "precision journalism." "Precision journalism" is based on the application of computer-based artificial intelligence methods to the preparation of news material intended to shape the opinions and interests of particularly designated audiences. The idea is that with the use of the proper symbols, linguistic structure and news "angle", opinions and intensity of interest can be shaped; and furthermore, that these characteristics can be inputted into computers to add a degree of "precision" to this propaganda process.

The RSF pilot work in this mass psychological manipulation dovetailed with the 1969 founding of the Fund for Investigative Journalism by a nest of intelligence operatives all associated with the same Rockefeller-lower Manhattan grouping. In effect, FIJ was the implementation phase of the Russell Sage laboratory tests.

Among the founding members of the FIJ Board of Directors and Board of Advisors were the following leading Fabian political intelligence agents:

**\*\*Phillip Stern:** President of the Stern Family Fund which has been the principal financial backer of the FIJ (and a well known conduit of CIA monies), founding Trustee of the Institute for Policy Studies and a former State Department official under John Kennedy;

**\*\*Charles W. Yost:** Longtime State Department operative involved in coup d'états in Africa and Southeast Asia, member of the Council of Foreign Relations, member of the Democratic Party Advisory Council, international correspondent for the Trilateral Commission-controlled *Christian Science Monitor*;

**\*\*Richard Barnett:** Founder and co-director of the Institute for Policy Studies, member of the Council on Foreign Relations, former State Department operative, and head of the Arms Control and Disarmament Agency;

**\*\*William Attwood:** Publisher of *Long Island Newsday* which nominally "sponsored" the Arizona investigation, member of the Council on Foreign Relations, former campaign staffer and later State Department official under Kennedy;

**\*\*Seymour Hersh:** *New York Times* "investigative journalist" responsible for such widely exposed CIA-staged black propaganda operations as the My Lai Massacre coverup of CIA and Wall Street control over the Vietnam war, the Pentagon Papers and the winter,

1974 "CIA revelations" that precipitated two years of Fabian-controlled Congressional investigations;

**\*\*Robert Woodward and Carl Bernstein:** The team of *Washington Post* correspondents who penned the series of stories that set the Watergating of Richard Nixon in motion, both regular participants in Institute for Policy Studies seminars including the six-month seminar that effectively mapped out the Watergate attack;

**\*\*Robert Novak:** Syndicated columnist (with Roland Evans) closely associated with both the Buckley family pseudo-conservative network and the Washington, D.C. think tank Center for Strategic and International Studies.

The above-cited individuals constitute a representative sample of the several dozen agent-journalists who make up the core membership of the FIJ. While their so-called political "views" place them at varying points in the left to right political spectrum, this serves to facilitate the targeting of stories at particular audiences. The invariant feature is the allegiance to Rockefeller monetarist institutions.

Not the least of the factors binding the FIJ network to the Rockefeller group is the fact of the funding of the investigative journalism project emanating from such known Wall Street funding conduits as the Stern Family Fund, the Rand Corporation, the Russell Sage Foundation and the Eli Lilly Endowment.

*The Arizona Operation*

The particular chain of events that led to the fall, 1976 deployment of 37 FIJ affiliated operatives into Arizona to prepare an attack against Goldwater and the network of southwest industrialists and politicians firmly opposed to the Trilateral Commission can be summarized as follows:

During February, 1975, a core group of FIJ operatives including Jack Anderson, *New York Times* D.C. reporter David Burnham, *Washington Post* reporter Len Downie, and *Chicago Tribune* terrorist-controller Ron Kozeol met secretly in Reston, Va. to plan out an attack against the Midwest and Southwest-based political faction and relevant regional media outlets that represented potential points of resistance to the next phase of the Wall Street coup program. Out of that session, the FIJ spawned the Investigative Reporters and Editors group to focus its activities and membership efforts in the targeted regions.

In mid-June, the IRE held an open founding convention in Indianapolis, at which all of the above-cited planners were featured speakers. It was Seymour Hersh, however, who provided the critical marching orders. In a plenary session speech, Hersh called on the audience of reporters and editors, many of whom were far from won over to the "precision journalism" pitch, to concentrate their efforts towards the Watergating of "the Mafia of the 1950s who are legitimate businessmen and industrialists today."

It is a most relevant point for further investigation that within 48 hours of the Indianapolis meeting, Don Bolles, a local Arizona journalist was murdered under circumstances that FIJ and IRE spokesmen conveniently labeled "Mafia linked."

By fall 1976, a 37 man IRE-FIJ team was deployed into the Southwest under the Bolles pretext and under the

above-cited funding umbrella.

#### *NSC Muscle*

The Trilateral Commission is finding it difficult, however, to ram totally unsubstantiated charges down the throats of any but its most unscrupulous press organs. Goldwater's threat to sue for libel is accelerating the desertion from the smear campaign. The following are statements from editors who refused to print the IRE-FIJ allegations against Goldwater:

\*\*\*In a front-page editorial statement, the *Arizona Republic*, Arizona's largest paper and Don Bolles' former newspaper, stated that the stories contained "statements and allegations" that the *Republic* had not been "able to obtain sufficient documentation and proof of to justify publication." The *Republic* and the *Phoenix*

*Gazette* further disclaimed any connection with the project that issued the fabricated charges.

\*\*\*Benjamin Bradlee, the executive editor of the *Washington Post* commenting on the lack of evidence for the charges on Goldwater stated, "My favorite paragraph says (in part 3 of the series) 'police also have a report from an informant who overheard a complaint by Joseph (papa Joe) Tocco, operator of a restaurant that serves as a post office for Chicago crime syndicate transplants, that Rosenzweig and other businessmen had prostitution so locked up that the Cosa Nostra could get only a small bit of the action.' Here you have an anonymous police officer quoting an unnamed informant who overheard an unspecified complaint in a restaurant by a crook. You can't get away with that..."

**EXCLUSIVE**

## The LEAA Report On Disorders And Terrorism

*The March 2 Law Enforcement Assistance Administration's (LEAA) "Report of the Task Force on Disorders and Terrorism" predicts increased terrorism of an ever more alarming nature, presents a blueprint for emergency powers as a law enforcement response to these situations, and in a special appendix presented by the BDM Corporation, details U.S. scenarios for a phased introduction into "high-technology" terrorism. As such, the Report is a manual for implementation of a U.S. police state, through a controlled terrorist onslaught against the American population.*

*The LEAA, created in 1968 on prompting from the Ford Foundation, has been the domestic police arm which has penetrated and entirely taken over operations against local law enforcement agencies. That unconstitutional role of the LEAA and other related agencies continues. The Task Force report proposes the integration of this LEAA function into a broader, state-by-state, city-by-city, "counter-terror" legislative apparatus.*

*Last week's Executive Intelligence Review identified the key individuals responsible for the Report; notably New Jersey Governor Brendan T. Byrne, Jerry V. Wilson, and the report's author: H.H.A. Cooper, and the reader is referred to that section and this issue's section on terrorist profilers, planners, controllers and institutions.*

*The Report was issued right before the Hanafi sect's siege in Washington, D.C. and other terrorist incidents around the country. The following quote, taken from the Report's concluding chapter, summarizes that theme:*

"Given the historical character of civil disturbances in the United States it seems safe to predict that they will continue to recur with regularity, for much the same reasons as they have occurred in the past. Economic conditions and labor unrest must always be particular causes for concern. Many of the traditional indicators for disorders are clearly present and need but little stimulus to activate them. The contagion factor in civil distur-

bances is strong, and outbreaks of violence, especially in settings such as university campuses, quickly produce imitators elsewhere. The strength of ethnic sentiment over issues such as school busing should not be overlooked as a disorder-producing factor.... Violence breeds violence, and in a potentially explosive atmosphere, sentiment over quite minor issues might well become difficult to control without recourse to repressive measures. The present tranquility is deceptive; it is urged that it not be taken as a sign that disorder in the United States is a thing of the past...."

*The "Standards and Goals" of the Task Force Report are excerpted at length below and need little explanation. The excerpts are not intended to supply the reader with every facet of the 661-page report, but instead represent the key features of that report from two standpoints:*

1) *Providing information that is indispensable for competent executive evaluation.*

2) *Identifying those aspects of the Report which stand out in glaring violation of the principles of the U.S. Constitution.*

### Standards and Goals for Non-Criminal Justice System Civil Authorities

#### *Employment of Military Force*

Civil authorities should develop a clear, publicly declared policy on the calling out and employment of military forces in the event of an emergency situation involving civil disorder, terrorism, or other acts of extraordinary violence....

The appropriate military authorities should be included in the general interagency planning process.... The civil authority, however, subject to these general considerations, should avoid interference with tactical and operational decisions that might need to be

taken by the military forces in implementation of their mandate to restore order....

The growing threat of international terrorism and its domestic imitators and the need for a response beyond the capabilities of the civil authority raises serious questions that need to be faced with realism. The United States thus far has not experienced the type of terrorism that has threatened the very existence of some Latin America countries or that has so radically altered the quality of life even in some quite stable European countries....Experience elsewhere has shown that when terrorism and political violence reach a certain level of intensity, the only appropriate response is a military one....

## Standards and Goals for the Legislatures

### *Other Counterterrorist Measures Undertaken By Intelligence Units or Agencies*

...A policy review board under the authority of the Attorney General of the United States or the State attorney general, where appropriate, should examine practices and procedures and lay down guidelines for the proper exercise of the powers conferred by the legislation.

### *Emergency Powers*

In situations of emergency....it may be necessary to enact special laws conferring on the appropriate authorities a variety of emergency powers to cope with problems....

Emergency legislation is, by nature, promulgated to meet a sudden, unusual situation that calls for an unusually rapid response. Such legislation will not therefore, be the product of the full, public debate generally accorded issues of considerable importance under ordinary, democratic processes. Because of the urgency of the need, some of the procedures that would allow for the expression of differing viewpoints will have to be curtailed....

Some consideration should be given the possibility of standardizing emergency legislation nationally, so as to avoid the disparities of emergency powers that exist at present throughout the country....

Legislators should consider the desirability of providing law enforcement officers, under specified conditions of emergency, the power to arrest without warrant for probable cause in all cases where a serious offense has been committed by some person and power to detain and question persons for a reasonable period where it appears that certain specified offenses detrimental to the public security have been or are likely to be committed.

The threat of terrorism presents problems of search and seizure with which ordinary law enforcement powers may not be adequate to cope....

A legislative clarification and enlargement of law enforcement powers under clearly defined emergency conditions should be considered...

Emergency legislation should be contemplated that would give law enforcement officers, acting in pursuance of their duties, the power of search without warrant...

Emergency legislation should be considered that would give law enforcement officers, acting in pursuance of their duties, the power to detain any offender, where there has been a breach of the peace not amounting to a felony or a serious misdemeanor....

## Standards and Goals for the Courts

### *Judicial Participation in Planning for Response to Extraordinary Violence*

...Members or representatives of the judiciary (particularly administrative judges and their designees) should cooperate actively with police and other law enforcement agencies in devising:

a. plans for arrest, detention, and expeditious processing of large numbers of persons in mass disorder situations;

b. In general, the classic approach of American courts to the solution of management problems can be characterized as a fairly ad hoc approach, paralleling the case-by-case approach to the resolution of jurisprudential issues, which is an integral concept of Anglo-American law. This classic approach, while perhaps satisfactory for ordinary court business, is relatively dysfunctional in major law enforcement emergencies or in the course of judicial proceedings involving special risks. The thrust of this standard is in direct opposition to that ad hoc approach to problem solving....

### *Pretrial Release Policies for Disorder Emergencies*

...It is recommended that, in emergencies involving large numbers of arrests, adoption of the following judicial policies and practices be considered:

1. Modification or suspension of judicially authorized pretrial early release procedures, such as collateral deposit or citation, which permit early release without court hearings in routine cases, when their use is inconsistent with emergency conditions....

5. Implementation of procedures permitting detention on the basis of danger to the community where authorized by legislation, in selected cases....

## High Technology Terrorism Scenarios

### *Terrorism and New Technologies of Destruction: An Overview of the Potential Risk*

*R. W. Mengel, The BDM Corporation*

The range of technologies available to terrorists and the potential consequences of its use are becoming progressively greater, to include deadly and often more exotic forms, such as chemical and biological agents, lasers, and precision-guided munitions....

### *Improved Technologies*

Evidence supports the contention that terrorists are not availing themselves of the present technologies....However, the increased liaison among terrorist groups and heightened awareness of the possible application of improved technologies pose the

potential for escalation....

First, there probably will not be a significantly large technological jump made at any single point; rather, incremental improvements on existing technologies will occur. For example, the use of precision-guided weapons would probably be preceded by the introduction of large-caliber, longer range rockets or mortars as terrorist weapons. Second, improvements on existing technologies will primarily affect law enforcement rather than the community as a whole. The changes wrought by advancing types of technology will not materially change the nature of terrorism, the ends to be achieved, or the means; nor is it likely that the patterns of target selection will be significantly altered.

....Terrorists can be expected to employ explosives with greater destruction power in smaller quantities. Examples of other improvements along this continuum are: The introduction or upgrading of communications and jamming equipment; the use of remote control, even wireless command detonation units; the employment of wire-guided munitions; the development of computer models and simulations to anticipate law enforcement actions and to determine system vulnerabilities; and the use of advanced electronic systems to counter physical protection measures.

#### *New Technologies*

In the foreseeable future, new technologies that might be applied by terrorists appear to focus on the types of weaponry using nuclear, chemical, or biological materials....

In marked contrast to nuclear technologies, in which fabrication poses a greater difficulty than delivery, chemical technologies are rather easily developed, but actual delivery presents the most significant difficulty. Because of these delivery problems and the quantities of substances required, chemical technologies are potentially restricted to a much smaller scale in terms of application and casualty-producing effects.

There are many highly toxic substances usable for creating mass casualties whose components are commercially available to an apparently legitimate "front" organization. Three toxic chemicals exemplify the range of technologies available: the fluoroacetates, because preparation is relatively simple; the nerve gases, because they are so widely known; and botulinum toxin (BTX), because of its extreme lethality....

Unlike nuclear technologies, whose use is limited by the availability of material, and unlike chemical technologies, which are practically limited by delivery problems, biological technologies are quite adaptable to demonstration attacks on small, isolated targets, while retaining a capacity of a larger attack. The range of potential lethality within the spectrum of biological agents is indicative, in part, of the difficulty in preparation, delivery and dissemination problems, and resilience under differing environmental and meteorological conditions.

#### *Objective Consequences*

Requiring the least amount of resources to manufacture of the technologies examined, the use of chemical agents would result in the fewest casualties because of

the necessity for unique target vulnerability and the difficulty associated with dissemination. Four methods of dissemination appear plausible:

1. Covert contamination of foodstuffs or beverages with bulk agent;
2. Covert generation of lethal vapor concentrations in an enclosed area;
3. Covert dissemination of aerosols in an enclosed area;
4. Overt-covert attack in open areas....

An attack on a selected outside population target is extremely sensitive to environmental conditions, the nature of the agent, and the form of attack employed. For example, a chemical bomb exploded in a busy terminal would undoubtedly kill hundreds; an attack on a stadium full of football fans using a low-flying crop-duster-type aircraft might kill thousands; aerosol dissemination by means of a smoke generator located in a van cruising the streets might kill tens of thousands. However, to accomplish an attack on an outside target as outlined above with only a moderate degree of success would require tens of gallons of agent and appropriate, although not necessarily ideal, environmental conditions. Even rudimentary calculations of casualties and other effects are extremely difficult to arrive at, and even they would be tenuous. On balance, it is clear that, if an attack is kept within what a terrorist group might reasonably undertake, the practicalities of chemical technologies would limit the resultant exposure to no more than a few thousand individuals at one time....

Using either anthrax or cryptococcosis, an attacker might simply drive through a medium-sized city using a truck-mounted dispenser. During spring or summer this type of apparatus would not raise questions in most locales. Anyone exposed for 2 minutes would probably inhale enough to be infected. Not all the victims would receive lethal doses, but the medical care problems associated with tens of thousands of cases of anthrax infection in themselves would be catastrophic for a community.

Smaller attacks could be successfully launched against large crowds that remain in enclosed spaces for 2 or 3 hours. The proliferation of domed stadiums has provided a series of ideal targets. For football and baseball games, these structures usually seat more than 70,000 persons. Using approximately 1 fluid ounce of either anthrax or cryptococcosis in aerosol form would result in the inhalation of an infective dose within an hour....

Unlike the use of chemical and biological technologies, terrorist employment of nuclear technologies would involve delivery problems that are relatively easy to solve....

For comparison, plutonium is approximately 10 times as toxic as nerve gas; anthrax is about 10 times more toxic than plutonium; and BTX lethality, measured in submicrogram quantities, is more than a thousandfold greater than anthrax....

Assuming a surface burst of about 1 KT, using a truck as the probable means of delivery to the target, the damage in a downtown area of a major city would be in excess of 100,000 immediate fatalities from the blast and destruction totaling in the billions of dollars....

### *Subjective Consequences*

An incident involving chemical, biological, or nuclear technologies would certainly have significant ramifications for local and higher level governmental officials. But it will be public reaction that would drive, to a great extent, these officials. Thus, it is important to at least place these subjective consequences in perspective with respect to threatened incidents prior to the first actual use of new technologies and the possible impact of that first incident upon subsequent events....

Once it is necessary to involve the entire community in countering threats of new-technology terrorism, the general fear level of the community will have been raised. Regardless of the outcome of that immediate threat, changes in society will have been wrought. Given the likely media coverage of a high-technology event, the effect of reacting on a community-wide basis would be experienced as a precedent by all local leaders involved with future threats, whether in the affected community or not. Equally as significant is the probability of an epidemic effect once it has been demonstrated that a threat resulted in a widespread reaction. As evidenced by event data on hijackings, bombings, and even kidnappings, often a rash of similar incidents or threats follows a widely publicized terrorist act.

Until a threat is actually carried out or a threat is permitted to impact on the community as a whole, it seems unlikely that any change in public fear will result. Although the nuclear safeguards debate has highlighted a full range of catastrophic dangers, there has been relatively little reaction from the public, including those communities in the vicinity of the 55 operational nuclear power plants. There is no evidence of a general exodus from plant areas nor even any sign of shrinking property values. Once an incident occurs, changes in public fear will be primarily a function of the damage, casualties, and societal psychological impact....

First, the local consequences of acts are far greater

than the nonlocal consequences. Particularly with respect to the overall level of concern and fear, locales impacted upon directly by events have reacted by taking preventive measures. Nonlocal populations have reacted with sympathy and even bitterness, but implementation of new measures has been limited. Second, it is unlikely that public fear will increase until after an event occurs. Threats have not resulted in significant societal changes....the communities subjected to new-technology terrorism will accept increased safeguards and the concomitant decrease in civil liberties. The paramount concern of society is to protect itself from known consequences. Society will seldom act until after some consequences have been demonstrated, particularly consequences of a local character, but society will be susceptible to changes in its norms, values, and structure once an event has been experienced.

### *Panic*

Of greatest importance to law enforcement and local authorities are those conditions that are most conducive to creating panic situations. Foremost, the threat must be sudden and unexpected, posing a danger that would be sufficient enough to cause immediate and intense fear. The threat must be direct and localized. Other factors contributing to panic include a population that believes there is a danger for which they are unprepared and which is beyond the capacity of normal behavior responses to adequately treat. Elements of novelty or incomprehensibility increase the tendency to panic. Confusion with respect to the general situation and specifics, such as escape, avoidance, and counteraction, directly impact on the likelihood of community panic. Finally, not only must the population be aware of their helpless situation — no escape routes, no information, bewildering uncertainty — but community leadership in the form of an authoritative, realistic response must be absent....

## 'We Have Not Had A Massive Well-Directed Onslaught, But It Must Come.'

*The following are highlights of a March 14 interview with Professor H. H. A. "Tony" Cooper, terrorist profiler and planner at American University Institute for Advanced Studies in Justice in Washington, D.C., who authored the Law Enforcement Assistance Administration's March 2 "Report of the Task Force on Disorders and Terrorism." While the interview in many ways parallels the LEAA's report, the New York-based researcher who conducted the interview wanted to underline Cooper's personal disregard for the U.S. Constitution.*

*Professor Cooper, like many of the current terrorist*

*planners, profilers, and controllers in the U.S., is a British subject who has been granted covert Interpol responsibility for planning high-technology terrorism.*

*Q: Let me start with the recent LEAA report which I understand you took a part in.*

*A: Yes, I fear I was responsible for that.*

*Q: What are the key aspects of the report?*

*A: It depends on the audience you're addressing. If you're looking at this from the point of view of "responses to terrorism," which is what we were really*

trying to outline, the key recommendation is "preparedness." It's no time in the middle of an incident to find that you are likely to have command or jurisdictional conflicts. What we recommend is that this sort of thing be worked out before hand so that the operation can run smoothly...We recommend that studies be undertaken on a more systematic basis.

**Q:** How would you suggest that such studies be carried out and who would be asked to do these?

**A:** There are certain people who have done very respectable work in this area, like David Hubbard for instance. He's been in this business for a very long time. They've thought about these problems; they've refined their techniques, and research is a question of really asking the right questions. Putting the issues in perspective so that only then can you know the type of answers you're likely to receive.

**Q:** Is there any kind of actual proposal that you would bring for such a study, and to whom?

**A:** Let me put it this way. The Law Enforcement Assistance Administration has money...There should be some form of continuing government review...To a certain extent, the Task Force represents that, but work is never done by task forces as such; the Task Force only met one time, but the staff were held together and were able to do this in a continuing fashion. The existence of that type of capacity on an ongoing basis is very, very necessary because the type of incident that we faced recently is really comparatively innocuous. I'm sorry if I sound terribly like the prophet of doom, but the sort of thing that we're going to face in the future is going to be of a more frightening nature, and we've got to be prepared for it.

**Q:** What do you think the prospects are in the United States for getting the LEAA suggestions implemented?

**A:** Well, if we can't do it, nobody can. This country has the money; it has the expertise.... What it means is that somebody with executive capacity has got to say, "Right, it is a good thing; it shall be done," and that somebody at this stage would be the Attorney General.

**Q:** Now, the part of the report that deals with "emergency powers" raises certain ticklish questions...

**A:** Well, let me explain the philosophy. The philosophy really is mine, and it was accepted by the Task Force, so I'm going to tell you what really motivated me in this. Terrorism is essentially warfare, and when it reaches really serious proportions, the response will almost always be a military one. That I've always felt is a tragic thing. It is much better in these cases that the civilian appropriate authorities have the power, that they be given the responsibility to deal with the situation as it arises. One of the unfortunate things that I found, for example, is that police powers of arrest in certain situations are so limited and so proscribed by custom...

**Q:** Does that present a problem in terms of the U.S. Constitution?

**A:** No, we can do this within the Constitution, and it's simply a question of setting up a mechanism to do this.

**Q:** In the U.S., people would tend to compare these types of proposals with "Garden Plot," and there might be a reaction.

**A:** Yes...As far as ordinary law enforcement is concerned, the questions of search and seizure, curfews and this sort of thing, it is much better to have these controlled by the civilian executive authority, rather than have soldiers in the streets.

**Q:** What can we expect in the future?

**A:** Well, I am probably in the advance guard of the real prophets of doom. I foresee a number of very, very frightening possibilities that are going to be upon us in a very short while...I was present when we had the knocking out of the telephones in lower Manhattan...This was not a terrorist action; it could well have been so. When you consider how little it took to produce that effect, how little it would take to produce a total blackout of the whole of the Eastern seaboard, you see the type of possibilities open...this is the sort of experience that we lack in the United States. We have not had a massive well-directed onslaught, but it must come. We are the ultimate enemy.

**Q:** What terrorist groups would you see in these situations?

**A:** Well, I would see obviously the Puerto Ricans. I would see other Latin American groups. So much of this is a reflection of the distribution of power in the world and a reflection of world politics at any point in time. The situation, for example, in Mexico, is very doubtful at the moment. It could well be that we start to get Mexican terrorists who are trying to affect the United States-Mexican relations to start operating in the Southwest. I foresee tremendous problems with Canada. The separatist issue is far from resolved. Canada is in a deteriorating economic condition. It may well be that some...will start attracting the type of movement in the United States in order to broaden the scope of the struggle. In Europe a number of countries are very unstable. The fate of Yugoslavia depends very much on how long Marshall Tito is going to live and how well he has prepared his succession. The main thing about transnational terrorism in essence is that this is somebody fighting on your territory; they're making a pigsty out of your living room. We could well unwittingly be drawn into this without this being a direct involvement in the United States' interest.

There are two things here. Firstly, there is the vulnerability factor. Secondly, high-technology has another aspect. That is, the militarization of weaponry. I don't know if you've seen this recent book, *Electronic Battlefield*, written about conventional warfare. It deals with the type of weapons of the future which are obviously available to terrorist groups. The militarization, which is now possible, and the tremendous sophistication of weaponry, is what we would have to face in some of these incidents. The only example we've had to face in this is the letter bomb, but the really significant thing, if you look at our experience with terrorism, even world wide up til now, they are still in the dark ages. But if you apply a "future shock" principle to this, our progress doesn't depend on a mathematical progression. There's

this constant acceleration so that we could be catapulted into the atomic age over night. Look at our second appendix, the one that I had prepared by the BDM Corporation...What I do see is the possibility of maverick groups, the sort of group that we had with the Japanese Red Army a few years ago taking this up...

**Q:** The Christian Science Monitor laid out in detail many of the recent movements of terrorists. If intelligence agencies have that kind of reading, how can the public be made to understand that it is difficult to stop acts before they occur?

**A:** I am a very strong proponent of intelligence. I was the consultant for the National Wiretap Commission. I produced the international report on this, and I very strongly advocate improved intelligence services...There's an old Russian saying that if there are three men plotting a revolution, two are secret policemen and one is a fool. This is the situation as far as organized groups are concerned, but some groups are extremely difficult to penetrate by conventional intelligence methods, and the really frightening thing is that the type of group likely to break what I call the "high-technology barrier" is most likely to be a lone psychopath, and intelligence, however good, is not going to pick him up. Unfortunately, most of our responses to terrorism up to now have been reactive, but we can't afford to react when somebody puts a nuclear device in the World Trade Center. We have to know as much as we can about what is going on up to now. Unfortunately, there's a great deal of jealousy among the host of agencies. There is a marked lack of cooperation internationally, and one of the biggest problems is that one man's terrorist is another man's freedom fighter...

**Q:** How can this be changed so that other countries would be brought more into this kind of work?

**A:** Well, I think we've got to forget about international cooperation. We've got to develop regional agreements. For example, cooperation with the RCMP is excellent. Cooperations with the RCMP is done on the basis of mutual interest with United States counterparts. If we can develop this with enough interested nations: for example, some nations now have tremendous sophistication in their response capability. Nations like West Germany for example, and we will just have to work to exchange information, ironing out some of the problems that arise out of lack of forethought...

By the way, the question of identity cards, for example, people say, "wouldn't it be a good thing if we had a single identity card in this country." Well, you'll never get it because the sentiment is against it, but nobody objects to carrying around a whole pocketful of interrelated credit cards, nobody objects to having a driving license with his picture, perhaps even his fingerprints on it, but this sort of sentiment is something we have to take into account.

**Q:** It's a pretty broad sentiment.

**A:** Francis what's her name of the Passport office has been pleading for years how much it would save, how cheap it would be to have a small, almost credit-size passport, but people are afraid of this, however much you try to convince people with rational arguments...

**Q:** I think the Nazi experience scared the hell out of a lot of people...

**A:** Well, it did, and yet it was badly misunderstood. It's the same as gun control. People have terrible misconceptions about that. Yet, these sentiments are so strong you might say they are atavistic. You can't get 'round them at all. I think it's useless to try. We have to work the best we can within the framework that the public sentiment will allow.

---

## The Battle For Fusion Energy In Congress

The Intelligence Subcommittee of the House Armed Services Committee will shortly vote to expand the laser fusion budget, a spokesman for the subcommittee announced today. Not only will the subcommittee — charged with jurisdiction over laser fusion because of its military applicability — reportedly vote to completely restore the \$20 million axed by Jimmy Carter from the President Ford-proposed budget but it will also recommend a token \$2.5 million (2 percent) increase. "We will take the bull by the horn and fight Carter," stated an aide to the subcommittee, chaired by long-time nuclear energy proponent Rep. Melvin Price (D-Ill).

While members of the Intelligence subcommittee threatened to "break ties with Carter" over nuclear energy policy, their colleagues on the House Science and Technology Committee have begun to waver — afraid of

a political confrontation with the Carter Administration. Fossil Fuels and Nuclear Energy subcommittee chairman Rep. Walter Flowers (D-Ala) announced that his subcommittee's mark-up (appropriation recommendations to the full House) will be postponed "at least until Tuesday" and perhaps until after President Carter announces his "comprehensive energy policy" on April 20. Flowers and others have justified this delay by nonsensically demanding a "clarification from the Administration on its nuclear stance" before taking a committee vote.

Indications are that if a vote is taken today in either the House Science and Technology Committee or the Senate Energy Committee — the two committees with overall jurisdiction for the nuclear energy budget — the outcome at best would be a "compromise" somewhere between



the disastrous Carter budget and the inadequate Ford-proposed budget. Neither budget, and certainly no "in-between" one, would permit the fusion power to be realized — as numerous experts have testified before the relevant congressional committees.

Most House Science and Technology subcommittee members are privately committed to at least full restoration of the nuclear energy budget cuts. While Rep. Flowers and others are publicly pushing compromise plans amounting to only one-third to one-half restoration, an aide to the subcommittee explained. Such compromise follow intensive Administration harassment particularly aimed at the Flowers subcommittee.

After wining and dining subcommittee members at the White House last week, Carter's "energy czar" James Schlesinger began calling up every Democrat on the subcommittee demanding that support for the nuclear energy cuts, a subcommittee source revealed. Schlesinger then followed this hard line with a sop telling each member not to worry since "come April 20 (when Carter's energy policy will be announced) the Administration's position will finally be clarified" with a "pro-nuclear program." Simultaneously, Carter sent each subcommittee member a "Dear Colleague" letter reiterating this.

The Carter Administration has also deployed personnel from the Energy Research and Development Administration (ERDA) to Congress claiming that

ERDA had earlier "put fat" into its budget recommendation which President Ford had accepted. (ERDA has become increasingly anti-nuclear energy since the forced ouster a few weeks ago of ERDA Advanced Systems division head Dr. Robert Hirsch, a strong proponent of nuclear power.) Already Rep. Gary Myers (R-Pa), a Science and Technology Committee member who during hearings had supported nuclear power development as a necessary complement of a U.S. peace policy towards Third World countries, has backed down to propose about a 50 percent restoration in contrast to his previous commitment to full restoration. Myers is currently citing "fat in the budget."

Finally, the Ford Foundation is about to release a Carter-commissioned study, concocted by the MITRE Corporation (best known for its nuclear terrorism scenarios) with help from Trilateral Commission member and Defense Secretary Harold Brown, which will "tear apart" the fast breeder reactor, which is an essential component of the transition to a fusion economy.

In contrast, a statement delivered to the U.S. Senate by Sen. Harrison Schmitt (R-NM) established the necessity for not only restoring the cuts but vastly expanding the nuclear energy, particularly fusion research and development budget. The developing world must "enter the 20th century, the technological and material 20th century," he stated (see complete text attached).

## Senator Schmitt: Technology Transfer Powerful U.S. Weapon For Peace

*Senator Harrison Schmitt (R-NM) made the following remarks Feb. 21 in the U.S. Senate, as reported March 10, 1977 in the Congressional Record under the heading, "The U.S. Defense Posture."*

Mr. President, on two previous occasions during this session of the Senate, I have dealt with questions relating to our defensive balance in the world with respect to our national security picture. In addition, we have had considerable debate during the last few days concerning the nomination of Mr. Paul C. Warnke, which related to our defensive balance and in what respects we might undertake to improve that or change it over the next few years.

Mr. President, I would like to speak today about some opportunities this nation has for change over the long term, and the need for some of the defensive weapons systems we have talked about so long...

I think the vote on Mr. Warnke has clearly shown that a significant number of Senators and a large number of Americans are beginning to articulate and understand

this paradox. I hope Mr. Warnke and the President, in their discussions on the SALT talks, will take note of the vote which occurred yesterday in opposition to Mr. Warnke's nomination, but more so in opposition to the kinds of policies he has represented for so long.

Today let me discuss opportunities for change, for a removal in the long term of the balance of terror under which we live.

The source of the opportunity which is before us lies in the aspirations of peoples of the developing world to enter the 20th century, the technological and material 20th century. The technological revolution in which we live today and in which we participate as a nation and as a people provides unique, historically unique, opportunities for the peoples of the developing world to enter the 20th century.

One of the reasons this has become so paramount in their minds is the demonstration of what is possible, which has come from this Nation's activities in space and, in particular, our activities in the vicinity of the moon.

The question is often asked of me and others, "If the United States can go to the Moon and work there and return men safely to Earth, why can't we at least participate in the 20th century?"

That is an excellent question. In that question there lies a unique opportunity for the United States to help these people by using our nonmilitary strengths far more than our military strengths.

I believe we can build real and lasting friendships with the peoples of the developing world if we take positive and sincere steps to reduce the gap which exists between their standard of living and our own, reducing the gap not by reducing our standard of living but by assisting them in raising theirs.

This gap in standards of living is the primary source of conflict which causes the major national security problems we have in this world. The gap in standards of living feeds the appeal of totalitarian governments whether they be of the right or of the left.

The U.S. opportunity to reduce this gap comes from the fact that we are leading the technological revolution and we are the only Nation with the technology based in the essential areas which are required by these countries if they are indeed to participate in the 20th century.

In the areas of agriculture, health maintenance, resource development, and education I do not think there is any doubt within the developing world, or within the rest of the world, that this Nation truly leads the technological revolution.

If we make progress in these areas throughout the world, then we can see a great opportunity for the reduction of the birth rate, for the increase in the standards of living, and can prepare the ground to further plant the seeds of freedom in other nations of the world. We can also prepare the ground for a real community of nations somewhere in our children's future.

In agriculture, the primary goal for these nations must be that they learn to feed themselves. The green revolution in this country which comes with the development of new equipment, new crops, and new ways of growing crops, offers a great potential for all the major developing nations of the world. A similar potential is offered by the implementation of simple technologies, which this country understands so well. Even though we have not yet begun to use many of these simple technologies ourselves, economically they are of even greater benefit in major portions of the developing world. I think here of solar technologies, for example, which can pump water, which can dry crops, and which can generally help to heat and cool the homes of individuals.

One of the major new developments of technology which can assist agricultural development and many other areas of development in these countries is that of space satellites, of satellite surveillance, where now we have the opportunities to monitor crop growth, to predict and manage the growth of those crops from the planting through the monitoring of the health of the crops and into the period of production.

Also using satellite technology, we can monitor the weather and prepare to protect crops against adverse weather, to take advantage of longer term periods of good weather or to prepare for long-term periods of bad weather.

In the area of health maintenance, there are many new ways in which the developing world can improve their standards, and with improvement in health standards comes increased productivity and increased satisfaction with life. In diets, in preventive health care, in education, and in many other areas, this country could well lead a health revolution among these people.

Resource development must be emphasized because it is only through the development of national resources initially that a new nation, a developing nation, can establish the foundation of a future stable economy. In the formative stages of their growth, it will be their principal source of capital. Once again satellite systems offer a great opportunity to these people. Their interest in the results of the Landsat photography is a clear indication that they also recognize this.

Finally, the most important technological area we must emphasize as we approach our new relations with the developing world is in education. Education is a basic requirement for a people to become free or, in fact, to remain free. Understanding how to better their lives through agriculture, through health, through technology, through birth control, through whatever means are appropriate to the traditional culture, traditions and needs of the country, must come through education.

Also through education must come the development of internal communications, particularly with respect to language. Without communication there can be very little progress.

Through experiments conducted by the National Aeronautics and Space Administration in cooperation with States in this Union and also with countries such as India and Brazil, we have seen a satellite-based education system developed. The experiments are extremely encouraging that through geosynchronous satellites we can very rapidly provide educational tools to the peoples of the developing worlds and to the peoples of rural areas in this country.

There are many examples of this great potential of satellites and new technology already before us. Among the most promising and most encouraging is the communication satellite system which is under the international management of Intelsat, with this country's participation being known as Comsat. In the history of this communications program, among the 93 nations which participate there has only been one nation which defaulted on that payment. That defaulting nation happened to be Lebanon, and it was during the period of the crisis occurring in that unfortunate country.

This is also a great example in the world, weatherwise, in which many, many nations throughout this world are cooperating with great utility to all concerned.

How would we implement a new era of foreign policy, a new era of assistance to these countries? It cannot be through the transfer of dollars; it has to be through the transfer of know-how. I think that that can come primarily through the implementation of service contracts — service contracts between a host country and business or, in some cases, maybe, through a particularly technologically oriented Government entity. With these service contracts, we can transfer knowledge, but I think it is most important that that transfer be done under a time limit for the particular technology area re-

quired. It must be done with a cost-plus-incentive-fee contract so that efficiency is paramount.

It also must be done by an education clause by which, at the end of the time allotted, the people of the host country are ready to assume the service that had been contracted for.

Finally, we must look for imaginative ways to finance such contracts. International institutions are more than willing to assist in these kinds of projects, according to my information. There will be internal funds provided through resource development and through the commitment of futures in resources by the host country.

And finally, if it is absolutely necessary, where U.S. aid

is required, then we are looking at a system by which that aid goes primarily into U.S. institutions and U.S. business. There is a great opportunity here, Mr. President, to traverse a very great time of peril, to help people who want help and who believe that only we can help. They saw us go to the Moon and they are asking legitimately, if we can do that, why cannot we, of the developing world, participate in the 20th century?

Time and time again, as I have traveled through these countries, as an astronaut, as a representative of this country, I have heard the expression, "Don't send us money; it only goes into the pockets of our leaders. Send us knowledge. That goes into our minds."

---

## House Majority Leader Urges Vigorous Expansion Of Energy Production

*The following is excerpted from the text of remarks by Congressman Jim Wright, Democrat from Texas, and the Majority Leader of the U.S. House of Representatives, to a conference sponsored by the National Environmental Development Association in Washington, D.C. March 16.*

The three subjects of your conference — energy, the economy and the environment — collectively account for about 95 percent of our congressional concerns....

Those who focus upon only one of the problems, as though it alone mattered, are foolish....

And those who believe we cannot make simultaneous progress toward all three of the goals — a healthy economy, energy sufficiency and a sound environment — are defeatists.

The nation has, unfortunately, some of both....

...if the philosophy of the "trade-off" becomes a substitute for real action or an excuse for not undertaking essential tasks, leading us to settle for half-way solutions, it is self-defeating and contrary to the spirit that built this nation.

It is not necessary, unless all wisdom has departed us, to conclude that a sound ecology can come only at the expense of a stagnant economy, or that conservation is incompatible with commerce.

Let us put the three problems in the perspective of their relative urgency.

### *The Economy*

The economic problem is both severe and immediate. The nation cannot afford to institutionalize an unemployment rate of seven-and-a-half to eight percent!

We are entering our third year of intolerable unemployment. We have suffered a higher level of joblessness, over a longer period, than at any time since before World War II.

More than 20 percent of our productive capacity lies idle. Nearly 20 percent of our building tradesmen are out of work. Unemployment among young Americans exceeds 20 percent and reaches 36 percent among young black Americans.

There is no such thing as standing still. The problem is soluble only in a *growing* economy. It takes about *two million new and additional jobs* each year to absorb those newly coming onto the job market....

An economic growth rate of about five percent a year is absolutely essential, given the simple facts of life. The goal of zero population growth is one we should, by all means, be pursuing. But a goal of "zero economic growth" as espoused by some, would be utter, irredeemable folly. It could be seriously advanced only by someone deficient in the study of economics or insensitive to human suffering.

I have mentioned the economic problem first because it is the one which can yield most quickly to national action.

There is, after all, much work needing to be done — work from which all of us can benefit — to which the energies of the unemployed can be intelligently applied.

Happily much of that work lies in the fields of energy and environmental improvement. Putting jobless construction tradesmen and unemployed youth to work building wastewater treatment plants....harnessing our unruly rivers....planting winter cover crops in the dust bowl....building parks and playgrounds in urban areas....improving conservation practices in our national forests....working on public transportation projects....perhaps driving mini-buses to provide effective car-pooling for industrial workers....and insulating buildings of all sorts throughout the country....is illustrative of the ways in which all three primary goals can be intelligently pursued by simultaneous action.

### *Energy*

...The simple fact is that we are running out of oil and gas. In one more generation — absent dramatic discoveries which nobody anticipates — the gas tank of our known petroleum reserves will be on “empty.”

The severest test of the statesmanship of this Congress will be our willingness to take some hard steps, and some costly steps, to curb wasteful consumption of these dwindling supplies while bringing on the development of alternate supplies, in actual production of sufficient quantities, *before* we run out of oil and gas.

Perhaps not all things we shall be required to do will be immediately popular.

We need to deregulate well-head prices for natural gas — not suddenly but over a four- or five-year period — as a means to encourage exploration.

And we need an oil pricing policy which will permit recovery of the hard-to-get oil....

But we need also to see that *all* we can do in conservation and in maximized discovery and recovery of oil and gas is only a stop-gap. It simply buys us time.

What I am saying, most basically, is that conservation alone will not be enough....

...Merely to reduce energy *consumption* and to do nothing about increasing *supply* will condemn us ultimately to a declining standard of living. That is an inescapable fact of life.

### *The Environment*

The environment, in the long run, could be the most important of the three. It is what makes life possible on this planet.... We don't know enough about it. We don't know what causes a winter such as the one we just had. We don't know what causes droughts. We don't know what will happen if the ozone layer above us is reduced by one or two or five percent....

There is so much we don't know. And these are serious matters. We cannot ignore them, even if we find they restrict our activities in various ways.

This aspect of the environmental movement of recent years — the growing awareness that man's activities can have unforeseen consequences on man himself — deserves the active support of all of us.

On the other hand, like nearly all popular causes, the environmental movement has taken on some of the aspects of a fad. And a great deal of mischief has been done in the process.

Sometimes environmental clean-up itself has fallen victim to frivolous esoterica spawned by the movement. The clean water program is the most grotesque example....The program has simply choked on its own red tape!

One of the big environmental causes of recent years has been to stop development of nuclear technology. At one site after another opponents — in the name of the environment — have managed to postpone or drag out construction to the point that these projects are years behind schedule.

Perhaps these critics have overlooked one vital facet of the problem. Recent scientific studies indicate that the accumulation of carbon dioxide in the atmosphere,

brought about mainly through the burning of fossil fuels, poses a far more serious environmental risk to the earth that we face in the operation of nuclear power plants.

Scientists tell us that with continued reliance on fossil fuels we are only a few decades away from a warming of global mean temperatures greater than has been experienced in 1000,000 years.

I don't mean to frighten you. There is every reason to believe that adjustments can be made. But one of the earliest possible adjustments would be increasing reliance on nuclear energy. Farther down the road we may be able to rely on other non-polluting energy sources, such as solar power, which also contribute no carbon dioxide to the atmosphere.

Both our nation's economy and our efforts toward energy development have suffered as a result of our failure to make the distinction. We have indulged ourselves in the luxury of protecting species, like the snail darter, having little or no interest or significance to mankind, while ignoring the economic and environmental need for the projects they have stopped.

We have been on a binge of emotion and in a drought of common sense.

### *The Correlation*

By all means, let us continue to study our environment; to protect it and improve it....

And let us remind ourselves that the central purpose of environmental protection is the protection and advancement of the *human* species — so that *it* does not enter the list of endangered species.

The aspirations of the poor, the unemployed and the new workers coming onto the market all are dependent on the continued growth of our economy. So also is our ability to assist the underdeveloped nations of the world. So indeed is our very ability to finance the environmental clean-up.

The people who describe continued economic growth as an undesirable “treadmill” have failed to account for population growth. They have failed to account for automation. They fail to provide any opportunity for the less advantaged strata of society to advance.

Whether they like the label or not, they are elitists.

For the sake of the human race, as well as for achievement of a healthy physical environment, recovery from recession must be our first order of business.

Energy is, of course, a vital part of that equation. The availability of energy and the price we must pay for it have a lot to do with our capacity to solve our environmental problems, to expand our economy and to assist other nations with their problems.

This winter we had our second scare in a little over three years. This time it was natural gas. Three years ago it was oil. Let's hope that this latest fright is not followed by the same kind of apathetic return to “normalcy” that followed the Arab boycott of 1973.

Some believed at that time that our energy crisis was a “one-time, short-term problem”....

Too bad it was *not* that simple! We could have handled that with relative ease.

Cheap energy has been taken for granted in this

country for at least three decades. We have had cheap gasoline, even cheaper natural gas, and cheap electric power.

When we were told that this abundant energy might start to run out sometime, we blithely assumed that scientists and engineers, who put us on the moon in 10 years, were working just as effectively on our energy needs of the future.

It happens that they were not — at least not with the intensity of effort that would save us from hardship or catastrophe.

Next month President Carter is going to address the Congress on the subject of energy. He promises to put forth the outlines of a comprehensive national energy policy, which we have lacked all these years.

I don't know what it will contain, but I think I know some things that ought to be in it.

In addition to those things we've already discussed, the proposal to put utility companies into the business of insulating their customers' homes deserves serious attention.

Anyone looking at the infrared satellite pictures showing heat loss from our cities knows how much energy is being lost in this way.

But there is another form of energy loss that seems to be getting very little attention these days. That is the heat lost from cooling towers and heat disposal systems at thermal and nuclear power plants across the country.

When we permit regulations that require hydroelectric plants to install costly devices to cool water to temperatures below those which run naturally in the stream — and waste precious quantities of water in the evaporative process — we engage in folly.

When we price natural gas far below its equivalent in oil or coal, we are encouraging the profligate use of our cleanest and best fuel when other fuels would suffice...and discourage the exploration necessary to find additional supplies.

When we provide an unwitting disincentive to finding and producing domestic oil and gas through shortsighted tax policies which discriminate against the independent exploration companies, we are putting ourselves more and more at the mercy of foreign producers.

When we impede our off-shore oil exploration with one stumbling block after another, we make it harder to bridge the gap between today's energy system and the mid-term and long-term systems we hope technology will provide us.

In the long run, of course, we must free ourselves from dependence on fossil fuel. The carbon dioxide problem in

the atmosphere should impose a deadline on us, even if our dwindling supplies did not.

Early on in human history, God commanded man to subdue the earth. Implicit was the instruction to protect it — to use it well, but not to use it up.

In Wyoming, there exist great reserves of high quality coal — coal with a low content of sulfur. The people want to market this product. But they do not want to send it by slurry pipeline *unless* a reverse pipeline can replace the precious quantities of their scarce *water* which will be required in its transport. I don't blame them. In the West, water is more valuable than oil or gold or uranium or any resource of the earth.

How ironic that at this moment a movement is afoot to stop the development of necessary water supplies in the West!

A little over a century ago our principal fuel was wood. Then came coal. In the 1920s oil gradually began replacing coal. Natural gas became the dominant fuel for residential heating after World War II. Today coal, our most abundant resource, accounts for less than 20 percent of all our energy consumption.

We can't go back to wood, but we can go back to coal. In the short time we have little choice. Oil and gas reserves both peaked in 1970 and are now dropping dramatically. Coal remains the one resource we have available now to meet our urgent needs until cleaner technology comes along. We must use it.

At the same time, we must put our nation's best brains to work on the development of technology to meet our needs when these resources either expire or have to be abandoned for environmental reasons.

One thinks of the Manhattan Project in World War II and the Space Program. I don't suppose you can force invention any more than you can push a string. But I believe there are ways to speed up the exploration of ideas already awaiting experimentation.

Controlled "fusion," utilizing hydrogen, may exceed our practical grasp at present, but a breakthrough here is clearly conceivable. The Soviets and British are far ahead of us, and we must catch up. Not even the invention of the wheel could compare with success in developing this totally clean and abundant energy source.

Think of the scientists and engineers who went on the unemployment rolls when the Space Program cut back. Think of the new college graduates who can't find jobs. We have the manpower, I believe, to attack and solve our long-range energy and environmental problems. But somehow we haven't had the will to put it to work.

Now is the time to do that. We have no time to lose....

# Percy Bill Paves Way For Carter Nuclear Embargo

The "Nuclear Nonproliferation Act of 1977" submitted to Congress by Sen. Charles Percy (R-Ill) and cosponsored by Sens. Javits, Ribicoff, Glenn and Cranston, is in essential agreement with about-to-be announced Carter Administration policy, according to an informed member of Sen. Percy's office. The proposed bill is a rehash of the discredited Baruch Plan of 30 years ago, whereby U.S. financiers attempted to bluff and bully the world into banning all development of nuclear technology under the guise of stopping the spread of nuclear weapons.

The Percy bill would make permanent the present ad hoc U.S. embargo of vital enriched uranium supplies to Europe, Japan and other countries for essential research and development of fast breeder and high temperature nuclear reactors. Already an "unofficial" Carter Administration embargo of enriched uranium to Euratom, aimed at blackmailing West Germany into reneging on its major nuclear technology transfer with Brazil, is weeks away from forcing the shut-down of West German research and prototype reactor programs.

## *The Bill*

In Percy's own words, his bill establishes "unprecedented criteria to govern the transfer and use of U.S. nuclear export items." Anticipating his opposition, the Senator has added that "there will be those who will assert that this bill goes too far — that it calls for a unilateral moratorium on U.S. nuclear exports." The bill itself leaves little doubt that it prepares the way for that drastic measure.

The professed aim of the bill is to establish a system of "international controls over the transfer and use of nuclear equipment, material, and sensitive nuclear technology, which will prevent the further proliferation of nuclear explosive capability, including the establishment of a system of international sanctions." A further provision would mandate the U.S. to "ensure that sensitive nuclear technology will not be transferred internationally to non-nuclear weapon states, and that enrichment and reprocessing facilities will not be constructed or operated in non-nuclear weapon states." The bill would also encourage renegotiation of already concluded technology transfer agreements. As a sop intended to woo the developing nations away from nuclear power and into solar energy schemes, the bill offers U.S. aid in developing "appropriate technology for energy production consistent with the economic and material resources of those nations."

## *Preparing For Showdown*

Last week, U.S. Nuclear Regulatory Commissioner

Victor Gilinsky, probable Carter appointee to head the Commission in June when its commission head retires, addressed the Japanese Atomic Industrial Forum meeting in Tokyo. It was in Tokyo two months ago that the Trilateral Commission issued a policy call for a world-wide ban on nuclear reprocessing facilities. Gilinsky told the audience of Japanese nuclear industry representatives that they should practice "restraint of the wide-scale reprocessing of spent nuclear fuels." Japan has been subject to heavy Carter Administration armtwisting in recent weeks aimed at halting their development of the Tokai nuclear fuel reprocessing facility which the Japanese industrials deem essential for secure energy supplies. Gilinsky showed his keen awareness of the current Japanese vulnerability on this issue. He stresses that the U.S. is "aware of how much the Japanese economy has riding on its investments in nuclear power, and it is this investment that provides a powerful incentive to our two nations to take the lead in restraint." Gilinsky added that he was "confident that the decision to defer reprocessing will not be reversed by President Carter."

## Japanese Develop New Reprocessing Technology

According to reports in the Japanese *Asahi Evening News*, the Power Reactor and Nuclear Fuel Development Corporation of Japan has become the first to develop a method of extracting used nuclear fuel so that the unburned uranium and plutonium are mixed. This new technology will be used by the Japanese government, according to *Asahi*, as its "trump card" in negotiations with the Carter Administration, which is trying to ban extraction of plutonium on the grounds that it will lead to proliferation of nuclear weapons.

If this new technology is applied by the Japanese, *Asahi* says, the U.S. will lose its basis for banning the operation of nuclear fuel reprocessing plants since it would be impossible to develop weapons from the technology mixture.

The Japanese development, announced by Prof. Takashi Kobo of Tokyo University, has been tested in reactors in Norway, the U.S. and France for the past three to six months with no abnormalities appearing, indicating the process is practical.

# Carter Team After Inflationary Boom In U.S.

## BUSINESS OUTLOOK

In a display of unabashed double-speak, Treasury Secretary W. Michael Blumenthal said in a television interview last Sunday that he was fearful of an inflationary "boom during the second quarter of 1977." Blumenthal and the other Carter economic counselors are, in fact, trying to stampede U.S. businessmen into an inflationary "upswing," for the sole purpose of underpinning escalating world commodity prices and Third World debt repayments. The Carter advisors are not in the least concerned that their \$31 billion two-year plan for reflating the U.S. economy — the domestic counterpart of the "economic stimulus" programs they are trying to force on West Germany and Japan for the same reason — will lead to spiralling interest rates and prices and a new collapse of the economy later in the year.

February's 10.8 percent annual rate of inflation of wholesale prices, due largely to scarce buying of raw materials by corporations in anticipation of future price rises and commodity-market speculation, financed by the New York banks, is the first fruit of the Carter policy.

Economists linked to the Administration, like former top Carter economic advisor Albert Sommers, are encouraging the "boom" scenario by advising corporations in private to buy raw materials, build inventories, and raise prices as fast as possible, before the wage-price control lid comes down later in the year.

The Administration received a vote of no confidence March 17 from the Senate Finance Committee, which only narrowly backed Carter's inflationary tax rebate plan.

Such opposition could wreck the Administration's delicate "recovery," whose fragility is the real content of the February economic statistics released last week. Carter and his economic advisors couldn't have been too happy about the vaunted 1 percent month-to-month increase in industrial production in February, which pushed industrial output a mere 1.4 percent above last summer's "recovery" levels. February's 1.8 percent rise in retail sales and the jump in auto sales in the first ten days of March to an 11 million annual rate are being held up by the most massive expansion of consumer credit since the days preceding the 1974-75 recession everyone knows.

### *Business' View*

Whether Carter and the Rockefeller banks can succeed in forcing inflation on the U.S. depends in large part on the subjective decisions of U.S. business in the coming weeks. It is possible that industry executives will go in for a major new binge of inventory building. But the howls of protest against the Carter program in the edi-

torial columns of the Wall Street Journal and the Journal of Commerce and the bitter public statements of business organizations make the Carter program's success questionable.

A glance at the books of U.S. corporations pinpoints why they may not be willing or able to go along with the Administration's "upswing" fantasy. While reported pre-tax profits of U.S. corporations were about \$149 billion in 1976, almost a 30 percent increase over 1975, no corporate executive takes such figures the least bit seriously anymore. Corporations in the process of applying the Financial Accounting Standards Board's "replacement cost" accounting procedures for the first time are alarmed to realize that their real cash flow is sharply *negative*. Last year the retained earnings of nonfinancial corporations fell approximately \$20 billion *short* of expenditures on added plant and equipment and inventories, when those expenditures were adjusted to reflect the current cost of replenishing plant and equipment and inventories.

Analysis of the Flow of Funds Accounts published by the Federal Reserve Board shows that in the fourth quarter of 1976 the internal funds shortfall ran about \$22 billion on a seasonally adjusted annual basis. This startling negative cash flow position is arrived at by adjusting new plant and equipment expenditures to reflect the current cost of replacing the depreciated plant and equipment (through the government's Capital Consumption Adjustment) and by adjusting expenditures on added inventories to reflect the cost of replenishing all inventories at the current inflated prices (the Inventory Valuation Adjustment). (See Table.) Of course, the \$22 billion shortfall is an extremely conservative figure. The Capital Consumption Adjustment merely adjusts standard depreciation to reflect the cost of replacing the same plant and equipment at current prices — it in no way takes into account the need to introduce higher technology.

The only reason fourth quarter cash flow was not some \$30 billion in the hole was that inventory accumulation was nearly flat. If corporations begin rebuilding stocks — as the Carter Administration is urging them — they will have to tremendously expand their bank borrowing — what they have been avoiding for the last two years. At that point negative cash flow will return to 1974 levels, when corporations were stockpiling raw materials and commodity prices were soaring.

Business loans are already expanding at a "healthy" rate. In the six weeks which ended March 9, bank loans (excluding bankers acceptances) and commercial paper borrowing of nonfinancial corporations increased some \$3.5 billion, compared to a 4.4 billion decline in 1975. However, it is too early to tell whether this is a reflection of significant inventory building or a function of higher fuel costs and involuntary accumulation also stemming from the cold wave.

## Negative Cash Flow Of Non Financial Corporations

(BILLIONS OF DOLLARS-SEASONALLY ADJUSTED ANNUAL RATES)

	1973	1974	1975	1976	I	II	III	IV
1. RETAINED EARNINGS (AFTER TAXES AND DIVIDENDS)	32.5	40.3	30.7	45.8	43.6	45.5	46.5	47.7
2. PLANT AND EQUIPMENT ADDED, NET (A)	35.5	41.4	25.1	31.8	27.8	30.6	35.5	33.4
3. INVENTORY ADDED (B)	31.9	51.8	- 5.0	26.8	22.1	29.8	27.3	27.9
4. FOREIGN NON-CASH INVESTMENT	5.7	9.8	8.3	7.0	6.7	3.3	9.2	8.8
5. INTERNAL FUNDS SHORTEALL 1-(2+3+4)	-40.6	-62.7	2.3	-19.8	-13.0	-18.2	-25.5	-22.4

	1973	1974	1975	1976	I	II	III	IV
(A)								
PLANT AND EQUIPMENT EXPENDITURES	105.4	118.4	109.2	123.0	116.2	120.8	127.5	127.4
LESS DEPRECIATION WRITE-OFF FOR TAXES	68.1	80.0	95.7	106.7	103.4	105.6	107.7	110.4
PLUS CAPITAL CONSUMPTION ADJUSTMENT	- 1.8	3.0	- 11.6	- 15.5	- 14.7	- 15.4	- 15.7	- 16.4
<u>EQUALS</u> PLANT AND EQUIPMENT ADDED, NET	35.5	41.4	25.1	31.8	27.8	30.6	35.5	33.4
(B)								
INVENTORY CHANGE	13.3	12.0	- 16.4	12.2	10.6	15.4	14.7	7.9
PLUS INVENTORY VALUATION ADJUSTMENT	- 18.6	- 29.8	- 11.4	- 14.6	- 11.5	- 14.4	- 12.6	- 20.0
<u>EQUALS</u> INVENTORY ADDED	31.9	51.8	- 5.0	26.8	22.1	29.8	27.3	27.9

SOURCE: BASED ON FOURTH QUARTER  
FLOW OF FUNDS ACCOUNTS OF THE  
FEDERAL RESERVE BOARD

## New York Speculation Aided By War And Drought Rumors

### RAW MATERIALS

An atmosphere of "boom" dominated world commodity markets last week. Cocoa futures rebounded

from the panic selling that followed the March 9 increase in margin requirements on the London markets. Other prices were pushed up by the prospect of world catastrophes including war in southern Africa and continued drought in California. Markets with basically thin volume are experiencing a professional "bull"



operation; Wall Street investors have moved to take over portions of London trading, and New York brokers predict sharp price increases on all sides except wheat and corn.

Apart from the large, purely speculative element, the boom reflects a high level of stockpiling by corporations to hedge against inflation and against future raw materials shortages stemming from natural or political disasters as well as longer-term commodity price hikes involving compulsory international reserves.

Questions remain as to how long and far raw-materials price increases can be sustained without a pronounced upswing in industrial activity. The commodity boom "cannot last very long in a period of modest growth of world industrial production," commented a Brookings Institution analyst this week. "Of course, you will have some spectacular price reactions here and there to certain types of situations ... some specific commodities will go up, but it will be short-run operations ... up to the 1978-79 period." By then, the Brookings Institution, whose planners are largely staffing the Carter Administration's economic departments, expects to institute the kind of U.S.-centered controls on world resource flows that would supersede reliance on commodity speculation to "tax" the industrial sector.

Meanwhile, brokers are worried about the likelihood of a jump in U.S. interest rates which, though never a deterrent to the big speculators, would cramp the commodity markets' other investors.

**COCOA:** The U.S. and London cocoa markets, always small and, as one New York banker put it, "monopolistic," are presently being determined by a few large speculators, mainly in New York, according to reliable sources. The New York exchange commented that "London is ahead of us, we want more trade," and this week's increase in daily trading limits (from a four-cent to a six-cent rise or decline in prices) is geared to allow New York to absorb more business.

On March 11, both cocoa and coffee futures prices began climbing back to the level that preceded the Bank of England-instigated increase in the amount of cash required to trade in the London exchange. The London Financial Times warned this week that the increase had been "only" 400 percent and, should British authorities choose to make another political squeeze on the speculators, further increases would be possible.

New York margin requirements have also been rising; in their effort to push up prices as a "tax" on consumers for the benefit of Third World debt service earnings, the New York commercial and investment banks "want to make sure anyone in the market can pay" for their contracts, or the bull market could be reversed by a panic. The price of cocoa has quadrupled since July 1975 and cocoa supplies are tight, but demand is ultimately elastic. May contracts now have a \$12,000 brokerage margin requirement in New York, up sharply since the beginning of the year.

The French cocoa exchange, which has a minor market share, also raised its margin requirements in political support of the British move. The financial daily *Les Echos* praised the Bank of England's efforts to excise speculators, referring to "brutal and persistent foreign intervention" on the exchanges. Anyone who wants to speculate in this bull market is foolish, the

March 15 commentary concludes.

**COFFEE:** Exchange and brokerage margins have speeded upwards for coffee contracts as well. The market was boosted this week by an International Coffee Organization report projecting a drop in world reserves to 7 million 132-pound bags (1.5 months' normal consumption) by October 1977. The Brazilian Coffee Institute estimates that public and private reserves in Brazil alone were over 7 million bags in December, but expects to be "out of stocks soon." While disputes continue over the validity of these figures, New York brokers are quoted in the March 18 Wall Street Journal as discouraging coffee speculation — by anyone who can't afford it.

**SOYBEANS:** Prices also moved abruptly higher this week for soybean and soybean-meal futures, and, more tentatively, for soybean oil. World shortages are expected if drought-stricken China has to enter the market, according to New York commodity analysts, and demand is also anticipated from the USSR. Growers are reported by the press as extremely grateful for the Carter Administration's "overwhelming assurances" that it will not seek an export embargo on soybeans this year.

**SUGAR:** A slight pickup in this basically depressed market appeared this week after a West German firm projected a lower volume of world production than expected, owing to declines in Indian and Cuban output which may offset higher USSR production. U.S. beet sugar producers would prefer government aid to the reduction in import quotas proposed by the International Trade Commission, and expect only marginal benefits if the Food and Drug Administration pushes through a saccharine ban. Other substitutes are available including high-fructose, for which many companies built facilities when sugar prices were high.

**COPPER:** Despite a giant glut of copper, prices have not collapsed. This is largely because of stockpiling in the expectation of a long U.S. strike which might involve a longshore blockade of imports and exports, and the possibility of war in southern Africa. Kennecott and other major producers have been pre-shipping inventories, and would not mind a long strike, if indeed they do not plan to force one. Prices have also been propped up by purely speculative market entries, according to the Wall Street Journal.

**CHROME:** The new ban on U.S. imports of Rhodesian chrome is widely viewed as an ineffectual token gesture. A State Department chrome expert commented this week that the effect on Rhodesia "will certainly not be very devastating because of the low level of imports, and also, the business cycle is hardly booming."

The U.S. bought 7 percent of its chrome from Rhodesia in 1976. In 1976, South Africa supplied 36 percent of U.S. chrome imports, and the potential increase in export orders to South Africa and Brazil are welcomed by U.S. authorities as improving those countries' cash flows.

# Why Third World Debt Is 'Stabilized'

---

## INTERNATIONAL TRADE

---

Behind the giant increase in Third World commodity export prices, the Eurodollar market banks in 1976 collected volatile short-term debt of the Third World to the tune of \$29 billion, turning it into politically more manageable long-term IOUs. Fully \$25 billion of that was paid by industrial consumers and taxpayers in Europe, Japan, and the U.S. who through the commodity price swindle and otherwise, paid \$25 billion in long-term money to the Third World which was quickly transferred right to 1 Chase Manhattan Plaza.

At the same time, Third World consumption was out more severely than any time in history, through a 10 percent real drop in imports while everything not nailed down was exported, maintaining real exports steady in spite of severe production falls.

This year, the life of the Euromarket banks again depends on the ability to repeat the operation for even larger short-term debts coming due, perhaps \$47-50 billion. For this reason, Carter economic advisors are urging quickie inflationary policies upon Europe, Japan, and the U.S. itself — to pay the commodities import tax. If European and Japanese leaders accept the UNCTAD common fund or any other Carter commodity swindle, they can expect in 1977 to be hit with a \$28 billion bigger bill for the same volume of commodities they bought in 1975.

### *Debt Payments Up 61 Percent*

While total Third World borrowing rose marginally from \$47 billion to \$49 billion between 1975-6 (Table 1, line 4), what is key is the *use* of the borrowing. The largest use was Third World repayment of its past debts, mostly to the Euromarket banks, which rose from \$18 to \$29 billion or by 61 percent.

The \$29 billion in question represents politically hot short-term debt, those due within one year. They have been repaid, the table shows, and substituted for by more manageable long-term debt. Otherwise, these debts threatened to become totally unpayable in Brazil, Egypt, Zaire, Mexico, etc., and force large-scale defaults and bank runs, as even Citibank's Brazil desk, thankful for the coffee windfall, told the press recently. Repayment — or not — of that short-term debt is the top political issue in these countries where every cent paid comes out of food and public health consumption.

Who provided the long-term re-financing funds? First, industrial Western governments, who paid \$14 billion (line 2) directly, in taxpayers' money for long-term loans, direct or via the International Monetary Fund and World Bank; to the Third World. While it appears as

though banks paid the rest, in reality, industrial corporations and consumers paid *another* \$11 billion via the commodity hoax tax. Of the \$12 billion extra the industrial world paid for inflated commodity prices in 1976 versus 1975, \$11 billion went towards a reduction in borrowing for trade (line 1), and another \$1 billion in trade credit reduction that allowed the banks to reduce their own trade loans (line 1), by \$11 billion and hike up their lending for debt payments outflow (line 2), as they did. All in all, of the \$29 billion short-term loans due to banks which were turned into long-term, industrial corporations and consumers graciously forked out about \$25 billion straight to David Rockefeller.

### *Trade Credits Down 36 Percent*

The \$11 billion Third World trade deficit reduction means that a drop of 36 percent in total credits extended for trade to the Third World occurred between 1975 and 1976. The Third World has historically and correctly depended on just these advances of real resources and technology for its economic progress, as the West German, Japanese, British, and other Western economies need to export to the Third World to expand their own industries. Fittingly, while governments kept up their lending for trade (line 1), the Euromarket banks cut back from \$18 to \$7 billion in 1976.

What this meant for human and industrial development is well-illustrated by the case of Brazil, showing trends similar to the rest of the Third World (Table 2). Like the others, Brazil has been shipping out exports at top speed, with a 16 percent rise in 1975-6, and another 15 percent projected rise this year. Brazil also ran up a healthy \$6.5 billion in foreign reserves.

But to accomplish this, domestic consumption has been strangled by a credit squeeze which has arrested agricultural and industrial growth. Sixty percent interest rates on agricultural credit have plummeted tractor sales, a U.S. exporter complained bitterly last week. The 40 percent government subsidy on fertilizer has also been eliminated, and wheat production had dropped severely. The government plans to reduce wheat imports by 37 percent in 1977.

Real purchasing power, according to a top thinktank, fell 50 percent in 1976.

Interest rates to industry are also between 55-60 percent, with the result that the biggest firms borrow in New York instead at a cheap 43 percent. Inflation is around 40 percent. Machinery, auto part, and steel industries are cutting production by 5-20 percent as sales simultaneously go into the red, in some industries, for the first time in Brazil's history. Auto sales for example, fell a full 24 percent in February 1977 against last year.

Mexico has been similiary hit. While exports rose 8 percent and imports fell 9.7 percent, agricultural production fell, for the first time in recent history, by 2.1

percent, and capital goods production plummeted by 5 percent.

In such Third World nations, where historically growth rates have been necessarily at least 10 percent annually through 1975 because of the sheer room for growth left by underdevelopment, these Mexican and Brazilian figures spell disaster.

#### *What Will 1977 Cost?*

The run-up Third World reserves is for one purpose only — to make countries' balance sheets appear

“decent” so that the banks can repeat the same operation all over again in 1977. This time at least \$47 billion in short-term debt payments must be rolled over by long-term government and bank loans, probably more: Mexico *alone* has \$8 billion due within 1977. Again, the banks will only be able to loan out for debt payments if they can reduce the trade deficit by the commodity swindle, raising Third World exports this time in value terms up to \$120 billion (Table 1 line a) and cutting government and bank loans for trade to zero.

## Another New Deal For Industry On The Horizon

---

### CORPORATE AFFAIRS

---

This month, three articles have appeared in the *Wall Street Journal* which indicate that the Trilateral Commission members who stack the Carter Administration are getting ready to slap corporatist governmental control on industry à la the New Deal.

In the first *Journal* article, two former attorneys for the Anti-Trust Division of the Justice Department called for the resurrection of the Temporary National Economic Commission, the New Deal's watergating commission against U.S. industry. Then on March 8, former National Security Council member Walt Rostow asserted in the pages of the *Journal* that: “The key task ahead is to bring about a massive increase in investment through the collaboration of the public and private sectors. A public role is inescapable because, for good or ill, governments here and abroad are inextricably involved in policy towards energy, agriculture, raw materials, the environment, research and development.” Rostow then, not surprisingly, said, “On the public side, I believe we shall require something like the old RFC: the Reconstruction Finance Corporation, created by President Hoover, and used effectively in both peace and war by President Roosevelt.”

March 14, Rand Corporation president Donald Rice, who had previously chaired the National Commission on Supplies and Shortages, called for increased “monitoring” of business by government through the Council on Wage and Price Stability.

The persistent calls in the *Journal* for a corporatist control of the economy come while the Securities and Exchange Commission and the Federal Trade Commission are shifting towards a Naderite perspective which will put a clampdown on U.S. industrial growth. (See Executive Intelligence Review, March 15, 1977, “SEC Prepares 44 New Lockheed Scandals.”)

### Industry Needs More Monitoring

*John Fads, the Executive Director of the National Commission on Supplies and Shortages made the following remarks in an interview on the necessity for national planning:*

What Don Rice's article in the *Wall Street Journal* was basically about was the need to encourage greater government involvement in informing industry of its policies so that informed planning by industry will be possible. The NCSS report was covered in the press mostly from the perspective of its recommendations on stockpiles in case of a major outbreak, a revolution, a major cut-off of supplies, and little attention was given to the NCSS recommendation regarding government monitoring of industry.

I suppose you are familiar with the Advisory Commission recommendations...headed by Arnold Saltzman for certain government restructuring. There is some interest in this area on the Hill. Sen. John Glenn is introducing legislation for a National Growth and Development Commission.

What we need to do is reorganize the line agencies so that they can be independent monitors of industry, not merely spout the industry line. For example, we must place the Domestic and International Business Administration of Commerce under the Bureau of Economic Affairs. It is the Council on Wage and Price Stability which must expand its role to monitor industry.

Don Rice and Austin (Paul Austin, president of Coca Cola, Chairman of the Board of Rand Corp.-ed) believe that the government will be interested in funding more Rand projects in the area of government-industry relationships in the immediate future. The *Wall Street Journal* has had a number of articles recently on TNFP, the RFC, and they have a record of not being far wrong when it comes to anticipating the direction in which the government is going to move. Rice, of course, is a good friend of Schlesinger.

# Testimony Of The U.S. Labor Party To The Senate Banking Committee

Hearings On S-684 (The Federal Bank Commission Act Of 1977),

March 18, 1977

---

## BANKING

---

In the considered opinion of the National Executive Committee of the U.S. Labor Party there are two salient features of S-684 which should inform legislative discussion of that act.

First and foremost, the proposed act is in composition fraudulent and politically dishonest. The act proposes, in effect, a legislative overhaul of U.S. banking and administrative procedures unparalleled since the days of the Roosevelt Administration and perhaps since the creation of the Federal Reserve System itself. That overhaul in turn is intended to maintain the political integrity of the nation's actually illiquid major commercial banks through the operations of the Treasury Department and Federal Reserve Board, while sacrificing those of the nation's banking and credit institutions whose primary orientation has been to service industry and agriculture.

In that respect the S-684 proposes to reorganize the nation's banking institutions and administration along lines pioneered by the Reichsbank under the leadership of Nazi so-called economist Dr. Hjalmar Schacht in both Weimar and Nazi Germany. Were such a purpose to be stated openly as the avowed intention of the proposed measures, instead of the proffered populist-tinged motivation of better regulation and control, it is doubtful that the proposed act would find the support necessary to ensure its passage. To the extent that such a purpose is not acknowledged openly by the framers of the proposed legislation, then S-684 must be classed as a political fraud and deception, depending for its anticipated success on the manipulation of ignorance and prejudice to avoid open discussion of the vital policy questions which face the nation's population and its legislative body today. Such methods and tactics are, of course, consonant with the political methods of the regime which S-684 seeks to emulate. They are, however, fundamentally irreconcilable with the constitutionally defined political democratic processes of this republic.

The second salient feature of the proposed legislation which should be considered in any assessment of its content is equally straightforward. The measures proposed in the act are incompetent to deal with the nation's fundamental economic problems.

It is the case that the nation's banks are grievously overextended in their lending operations in relation to their capitalization. It is the case that even the nation's

premier commercial banking institutions are, by any sound economic and financial principles, bankrupt and awaiting only the advent of that political decision which would liberate the nation and much of the world's industrial, agricultural and scientific potentials from the burden of attempting to sustain the unsustainable by repaying unrepayable debts.

Is this state of affairs to be held to the account of the so-called regulatory agencies in order to preserve those institutions, including such commercial banks as Chase Manhattan among others, which have demonstrated their fundamental incompetence in their balance sheets and current operations which jeopardize the very future and well-being of the world? Such an approach would be a travesty.

The attached document demonstrates the evolution of the present bankruptcy of the nation's banking institutions. This document demonstrates that the present situation is not the result of negligence by one or another regulatory agency, but is rather the result of a conscious policy which has been pursued with ruthlessness especially since August 15, 1971. Such a policy was the result of collusion between the Chairman of the Federal Reserve System and its Board of Governors and the management of the nation's flagship private banking institutions. Under such a regime the nation's credit has been destroyed through manipulations of the national debt in order to maintain a semblance of political integrity for the nation's largest private banks, including Chase Manhattan, Citibank, Bankers Trust, Chemical Bank and others. Any legislation which does not address that problem will merely aggravate the present horrendous situation.

Enactment of S-684 will merely hasten that process. Under the regulatory reforms proposed, the full power of the nation's credit issuing agencies will be directed to support and underwrite the nation's most bankrupt and illiquid institutions, triaging credit allocations from other, actually productive, sectors of the economy such as industry and agriculture to achieve that end. Under the intended regime, the proposed Federal Bank Commission will in fact become the liquidator of all that is productive and necessary for the well-being of the domestic population and economy.

Such a financial reorganization is the complement to the energy and public work programs offered for discussion by the present Administration. Taken as a whole such policies seek to replicate in this nation the policies of Nazi Germany, as is attested by the Administration's support for the anti-human ideology of conservation and zero-growth. It is not necessary to state

that were such policies, and the consequences of such policies, to be defined for what they are, the nation would rise in revulsion against those who propose for them the treatment accorded to travellers in Himmler's cattle trucks.

This nation needs an effective banking and credit program: a program and instrumentality through which the nation's credit may be restored at the expense of those now bankrupt and illiquid Euro-market commercial banks; a program of capital formation on a sufficiently massive scale to begin to redress the nation's chronic crisis in energy, and related scientific and technical research as well as reversing the chronic stagnation and decay which has beset our manufacturing and

industrial capacities. To that end we append the USLP's draft Act to Create the Third Bank of the United States and Restore the Nation's Credit.

Open public discussion of the measures therein proposed together with their implementation will create the conditions in which the nation's population can be mobilized to overcome the present crisis, and the global dangers of thermonuclear war and general economic collapse such a crisis implies. Such measures will enable the republic and its population to play their full part in the reconstruction of the world economy. Anything other than this will lead in short order to the kind of disaster from which the human race will not recover.

## Bergland Wheat Cartel Scheme Draws Domestic Fire

---

### AGRICULTURE

---

Late reports indicate that after floating the scheme several weeks ago Carter Agriculture Secretary Bergland has enlisted the Canadians to do the leg work on the plan to set up a wheat cartel. Canadian officials, according to sources there, are dutifully pulling the Australians, also major wheat producers, into line on the issue. These developments are underway under cover of noisy public pronouncements that Canada had made no agreement with the U.S. following Secretary Bergland's meeting with Otto Lang where the proposal to put the international wheat trade under Trilateral Commission executive control was first put on the table.

Bergland's current "low profile," replete with State Department and Treasury "differences" and general confusion on the issue, while their Canadian footsoldiers go about the preliminary dirty work, is a telling measure of the hearty domestic opposition to virtually every facet of the insane scheme. On March 15 at a Washington meeting on wheat Senator Robert Dole (R-Kan) blasted the Bergland plan in no uncertain terms, days after Chicago Board of Trade president Warren Lebeck issued a similarly scathing denunciation of the proposal.

Dole went right to the heart of the matter, from the standpoint of U.S. agricultural producers, correctly declaring that the plan is "fundamentally just another form of export control."

In specific, Dole added, there is "serious question" whether such a scheme would compel the Soviet Union to cancel its five-year agreement for regular purchase of U.S. wheat and corn. The US-USSR agreement is based on U.S. adherence to "free trade" principles, specifically prohibiting any use of government authority to bar or delimit specific shipments during the course of the agreement.

Chicago Board of Trade president Lebeck made the same point in a March 7 statement appropriately titled: "The Wheat Cartel: An Idea Whose Time Has Come." Lebeck's thorough refutation of all the premises of the

cartel plan — from price and supply stabilization to greater efficiency in production and marketing — included significant reference to the fact that it was just such mercantilist trading policies *against* which the American Revolution was fought!

Dole and Lebeck are by no means offering up some iconoclastic "opinions" on the matter. They are speaking directly for the bulk of the American agricultural producers — from farmers to agribusinessmen — throughout the Midwest. American farm producers are keenly aware that the very existence of the world's most productive agricultural sector, and its great potential for even further expansion, rests on expanding exports to the entire world. They are not about to tolerate Trilateral interference in the mutual lifelines between the U.S. and agricultural importers in both the industrial and developing sectors — despite the fact that Bergland and Co. are cynically promoting their scheme as a means to raise farm prices at a time when heavily-indebted grain producers in particular are suffering real cash-flow problems.

Significantly, Senator Thomas Eagleton (D-Mo), with roots in the same Midwestern constituency represented by Senator Dole, has recently introduced legislation providing for a three-year deferral of principal and interest payments on outstanding farm loans. Such proposals, by contrast with the Bergland-Trilateral cartel, are genuinely in the interest of hard-pressed farm producers and consumers alike.

The groundswell of opposition to a proposal which the Carter regime is still reluctant to take official responsibility for pushing is, as might be expected, by no means confined to the U.S. A dejected spokesman for the Treasury's Office of raw materials reportedly bemoaned the fact to journalists this week that wheat growers at the conference addressed by Senator Dole were "*not* very receptive," adding that member countries of the International Wheat Agreement, which resumes negotiations in London in June, were also "*not* very favorable."

The wheat cartel program has been elaborately worked out well ahead of time and deliberately initiated.

In essence it is the brainchild of Lester Brown of the Worldwatch Institute. Brown first outlined the U.S. "food weapon" cartel in the form of the "World Food Bank" scheme nearly three years ago at the World Food Conference and World Population Conference. The "food weapon" was designed explicitly as a means to enforce population reduction in the Third World.

In January of this year, after several years of unrelenting zero growth propaganda from Trilateral conduits, the Congressional Research Service published a "feasibility study" of the food weapon — promoted under the rubric of "The Use of U.S. Food Resources for Diplomatic Purposes — An Examination of the Issues." "As a matter of conjecture, the CRS states, "if the United States, Canada and Australia were to coordinate their grain export policies for political ends, this would create a market situation very much like that of OPEC in oil." The CRS bolsters the Trilateral case with pointed

reference to a 1975 Lester Brown proposal that the U.S. and Canada coordinate their grain export policies to force "Third World and Fourth World countries to make serious steps to improve their own agricultural output and to control their population growth."

One of the main obstacles to the well-documented design, as the CRS sees it, is that it would require a complete Carter government takeover of all grain marketing!

In the meantime, the initiative is calculated to provoke a kneejerk reaction among developing sector nations, propelling them in the direction of the broader "Common Fund" swindle in desperation to "defend" themselves against such provocations. "The threat to create a counter-indexation arrangement could be a useful diplomatic tool..." is the way the CRS circles around the obvious point. Or, "I won't back down, if they don't," as the Agriculture Secretary emphasized.

## Saudis Near Large Scale Pull-Out Of U.S. Banks And Full Takeover Of Aramco

---

### SPECIAL REPORT

---

Both New York and Chicago banking sources confirmed this week that the Saudi government has moved up to \$6.5 billion in deposits from Wall Street banks into short-term U.S. government treasury notes. According to a New York financial consultant, this large scale shift in Saudi reserves was ordered as a result of the recognition in Riyadh of the growing instability of lower Manhattan banking institutions such as Chase Manhattan. By purchasing the highly liquid short-term treasury notes, the Saudis have started to put themselves in a position to make a quick exit out of dollars.

A parallel initiative has been taken by the Saudis for their vast oil industry. Last week the Saudi News Agency announced that the finalization of the long drawn-out nationalization of Arabian American Oil Company (ARAMCO) is expected to be achieved during the current European tour of Oil Minister Sheikh Ahmed Zaki Yamani.

In both the case of Saudi oil and Saudi monetary policy, the crucial determinant is Europe's ongoing efforts to forge a common policy leading to the formation of a new international monetary system. The Saudis, in particular Sheikh Yamani, have shown increasing awareness of the need for scrapping the debt-burdened dollar by offering a policy of massive oil production expansion to meet growing worldwide demand.

The present West German advisor to the Saudi Arabian Monetary Agency (SAMA), Karl Schiller, last week gave an interview with the German daily *Welt am Sonntag* where he praised the Saudi policy of pro-industrial

growth, both internationally and domestically. Schiller, however, recognized the fight within the complex Saudi ruling elite between the no-growth technocrats — as signified by the Planning Minister Hisham Nazer and the governor of the Saudi Central Bank — and Yamani.

#### *The Arab Dinar*

The Arab nations have since 1973 studied the feasibility of an alternative currency to the dollar, the Arab dinar. In the past the question was to what would such a currency be pegged. A consistent pattern of Arab gold purchases plus numerous hints from British and German sources indicate that the idea of a gold-backed dinar is what the Arabs have in mind. Such a dinar would easily link up with a move toward the EEC golden snake as well as the gold-backed Soviet transfer ruble in facilitating expanding commerce between these sectors. At the just-concluded *Financial Times-La Repubblica* conference held in Rome, the Jordanian ambassador to Paris boldly called for such a European-Arab monetary link.

With such cooperation between the Arabs and the Europeans to break loose from the dollar, it is little wonder that David Rockefeller this week during a New York speech admitted his lack of success in convincing the Saudis to pitch in the \$12 billion he had requested from the Saudis to bail out the International Monetary Fund.

#### Bankers On Saudi Moves

*Wall Street banker* expresses concern over the terms of the Saudi takeover of ARAMCO:

"Yamani wants total European cooperation downstream, to the point of a credible threat of a Saudi-

French or Saudi-ENI (Italian state-owned oil firm -ed.) shipping group to oppose the fleets of the Aramco partners, thus reducing ARAMCO to mere paid contractors and eliminating the 10 to 20 cents a barrel surcharge they place on final customers buying Saudi oil....This would be made retroactive to January 1976 and cost ARAMCO a bundle in catch up payments."

*A Chicago banking official* just returned from Saudi Arabia comments on the latest Saudi transfer of funds to treasury notes:

"The Arabs don't want to feel responsible if anything

goes wrong with the U.S. banks, especially after all those reports that are coming from the U.S. Federal Reserve that the banks are facing problems. Therefore, the Saudis have decided to invest in U.S. treasury bills and bonds where they can feel safe. They definitely will not go with the IMF, which they know will do the exact same job that the banks have done all those years. For Chase and First National Citibank, it is easier to have the IMF financing the debt. This is why David Rockefeller went directly to the Saudis to tell them that they have to give money to the Third World because these countries can't pay their debts anymore."

# Testimony Of The U.S. Labor Party To The Hearings On Tanker Safety Of The Senate Commerce Committee, March 15, 1977

The proposed pieces of legislation that the Committee is considering to regulate the transportation of oil by tankers, the use of vessels of the United States to carry imported oil and for other purposes, and to establish comprehensive liability and compensation for damages from oil spills can only be competently evaluated from the standpoints of:

- (1) the international trade negotiations now in progress which will greatly effect the economic health, and therefore transportation needs, of the United States;
- (2) the potential need for expanded transport of fuels and other materials in the context of a necessarily expanding economy of the United States;
- (3) the motivation of the drafters of the proposed legislation;
- (4) the actual effect on the economy and energy needs of the United States if the proposed legislation were to be enacted; and
- (5) the kind of advanced technology and integration system which we now propose as the only kind of transportation network which can tie an expanding United States economy to an expanding world economy.

A transportation system is merely the reflection of the economic activity of a nation. The current decline in productive activity in the United States, under the burden of an inflated and debt-strapped monetary system, is likewise being felt in the rest of the advanced sector as well as in the developing countries. In order to stimulate investment in the productive, or real-wealth producing sectors, of the economy, the heads of both Western European and Third World nations have been involved in ongoing negotiations to exchange raw materials for technology and aid in infrastructural development. The commitment on the part of Saudi Arabia at the Arab-African summit meeting earlier this month to aid in financing development programs in Africa, is indicative of the commitment of the raw materials-rich Third World nations to put their capital into programs for industrial progress. They, like Great Britain and Italy, have clearly stated that these programs will take priority over debt payment or debt refinancing, and that their diplomatic relations with the United States and other nations will increasingly be on the basis of trade for development.

As of yet, the Carter Administration has made no in-

dication that it is interested in participating in such development-oriented trade, but rather announced on March 15, 1977 through the International Trade Commission that a policy of what amounts to trade war will be recommended to the President and to Congress. Protective tariffs, like those recommended by the ITC, will only serve to both politically and economically isolate the United States, and to ensure that the destructive monetarist policies of debt collection continue.

In the context of a potentially expanding economy in the United States, it is quite clear that maximal exploitation of fossil fuel reserves at the highest level technology, along with the importation of foreign fuel in trade-for-technology arrangements, would require the most advanced transport system. In order to achieve commercial fusion energy — the energy source necessary for human survival and development into the next century — an annual overall growth rate of 25 percent is necessary. The burden this magnitude of production would place on the existing transport system would choke the network at all points, and would become a major limiting factor in further industrial expansion. If we assume that expansion of the U.S. economy is necessary, then we must take a very close look at this proposed legislation.

The motivation for the proposed legislation must be called into question, since its introduction quickly followed a series of highly questionable oil tanker "accidents" which all took place within an extremely short period of time this winter. The proposed regulations would actually *prevent* a majority of the tankers from delivering vitally needed fuel, under the guise of protecting the environment from oil spills. However, just this week representatives of the Environmental Protection Agency, industry and academia all concurred that scientists have found no grave damaging environmental effects from oil spills. More than a dozen papers presented at a New Orleans conference on oil spills showed that "nature is absorbing oil spills with little trauma."

If potential damage to the environment is not the true motivation of the proposed legislation, what is? The Carter Administration — with its totally destructive policy of energy conservation — is trying to convince the



public and industry that it is in their interest to conserve; it is trying to "prove" that it is actually damaging to the environment to produce, consume and develop. The current rampage of "environmental" groups to stop nuclear power plant construction, shut down the coal industry rather than provide the technology for the clean use of coal, and generally use litigation to stall and sabotage even current paltry levels of production, places the intent of the proposed legislation under consideration in suspicion.

Since the United States has only one port, located in California, that can dock tankers which require deep water facilities, the only ships that service the needs of the East and Gulf coasts are the older, smaller ships. If the near-bankrupt companies that own these smaller ships were forced to double-hull their vessels and provide navigational and other equipment without appropriate financial assistance, many would not be able to continue in business. Interestingly, the Wall Street Journal reports on March 15 that double-hulling older ships would only exacerbate the effects of an oil spill since the additional weight would require jettisoning more of the oil into the water to keep the vessel afloat!

In addition, an economist working for a large U.S. ship-owning company reports that the proposed regulations would actually do little to prevent oil spills, since the causes of most tanker groundings are related to the lack of deep-water ports, not the poor conditions of the ships. The proposed \$250 million liability on shippers and oil companies for damages arising from accidents and gas leaks is simply a way to lay the basis for long and destructive legal battles, while the real problems of the ports and shipping go unnoticed.

Overall, the effect of the combined proposed legislation would be to severely decrease oil and liquid natural gas shipments to the East Coast — and to starve particularly New England's advanced aerospace and electronics industry.

Rather than these at best arbitrary and at worst disastrous proposals for ports and vessels, an advanced approach to transport and a program for global integration is required.

The Transportation Data Coordinating Committee in Washington D.C. has put together an international code for over 65 million commodities which could be used as a basic computer program world-wide. With the use of the COMSAT and INTELSAT stellite networks in operation internationally, global shipping routes could be instantly provided and traffic could be managed and scheduled on a scientific basis. Optimal freight throughput could be provided if this shipping network were linked to a quadrimodal containerized system, standardized through international agreements. If any piece of freight could move unhindered from origin to destination without delays for paperwork, transfer from one mode to another, changes in currency rates or bottlenecks in particular modes, and deadheading could be nearly eliminated, then freight capacity could be almost doubled without adding any new vessels.

In order to enter the coming new era of shipping technology, the United States should be seriously considering the construction of a series of off-shore deep-water terminals along the East and Gulf coasts so that the most modern super-tankers could be accommodated. Currently, proposals for just such facilities are under attack by the "environmentalists," though they are meeting healthy opposition from industry and consumers who recognize the scandalous condition of America's ports.

If such ports had the necessary rail infrastructure, and if an idea such as the Transportation Facilitation Center (proposed three years ago by the Department of Transportation) were put into utilization, the ports could be an important mediating link between international and national transport. The Facilitation Centers could be port-connected or land locked, and would essentially rationalize, containerize and centralize all freight shipments in and out of an economic region of the United States. This program, which had strong backing by the International Brotherhood of Teamsters and representatives of the transport industry, has been scrapped and replaced by the deindustrialization policies represented by the legislation which the Committee has been asked to consider.

# The Two Faces Of Oblomov

Georgii Arbatov, Director of the Soviet Union's "USA and Canada Institute" and a close advisor to Communist Party head Leonid Brezhnev, has proclaimed the entire body of Soviet military doctrine passé, by writing in *Izvestia* March 13 that strategic superiority is impossible in the nuclear age. Arbatov glowingly reviewed a book by Arthur Cox, formerly of the Brookings Institution, for espousing this view and concluding that disarmament is therefore the only rational course.

Arbatov's endorsement of Brookings — the architects of the economic policy pursued by Hitler's Finance Minister Hjalmar Schacht, not to mention such subsequent institutionalized Dollar Empire looting arrangements as the Marshall Plan and the current "Common Fund" commodities swindle — confirms that a Carter-Brezhnev deal, for which Arbatov has been a key agent, is now in effect. For the sake of a speedy SALT II agreement, the USSR is to refrain from pushing the socialist sector's transfer ruble as means for financing world trade or otherwise aiding a European-Third World challenge to the dollar.

Carter's deal with Brezhnev was all but formally announced by former CIA head William Colby in testimony yesterday before the Senate Foreign Relations Subcommittee on Arms Control. The U.S. must go for a SALT agreement *fast* said Colby, since "General Secretary Brezhnev has a personal commitment to this approach. While he remains at the apex of Soviet decision-making, we should not let this opportunity pass. We cannot be sure his successor will be equally receptive." Colby admitted that Soviet military doctrine insists on strategic superiority as long as the danger of war remains, but called this merely a "surface" commitment. Referencing Arbatov and his friends, Colby said that there exist layers of managers, engineers and politicians in the Soviet Union who "respect U.S. power" and are reluctant to "provoke" U.S. countermeasures to Soviet strategic advances.

Secretary of State Cyrus Vance, when he goes to Moscow late this month, will zero in on Brezhnev and his factional allies in hopes of achieving maximum Soviet concessions. According to reports from the West German *Frankfurter Allgemeine Zeitung's* Washington correspondent yesterday, Vance's trip will not be merely a probe, as has been rumored, but will offer "very definite proposals" for Brezhnev to choose from. One of them, suggested Andrew Pierre of the Council on Foreign Relations in the *New York Times*, will be for an international conference on limiting conventional arms sales. This could have the effect of pre-empting recent initiatives by the West Germans at the Mutual Balanced Force Reduction talks in Vienna. Finally, there are signs that Brezhnev may bend over so far as to go along with the Carter Administration's scenario for a SALT II pact barring

Research and Development with potential weapons applications. The British *Daily Telegraph* has reported that at an ongoing 30 nation disarmament conference in Geneva, the Soviet delegation revealed that the General Secretary's proposal to ban "new systems of weapons of mass destruction" applies specifically to laser and concentrated beam systems, the key area of marginal Soviet R and D superiority.

Soviet hardliners, particularly in the military, are opposed to such abject propitiation and have forced into print increasingly direct attacks on the Carter Administration's policies. The resulting shift in line, widely heralded in front page articles in the *Washington Post* and *New York Times* March 14, included specific rejection of Carter's proposal to exclude the U.S. cruise missile and Soviet "Backfire" bomber from a SALT II accord. The *Washington Post* observed that the deteriorating atmosphere indicated by the sharp Soviet commentaries may wreck Secretary of State Vance's upcoming trip to Moscow.

This tougher line, however, is a U.S.-profiled response just as manipulable as that of Arbatov. In fact, it has been observed that U.S. energy czar James Schlesinger, in particular, anticipates that the continuing "human rights" campaign and outlandish proposals for SALT concessions will provoke a paranoid hard line from the Soviets and induce them to break off the SALT negotiations. Soviet "intransigence" then becomes the excuse for revving up war hysteria in the West.

The announcement in the Soviet military daily *Red Star* March 10 of 25,000-man maneuvers to take place in the Odessa region the first week of April underscores the fact that, no matter what Arbatov says, the Soviet high command has few illusions about Carter and his backers.

## Arbatov's Excesses

Arbatov, in an interview with *U.S. News and World Report* last week, raised some eyebrows in Moscow when he praised the Carter Administration as "legitimate" and "one Americans and others can expect action from." In his *Izvestia* article, entitled "From a Position of Realism," he gushed over the allegedly "pro-detente" stand of Arthur Cox. Confessing that Cox's background includes stints not only with Brookings, but with the Marshall Plan Administration, the State Department and the CIA, Arbatov dubbed it "paradoxical" that such an obvious dyed-in-the-wool Atlanticist would share policies so similar to those of Arbatov himself. Arbatov approvingly retailed Cox's slanderous attacks on the Republican Party, and especially the "right-wing Republicans" — the most public congressional opposition to Carter's fascist global zero-growth policy.

*Pravda*, in an article March 11 on the U.S. "energy emergency," sank even lower than Arbatov. Giving

straight coverage to Schlesinger's call for dictatorial control over energy flow, *Pravda* illustrated the U.S. plight by quoting "the Governor of West Virginia" (whose name is John D. Rockefeller IV, although *Pravda* did not so inform its readership). Said the junior Rockefeller, "We have a plan in case of nuclear war, but when the fuel runs out nobody knows what to do."

#### *Czech Press Stands Firm*

The Czechoslovak press has recently served as an outlet for the views of those hardliners in Eastern Europe who have not been driven into a paranoid profile, and are pushing for an aggressive political orientation, to make the transfer ruble the basis for a new world monetary system. A rapid-fire series of commentaries in the daily *Rude Pravo* this week departed sharply from both the "hard" and "soft" line in the Soviet press.

\*\*\*Attacking Carter's "human rights" crusade, *Rude Pravo* underlined that this is "an indispensable part of its

foreign policy." Western Europeans, the paper said, are being "driven into desperation" by Carter's provocations. The Soviets — and especially Arbatov — have suggested that the human rights tactic is an unfortunate diversion forced on Carter. "Maybe (Carter) has not studied the whole situation, and especially how it looks to us," said Arbatov to *U.S. News and World Report*.

\*\*\*On the eve of the French elections, *Rude Pravo* denounced the Atlanticist head of the French Socialist Party (PSF), François Mitterrand, for his part in the "human rights" campaign. Mitterrand should know what repression means, since he served as Justice Minister in Paris when the government launched the bloody war in Algeria, said *Rude Pravo*. The Soviet press, by contrast, has dished out undifferentiated praise for the "Union of the Left" between the PSF and the French Communist Party.

\*\*\**Rude Pravo* ran the first major attack in any East European paper on U.S. "sabotage" of the nuclear reactor deal between West Germany and Brazil.

## Arbatov Lauds Brookings' 'New Strategic Conception'

*Soviet Academician G. Arbatov reviewed The Dynamics of Detente — How to End the Arms Race, by Arthur M. Cox (New York, Norton and Co. 1976) in the March 13 Izvestia. The review, which is excerpted below was titled "From a Position of Realism."*

All those who follow the American political literature cannot help but observe one obvious paradox. The real political shifts of recent years, the turn toward detente, the improvement of Soviet-American relations, the prospects for limiting armaments opened up by the new situation — all of this has a rather strange reflection in many books (and articles). It could even be called a reflection in *camera obscura*, where the real object is seen upside down....

Against this background, the lesser number of works written from positions of realism attract particular attention. The more so since a significant part of them — and this is the other paradox — come from the pens of people who are veteran American politicians, people who held distinguished offices when the "cold war" began and gathered strength. They know their subject very well, and even if sometimes their views are colored by personal connections with many events of the past, still their voices demand to be heard. For these are essentially voices warning that history has shown the complete futility of the political recipes now proposed by the opponents of detente.

Among works of this sort is the book by Arthur Cox, *The Dynamics of Detente — How to End the Arms Race*. Its author began his career in the "Marshall Plan" Administration, served in the State Department and the White House apparatus under President Truman, and worked in the Central Intelligence Agency. He resigned

and then became a fellow of the well-known research center, the Brookings Institution. His book is not only the fruit of an office researcher's creativity, but also a generalization from political experience, which in Cox's case was simultaneously the experience of life.

This is a book with a thoroughly defined central theme. Namely, that only the policy of detente is rational today, and the core of this policy is reducing the arms race, and disarmament....

The author of the book absolutely accurately identifies the root of the problem: the striving of U.S. militaristic and military-industrial circles for military superiority.

It is important that Cox, not stopping here, reveals the full danger of such a course from the standpoint of American national interests. He indicates especially that the achievement of practically meaningful nuclear superiority (that is to say, superiority that can be "realized" in policy) is simply not achievable in our day, and the only thing that such efforts lead to is the continuation of the arms race. No less important, in the opinion of Cox, is that the striving for superiority and the arms race that it caused not only do not strengthen U.S. national security but, on the contrary, undermine it.

These considerations lead the author of the book to a quite definite conclusion: "What is needed in this situation is a new strategic conception, a completely new view of our role in the world — a new foreign policy, which will also define the basic directions of defense policy. The time has come for the USA to turn towards creative leadership and to throw off mistaken and fabricated fears which stifled our foreign policy for so long...."

He has no doubt that the Soviet Union, its leadership, are sincere in their desire to deepen detente and limit the

arms race.... "The arms race," Cox writes, "will end when the U.S. decides to end it."

Cox fully realizes the sharpness of the struggle around detente and limitation of the arms race which is presently raging in the U.S....In this chapter, there is a detailed list of the main forces and groups who are opposed to detente. The list begins, absolutely justly, with the military-industrial complex. Cox describes in detail the close ties and dependence between the Pentagon and over 11,000 industrial companies and research centers, and relates the channels of influence on policy of the alliance of the militaristic clique with the military business....In this list, finally, are the leaders of extreme reaction (basically representing the right-wing of the Republican Party), and reactionary organizations....

Cox does not conceal his political sympathies and antipathies. He has long been a Democratic supporter, and many of his criticism are directed against the

Republican administration and Republican politicians. It was that much easier to do so at the time, since the book was written while the Republicans were in power.

Now the Democrats have come to power. If the line of criticism set forth in Cox's book is projected forward, we can see that it has not lost its timeliness — whether on questions of the arms race or on the need to put an end to the policies of the "cold war." Concerning the latter, Cox devoted quite a few pages to criticism of attempts at pressure on the USSR to change the existing order and institutions (including the notorious question of "civil rights"). He does not conceal his sympathies with these goals, but he strongly disagrees with those who make detente, the weakening of tension, dependent on "fundamental changes in the Soviet system." Attempts to exert pressure on the USSR in this direction, according to the author of the book, not only do not produce results, but are also harmful for America itself....

## Inside View Of Atlantic Bridge Meet Reveals Plot To Topple Schmidt

---

### WEST GERMANY

---

The proceedings of the just-concluded biennial convention of the American Council on Germany confirm that Rockefeller intends to overthrow the government of West German Chancellor Helmut Schmidt at the first convenient date. The most elite of all post-war "American-German friendship societies," the American Council used its March 11-13 convention to kick off a new salvo of intensive "negotiations" between Washington and Bonn on "outstanding political disagreements." The real aim of this "friendly" give and take is to wreck the alliance of industrialist and Social Democratic Europeanists which presently constitutes the base of support for Schmidt's government and a linchpin of European resistance to Rockefeller policy.

The Conference, held at the bucolic Princeton University campus in New Jersey, represented all the political parties, think tanks, and chief media outlets of both countries. Former U.S. Secretary of State Henry Kissinger made his "first public appearance in 51 days" to join Ford Foundation director McGeorge Bundy, West German Social Democratic Party chairman Willy Brandt, New York investment banker George Ball, and a spread of top NATO officials, industrialists, and West German trade unionists at the conspiratorial gathering.

The conference occurred at the same time that a profound rift in the Washington-Bonn relationship has become a matter of open discussion throughout the international press. Carter's Administration is attempting to rectify these insuperable disagreements by meting out to Bonn the exact same treatment which it is applying to the Brezhnev faction in Moscow: promises of better treatment from Carter in exchange for devastating concessions to the Trilateral Commission demands; backed up by an array of destabilization and war threats already in operation. Thus while Henry Kissinger urged the West German delegation to be "understanding" toward the new U.S. government and give it time to work out its problems, Willy Brandt, a Rockefeller houseboy since the 1930s, was brazenly insulting to Chancellor Schmidt and lied through his teeth about the stated policy aims of the Schmidt Cabinet.

Making this East-West parallel devastatingly clear, one key West German delegate indicated that Rockefeller's "destabilizations" in Western Europe are to go hand in hand with insurrectionary plotting against "the

Soviet Union and its satellites," with Poland singled out as the most vulnerable "weak link." Such an attack on the Warsaw Pact, in tandem with the collapse of the pro-development Schmidt government, would be a signed and sealed guarantee of immediate all-out thermonuclear war.

#### *Long Live the Occupation*

It is appropriate that the American Council, known in West Germany as the Atlantic Bridge, was founded and is still chaired by John J. McCloy, the Chase Manhattan Bank international board member who headed the American occupation of Germany after World War II. The American Council's purpose is to keep alive "the spirit of the occupation." As the Rockefeller cabal understands full well, it is just this "occupation mentality" that still ideologically tethers West German political forces to the degrading role of "America's Number 1 junior partner" in the Atlantic alliance.

And on hand to speak for the occupation mentality was the star of the American Council fete, Henry Kissinger. To the surprise of the West German delegates, Kissinger intoned, "I ask for compassion and understanding" for the Carter government, "in a situation which any new Administration is bound to face as it takes over the machinery of government." According to one conference attendee, the West Germans responded according to profile and "were deeply impressed that a member of the former Administration would speak out so strongly in favor of Carter."

The conference began on Friday, March 11, with a dinner address from Willy Brandt. Brandt first turned to the octogenarian McCloy, seated next to him at the head conference table, to salute him as "McCloy, the father of the Federal Republic."

Brandt unctuously glossed over the profound political disagreements which have brought Chancellor Schmidt in alliance with continent-wide European forces to the very edge of a complete break with the United States. "Our best friends tell us, 'You Germans must go to the front'; rather, I would say, Germany must do her European duty," he babbled. "There are no basic differences within the Atlantic Alliance between our two countries," he went on. "We need more intensive talks about the probably *serious misunderstandings* on various important topics."

#### *Disagreement over Industrialization*

The leading agenda item at the American Council gathering was the West German-Brazil export treaty,

signed by the two countries in 1975 to permit West German electricity generator producers to construct \$5 billion worth of nuclear-powered utilities equipment in Brazil. As emphasized by Chancellor Schmidt in a statement issued this week, the construction of nuclear-powered facilities in the Third World is a crucial groundbreaking endeavor toward full-scale industrialization of the underdeveloped sector. Under the cloak of an "international non-proliferation" campaign against "nuclear terrorism," the Carter Administration has been on a non-stop rampage since its inauguration to force Schmidt to cancel the treaty and thereby support Rockefeller's zero growth economics.

Members of the West German delegation arrived fully aware of the explosive disgust which Carter's "nuclear non-proliferation" sabotage has provoked in Western Europe. During the course of the conference, some reached the conclusion that, indeed, little will be achieved through negotiations with the American side. In a lead article in this week's West German weekly *Die Zeit*, Theo Sommer, a member of Rockefeller's Trilateral Commission, and a prominent conference participant, attacks Carter's nuclear policies, reveals that there is opposition to the Carter regime in the United States, and advises Chancellor Schmidt to stay firm in his opposition.

Prepared for this situation, Rockefeller called in his big guns. McGeorge Bundy, not a member of the American Council, but a leading light in Atlanticist inner circles, came equipped with a just-released Ford Foundation study on the dangers of "nuclear proliferation." Brandt's remarks on the West German-Brazil treaty were closely coordinated with Bundy's assignment.

"There is no conspiracy between the Federal Republic and Brazil," Brandt said. "There is currently a very emotional quarrel on the nuclear issue in Germany... My advice: exclude the emotions; this very difficult subject needs calm handling. *If existing obligations have to be augmented by new one, bilateral or trilateral ones will be asked for.*" And speaking the next day before a public forum of students from Princeton's Woodrow Wilson International Affairs school, Brandt reiterated, "My fellow countrymen have misunderstood American objections here. We thought it had to do with (commercial) competition. What is behind President Carter's moves has not been well enough understood. We should add something to (the Brazil treaty)."

The "something" Brandt also described as "a regional solution," a "trilateral agreement" — nothing more than a fantastic proposal authored by Rockefeller's own Senator Jacob Javits, for the creation of internationally monitored (i.e., U.S.-controlled) "regional nuclear fuel reprocessing centers." These centers would permit the U.S. to maintain its restrictive international monopoly over nuclear fuel resources, and enable the Carter Administration to sabotage nuclear power development "at the source."

The Javits scheme has already been rejected by the governments of both West Germany and Brazil. Two days before Brandt's speech, on the same day the British Prime Minister James Callaghan arrived in Washington for a summit meeting with Carter, Chancellor Schmidt sent a personal letter to the White House on the Brazil

treaty. The letter stated that West Germany will stick to its treaty commitments; the Brazil deal will not be changed. Likewise the Brazilian government, whose Bonn embassy has just issued a report on national nuclear energy planning, has adamantly declared that nothing will be added to the existing treaty.

#### *Only Following Orders*

But Brandt was more than willing to contradict his government, and to lie like a snake, in Rockefeller's service. For example, Brandt told the Woodrow Wilson school audience, "Among the conference participants, one of the most brilliant thinkers at this time... Karl Friedrich von Weizaecker, is now doubtful about nuclear energy. He's not so much afraid of the dangers, but is afraid of the security questions...terrorism... We will get a moratorium for two, three, four years before the (West German) government will start construction of new nuclear plants.

When later that day Mr. von Weizaecker, a director of West Germany's Max Planck Institute, was asked about Brandt's statement, he responded, "Did I say that? Did I say that? When did I say that?...Let me think. Oh, well, what I said was, *if* we agree with what Carter is demanding *then* we will have a moratorium on nuclear power for two to three years."

Brandt was outright insulting to Schmidt and, not accidentally, British Prime Minister Callaghan. Asked about West Germany's refusal to reflate its economy as the Carter regime is demanding, Brandt chuckled, "I must be careful on this subject. I don't want to challenge the acting (sic) Chancellor of the Federal Republic." And, commenting on the international response to Chancellor Schmidt's public endorsement last August during the U.S. presidential election campaign, Brandt jibed: "One has exaggerated what people call Schmidt endorsing Ford. People in power stick together." As for Callaghan, "There is a Labour government in Britain, but I dare not say how successful it is." Brandt made a swipe at the French Gaullists too, saying, "DeGaulle created a desert in French political life."

#### *Kurt "Two Heads"*

During the conference much attention was showered on Kurt Biedenkopf, the former Secretary General of West Germany's Christian Democratic Union (CDU). Although federal elections are not scheduled to occur in West Germany for another four years, Biedenkopf was repeatedly introduced as "a potential new federal cabinet minister" and "a likely next Chancellor of Germany."

Biedenkopf is a graduate of Georgetown University's Center for Strategic and International Studies, a prime coordination center for Rockefeller European operations, and he is extremely proud of his pedigree. Imagine a shoe salesman who gains immense satisfaction out of bending down so low that he is always under other people's feet, and it is easy to understand how this otherwise unqualified individual would be handpicked by Rockefeller to become Chancellor of West Germany.

#### *Attack to the East*

A professor of Chomskyian linguistics, Biedenkopf speaks in a semi-language composed of Atlanticist code-words. In his emotionless remarks, punctuated repetitiously with words like "destabilization" and "cordon

sanitaire," Biedenkopf enunciated scenarios directed against both the Soviet Bloc and Western Europe's anti-Carter, pro-growth factions. "We have to overcome dictatorship in the Soviet Union and in the satellite countries," he said. "The satellite countries are most important...The Soviet Union must be bound to feel threatened over destabilization of the satellites...because they refuse to separate their state structure from their social structure." Poland, stressed Biedenkopf, is the "satellite" most vulnerable to subversion.

In line with the "open and frank" ambiance of the convention, Biedenkopf (like many other attendees) took exception to Carter's "human rights" approach to the Soviet Union. The substance of Biedenkopf's disagreement, completely coherent with his "right-wing" Georgetown connections, was that the "human rights" issue is not a credible posture. "You can only support human rights movements in the Soviet Bloc if you are willing to raise conventional defense budgets," he said.

Challenged over the fact that most Western European governments have already refused to raise their conventional defense budget outlays in their 1977 budgets, Biedenkopf was undaunted. "Enthusiasm doesn't matter. We have to go for short-term optimization of our situation. This may mean resetting of national priorities, possibly at the expense of social expenditures...At some point, the U.S. taxpayer will say that the active willingness of Europe to defend itself has diminished...why should a Ford worker in the United States have to pay more in defense taxes than a Ford worker in Britain or Germany?"

"Short-term optimization," he explained, means cutting out "expensive" NATO research and development programs. Europe's efforts to uphold technologically advanced development projects in the military sphere, exemplified by the British-French Concorde are conscious policies to promote progress in Europe's civilian economies, and thus have become a major battleground in the fight against Carter's "back to the Stone Age" regime.

#### *The Brezhnev Treatment*

Washington is presently expending tremendous effort into making Carter's willingness to "iron out the differences" with Schmidt look real. Overlapping the American Council affair, a frantic exchange of transatlantic visits has been called between Washington and Bonn officials. West German Defense Minister Georg Leber and Foreign Minister Hans-Dietrich Genscher have held consecutive, separate meetings with Cyrus Vance, Zbigniew Brzezinski, and Harold Brown. Warren Christopher, Undersecretary of State and the main U.S. negotiator on "nuclear non-proliferation," has been on an extended stay in Bonn. At least half of the West Germans who attended the Princeton conference than traveled to Washington for private meetings. And a number of West German chief economics specialists, including Trilateral Commission member Count Lamsdorff, have made unannounced appearances in Washington. Inquiries to the U.S. State Department about the results of President Carter's summit meeting with British Prime Minister Callaghan drew the response, "There are so many Germans in town, nobody at State followed the U.S.-British talks."

The "open dialogue" façade which the Carter camp has donned for its dealings with Bonn is the same mask which Cyrus Vance and company are sporting for their talks with Soviet party chief Brezhnev. Last summer, U.S. "soft" Atlanticist Averell Harriman made a special trip to Moscow to offer the Soviets a thin promise that if they "gave Carter a chance" he might be influenced to tone down his provocative policies and sign a disarmament agreement following prolonged negotiations on strictly military questions.

Not accidentally, some conference participants, obviously voicing a key aspect of the line which Washington is now dishing out to Schmidt, criticized Carter's "human rights" campaign on the grounds that it de-emphasizes the importance of SALT and other disarmament rounds. Rockefeller is thus waving the same miniscule "carrot" to dupe both his chief military foe, the Soviet Union. Simultaneously, Carter's administration is prepared to make not a single concession on the key issues which can guarantee both peace and the pro-growth industrial-Social Democratic alliance which keeps Schmidt in power.

Rockefeller has chosen this approach to Bonn — strongly contrasting with the abusive treatment dealt to Callaghan on his visit — because the chief vulnerability in West German European factions is defined by the fact that West German political institutions are a "mirror-image" of the paranoid Brezhnev faction in the Soviet Bloc. Faced with Rockefeller's inexorable drive to war, political forces in both thermonuclear "front-line" states are prone to sudden onsets of demoralization about the possibility of intervening in world politics to Rockefeller's disadvantage.

Behind the rows of smiling faces of the Rockefeller cabalists, arrangements are being rushed ahead to disperse once and for all with their wavering opposition, by drawing a bead on European collaboration with the Third World.

Approximately six weeks ago, World Bank chief Robert McNamara suddenly proposed that Willy Brandt be made chairman of an international commission to head the North-South negotiations for a new world economic order between the advanced sector and the developing nations. As the international press noted at the time, the response of the Third World countries was a unanimous "Ugh! We don't want him." The proposal was relegated to the back burner and there were even rumors in Bonn that Chancellor Schmidt would go along with the idea if it meant getting Willy off his back.

Since McNamara's announcement, the prospects for a collapse of the talks has greatly increased as a result of Soviet hesitations on implementing the transfer ruble alternative to the dollar.

At a March 15 press conference in Bonn, Brandt concluded his report on the previous weekend's Atlantic Bridge convention with the announcement that he will indeed accept the North-South post "as soon as the (current) official North-South negotiations have been concluded." He might as well have said, "have been buried." If Rockefeller's opposition accepts Brandt as the presiding chairman of the North-South dialogue, this will signal that little stands in the way of U.S. plans to impose an

international financial dictatorship, and along the way, dispense with the upstart government of Chancellor Schmidt and his Europeanist allies. Unless Rockefeller's op-

position wakes up, Brandt will preside over a "frank and open" international dialogue as the world goes up in thermonuclear smoke.

## Social Democrat Wehner Calls For Immediate MBFR Agreement

Herbert Wehner, the chief spokesman for détente policies in the West German Social Democracy, has issued an urgent appeal to Chancellor Helmut Schmidt to quickly reach a bilateral-disarmament agreement with the Soviet Union, even if Schmidt must act without the acquiescence of the United States. The appeal, issued in a press release covered throughout West German media March 16, is accompanied by a challenge to the industrial wing of the opposition Christian Democratic Party in the Federal Parliament to collaborate with Schmidt in the execution of economic policies which guarantee investment and growth.

Along the same lines as the disarmament proposal issued by U.S. Labor Party chairman Lyndon LaRouche last month, Wehner recommends that the forum presented by the Mutual and Balanced Force Reduction (MBFR) talks is the location for a rapid agreement. He warns, without mincing words, that an immediate danger exists of a superpower confrontation modeled on the Cuban Missile Crisis. Wehner emphasizes that West Germany and West Berlin want nothing to do with such a crisis.

The appeal reminds Chancellor Schmidt that in his Dec. 16, 1976 government declaration, Schmidt himself stressed the importance of a rapid, successful conclusion to the MBFR talks between the member nations of the Warsaw Pact and the NATO alliance. At the same time,

it contains an unmistakable signal to the Soviet leadership that wishful thinking about and prolonged bargaining with the Carter administration on disarmament is far more dangerous than the Soviets recently have been willing to believe.

The signal to the Soviets takes the form of an open endorsement by Wehner of the Bucharest Declaration, issued by the Warsaw Pact members in late 1976. The Bucharest Declaration is a profound statement on world peace, which proposes a ban on first strike nuclear attack, and defines a policy of world economic growth as the only firm foundation for peace. Since its release, western government officials have rarely mentioned the Bucharest document; the Brezhnev faction of the Soviet leadership has temporarily filed it in the archives.

Leading figures of the Christian Democracy's industrial faction have already indicated that they are moving parallel to Wehner's initiative to salvage international détente. The Wehner release was published in the Kieler Nachrichten, a northern regional daily run by Christian Democrat Gerhard Stoltenberg, a leader of the industrial forces. Stoltenberg himself has just attended the Leipzig industrial fair in the German Democratic Republic, and upon return March 17 announced a proposal for resumption of talks between East and West Germany on trade, détente and resolution of conflicts around West Berlin.

## Callaghan Snubbed By Carter

---

### BRITAIN

---

Public pronouncements to the contrary, President Carter's meeting with Prime Minister James Callaghan of Great Britain was a diplomatic "washout." British government circles will not soon forget the insolent treatment accorded Callaghan, who came to the U.S. as a representative not merely of Britain, but of the European Economic Community as a whole. Indeed the Carter Administration's panicked attempts to sweep all trace of the Callaghan visit under the rug may have exacerbated the growing rift between the U.S. and its European allies to the breaking point.

As the press clamped down an almost complete black-

out on the talks, both Carter and Vice President Mondale snubbed the British Prime Minister by refusing to attend a dinner in his honor sponsored by the British Embassy. The highest-ranking official they could muster as a replacement was Chief Justice Warren Burger. British diplomatic personnel were reportedly "miffed" by this action, but the worst was yet to come. Carter and his Tri-lateral advisors simply got up and left when prickly issues such as human rights and Rhodesia were brought up during the brief working sessions. Only 15 minutes was allocated for the key issue Callaghan had come to discuss: the global economic crisis.

Nevertheless, Callaghan carried out his mandate from the European Community, diplomatically but firmly drawing the line between what U.S. allies will tolerate from the Carter regime and what they will not. Callaghan warned that the Carter "human rights"



campaign could prove "counterproductive." The democracies must learn how to deal with different political systems, Callaghan said in his opening remarks, "for if we don't learn how to live with them, then with the rapid development of nuclear technology *we shall certainly die with them.*" Callaghan also affirmed that Britain would brook no more U.S. meddling in Southern Africa; instead the British would themselves tie Rhodesian Prime Minister Ian Smith to a definite "irreversible" timetable for majority rule. British Foreign Minister David Owen is scheduled to visit southern Africa over Easter for meetings with leaders of the front-line states and probably Smith himself in an attempt to break the deadlock which has stalled negotiations so far.

On the issue which has caused the most visible rift between the U.S. and Britain — landing rights for the Anglo-French supersonic airliner Concorde — Callaghan made his position non-negotiable. "The Concorde should be allowed to land in New York. Period," he told reporters. Foreign Secretary David Owen added on the USA's nationally televised Today show: "I think you've got to be careful of not being seen by the rest of the world to be barring technological progress just because it happens in countries outside your own."

While Carter lavished praise on the so-called "special relationship" — a favorite cliché in Atlanticist circles to describe the post-war arrangement under which Britain became a junior partner to the United States, Callaghan clearly saw the situation in another light. He explained to the press that Britain's role in the present relationship was as an "interpreter," giving Carter a "second view," a much more "informed view of the world" than he could expect to get from his own advisors.

From this vantage point, Callaghan laid out the task facing the industrialized world during his address to the

National Press Club — an urgent message on the necessity for economic growth on a world-wide scale — which the U.S. press largely ignored. "Our task is to see how we can help overcome poverty and unemployment...in an era of the most rapid change caused by the unprecedented speed of technological development," Callaghan told the gathering. He warned that the present unemployment situation in the West is dangerously reminiscent of the early 1930s. "Our forecast is this," Callaghan said, "On present policies there is likely to be slow growth in output in the western world, little improvement in living standards, continuing high unemployment in a number of countries and major problems for the non-oil lesser developed countries. What sort of world are we trying to create? What is it we intend to do? That kind of scenario in the industrialized world can only lead to disillusionment among our young people, it can lead to changes in political stability, to changes in political systems and this to my mind is the overriding problem which the leaders of the western world have got to address themselves."

Callaghan is intent that the London OECD economic summit beginning May 7 — for which he is personally overseeing preparations — will provide the opportunity for the European countries to take economic policy out of the hands of Wall Street and promote trade and development. He told reporters in Washington that the West must seize the chance to change existing financial institutions at that time, or be prepared to create a new monetary system, there may not be another chance.

"Let no one believe that the actions of the new Administration are uncoordinated," Callaghan told the press, "...or that a series of actions are being taken which are uncoordinated." Their action is based on careful and well-planned design, Callaghan admitted, after two days of meetings with Carter and members of his Trilateral Cabinet, including Vance, Brzezinski and Blumenthal.

## Press Covers Callaghan Visit — Who Do You Trust?

*New York Times*, March 12, 1977

"President Carter and Prime Minister Callaghan of Britain concluded two days of discussions today, evidently confident that they had forged a close friendship and made progress on a wide variety of international problems...Jody Powell, the White House Press Secretary said later that they had expressed a mutual desire for an early resolution of the (landing rights for Concorde — ed.) problem..."

*London Daily Telegraph*, March 12, 1977

"(Callaghan) told reporters that he had put the Anglo-French position to the President, 'which is that it should be allowed to land in New York. Period.' On being questioned further, Callaghan said that he had given a

warning that the barring of Concorde would 'create a great deal of division and heat' in Britain and France..."

*Washington Post*, March 11, 1977

"President Carter welcomed yesterday British Prime Minister James Callaghan as the leader of our 'closest allies and friends.' After formalities, the two immediately began talks on major economic problems, Rhodesia and human rights...Carter spoke of the 'special relationship' which the United States enjoys with the 'mother country.' He promised future cooperation in both security and economic areas."

*London Times*, March 11, 1977

Doubted whether "cosy feeling" generated by all the talk

of "special relationship" would "suffuse the substantive discussions." Noted that the first meeting between Callaghan and Carter abruptly came to an end as soon as the topics of human rights and Rhodesia were raised.

*Financial Times*, March 11, 1977

Referred to "pique" in British diplomatic circles over the snub to Callaghan. "Mr. Carter is not as a matter of fact accepting these invitations (to the dinner in Callaghan's honor sponsored by the British Ambassador — ed.) Normally he would send Vice President Mondale in his stead, as happened with the Canadian and Mexican visits last month. But Mr. Mondale, it is found, has a speaking engagement tomorrow night in Atlanta, Georgia and will not attend. The senior guest will be Mr. Warren Burger, the Chief Justice....The British, it is reliably reported from informed sources in the diplomatic community are a little miffed about this."

*The Sun*, March 12, 1977 (by Henry Trehwitt)

"...Speculation is growing in the diplomatic community...that Mr. Carter's outspokenness may be self-defeating....In an address to the National Press Club, Prime Minister James Callaghan of Great Britain volunteered the observation that Mr. Carter 'does not shoot from the hip'....What prompted Mr. Callaghan's observation was not clear. Some British diplomats, however, are known to be among those who worry that Mr. Carter is too outspoken for his own good."

*Prensa Latina*, March 12, 1977

"Observers" described the meeting between Carter and Callaghan as "difficult" and said that it did not significantly advance Anglo-U.S. relations. The meeting was estimated to include "divergences" on dealing with the economic crisis in the industrialized world."

## Callaghan Gets 'No Confidence' Vote Threat

Days after British Prime Minister James Callaghan arrived back in Britain following his meetings with Carter, Callaghan has been confronted with his most serious parliamentary crisis — a threatened vote of censure led by the Conservative Party. The Conservative motion — to be put March 21 — caps attempts to push the Callaghan government away from its efforts to consolidate an all-European policy of close cooperation with the Arab states, the Third World and the socialist bloc. Significant pressure has been building on the government to take a more "positive" attitude towards U.S. initiatives.

The most direct indication of this pressure came from the U.S. visit of the Conservative Shadow Foreign Secretary John Davies one day following Callaghan's departure. Davies met with U.S. Secretary of State Vance, Defense Secretary Brown, energy czar Schlesinger, UN Ambassador Young, as well as Henry Kissinger and a number of undisclosed top financial and business representatives in New York. In an interview, Davies attacked the Callaghan government's policy on Rhodesia, and called for a joint American-British sponsored referendum on majority rule in that country — a policy that would provoke both Rhodesia's white minority government and black African leaders, and heighten the possibility of war.

Liberal party leader David Steel has offered to pledge his party's support for the Callaghan government, which has a minority of one in the House of Commons, as long as the government modified its policies to suit the Liberals — which would mean abandoning those issues

on which the government has achieved consensus with trade unions. Without such modification, Steel warned that "the Government cannot hope to maintain itself in office and the Liberal Party would have no hesitation in forcing an early General Election."

Although the chances are slim that a general election would be called, especially given Callaghan's repeated assurances that the government intends to remain in office for at least another year to see its industrial strategy through, the censure vote cannot help but limit Callaghan's scope for action. The cornerstone of the government's strategy is the cooperation it is forging between trade unions and industrialists to promote economic recovery through expanded industrial output and exports, especially to the Third World and socialist bloc. The coordinated Tory-Liberal attack on the government's legislative program would destroy key sections of the government's social contract with the trade unions, for example the promise to extend industrial democracy as embodied in the Bullock Report soon to be introduced into Parliament in some form, and make Callaghan's ability to remain Prime Minister impossible.

Increasing the pressure on the government, Tory chief Thatcher, in conjunction with West German Christian Socialist Union leader Franz Joseph Strauss, has created a pan-European coalition, the European Democratic Union, pledged to bring a "new morality" to Europe by providing "intellectual content and political direction to these new dissatisfactions with Socialism in practice" which Thatcher maintains are spreading.

**EXCLUSIVE**

## PCI Backs Andreotti, But Gov't Still Shaky

---

### ITALY

---

The meeting of the Italian Communist Party's Central Committee which opened March 14 appears to have determined a shift in the life expectancy of Italy's Andreotti cabinet. One week earlier, when Parliament was engaged in a ten-day marathon of hearings around a series of Lockheed scandals, it had been the nearly unanimous opinion of the Italian and major international press that the beleaguered Andreotti cabinet would soon go the way of Italy's typically short-lived governments.

Since its inception, the Andreotti government has served as a primary focus of European and Third World resistance to the financial policies of lower Manhattan, and has repeatedly taken the lead in negotiations with developing sector nations and the socialist bloc on behalf of the new world economic order. Representatives of the IMF have been in Italy seeking to break the government's will to pursue such policies, by imposing austerity conditions as the price of an IMF loan. The threat to the Andreotti regime had been carefully coordinated to maximize this pressure.

Andreotti's future openly came into question when ex-Prime Minister Aldo Moro assumed a tough posture in behalf of the accused ex-government ministers during his Lockheed hearings testimony. In his capacity as one of the historic national leaders of the ruling Christian Democracy (DC), Moro refused to accept any compromise with the Communists, demanding instead that the PCI either withdrew its position in behalf of indictments for the accused or risk early legislative elections. With his speech, Moro had left Premier Andreotti virtually without the capacity to maneuver between his own Christian Democratic party and the Communists, the two political groupings which form the basis for his government.

A few days after Moro's speech, the other major postwar DC leader, former Premier Amintore Fanfani, issued a frontal attack against the government by charging it with direct responsibility for the series of mass student riots which have plagued the country since the beginning of the Lockheed hearings. With the support of large sections of his own party thus withdrawn and stunned by a continuing wave of large-scale street rioting, Andreotti was left hanging by a slender thread.

The Communist Central Committee convened on Monday with the first two speakers presenting the opposing lines. Senator D'Alema began with a lengthy argument which in substance adopted the posture of the rioting students. That is, he argued that the PCI had betrayed the left through its unholy alliance with Christian Democrat Andreotti dating from late June when the party agreed to adopt an "abstentionist" tacit support of the new government. D'Alema's position

explicitly legitimized the series of major riots led by student anarchists and "leftists" extremists which had terrorized Italy's leading urban centers over the two preceding days shouting slogans of attack against the Communists for their "betrayal" of the left's cause.

D'Alema was answered by Paolo Bufalini, one of the top party leaders. Bufalini began by characterizing the leaders of the so-called student riots as "squadristi" reminiscent of the Mussolini period. Not only must the party not accede to the pressure which the riots were orchestrated to exert, he argued, but the PCI must rather demand that government authorities investigate the leaders of the riots to uncover the underlying plot against Italian national sovereignty which lay beneath them. Making a tacit link between Moro and Fanfani, the well-orchestrated riots and the Lockheed hearings, Bufalini went further to accuse "sections" of the Christian Democracy of de facto plotting against the Andreotti government.

Having laid out the main lines of his argument, Bufalini then proceeded to outline the tactical shift in PCI policy that must emerge from the Central Committee. Andreotti, he said, must be supported, but only in the context of mass PCI organizing to ensure rapid entry of the party into the government itself. The Andreotti government, he stated, is not our government, but it is the only possible government until such time as the Communists themselves enter the cabinet. In sum: support for Andreotti but only contingent on PCI government entry in the immediate future.

Bufalini was followed by a battery of approximately thirty speakers—the majority of whom referenced his speech to indicate support for his policy. As had occurred with the last Central Committee plenum a few months earlier, centrist general secretary Enrico Berlinguer was diplomatically refused speaking rights at the close of the meeting. Instead, hard-liner Giorgio Napolitano was once again chosen to deliver the closing statement summing up the consensus reached by the leadership. Napolitano's speech, which was faithfully echoed by the ensuing final communiqué, laid out the following points:

- condemnation of "squadristi" riots, together with demands to uncover the national and international orchestrators of the attempted Italian "destabilization";
- affirmation that "there is no turning back for the PCI. The party must overcome the "government of abstentions" to achieve greater direct government responsibility;
- announcement that the PCI would initiate a period of mass organizing to ensure that this goal would be met in the near future;
- definition of the PCI as a "party of struggle" with the responsibility for such direct organizing instead of being limited to acting through the vehicle of the trade unions.

But the PCI was conspicuously silent on the key issue of economic program, leaving undefined the content of its support for Andreotti, and its own willingness to take

on the IMF, directly in question.

On March 22 a series of bilateral meetings is now scheduled to begin. They will take the format of consultations among the leaders of the Italian political parties along the lines of a proposal first issued by the Socialists a few weeks earlier. As a result of the decision taken at the PCI Central Committee, the Italian press has now announced that the battery of meetings will now take on the character of formal negotiations for Communist and possibly Socialist entry into the government. Two weeks earlier, Prime Minister Andreotti had proposed during an interview to the French daily *Le Monde* that he would be willing to accept entry into his cabinet of qualified members from both of these parties. At that time Andreotti's announcement had received no endorsement from members of his own party. Following the PCI Central Committee, the head of the Christian Democrats' foreign affairs bureau, Galloni, authored an article for the daily *Il Giorno* endorsing the concept of government responsibility for "all Italian democratic parties". At the same time, the Italian press reported on March 17 that Prime Minister Andreotti had held a series of meetings with Aldo Moro and the rest of his party leadership. Using the leverage inherent in the PCI's restated support of his government, the Christian Democrats' secretariat was forced to issue an official statement in unanimous support for Andreotti.

While the Italian government has been momentarily stabilized by the action of the Communists, its future is

still very much in doubt. The absence of programmatic initiative from the PCI leaves Andreotti without the vital weapon to defeat further attacks — widespread popular consciousness that the road to economic recovery necessarily leads through a new monetary system. In particular, the PCI's failure to address itself to the question of youth unemployment underlying the manipulated student riots — a misery for which IMF austerity policies are directly responsible — can only lead to continued instability.

Moreover, a second round of Lockheed hearings is already under preparation by the Commission of Enquiry of Parliament, this time threatening the possible impeachment of the President of the Republic for presumed implication in the Lockheed bribery case. Similarly, the student provocateur riots continue, and a section of the powerful metalworkers trade union is continuing to endorse the "revolt of the student" in direct opposition to PCI orders. If the demand issued by Bufalini for "naming the names" of the combined Lockheed-riots orchestrators is not fulfilled in the near future, and if the PCI fails to make the proper programmatic offensive, the destabilizations will continue and the government's progressive orientation will be vitiated. The PCI will thus be boxed into a position from which it will both be incapable of supporting the current government or moving to assume a credible measure of power itself.

## Left Wins First Round Of French Municipal Elections, Population Rejects Barre Plan

---

### FRANCE

---

The "Union of the Left" coalition comprised of the Socialist, Communist and Left Radical parties took control of numerous major cities in the first round of the French municipal elections March 13, and is expected to consolidate its gains in the March 20 run-off. Though evenly distributed throughout the country, the left's growth did not reach such proportions in Paris where Gaullist lists led by former Prime Minister Jacques Chirac edged the (Atlanticist) Independent Republican and Centrist slates of Industry Minister Michel D'Ornano, President Giscard d'Estaing's personal choice for mayor. Chirac, in whose favor D'Ornano has since withdrawn, is expected to win easily at the expense of the left March 20.

A close examination of the nationwide results leads to the following preliminary conclusions:

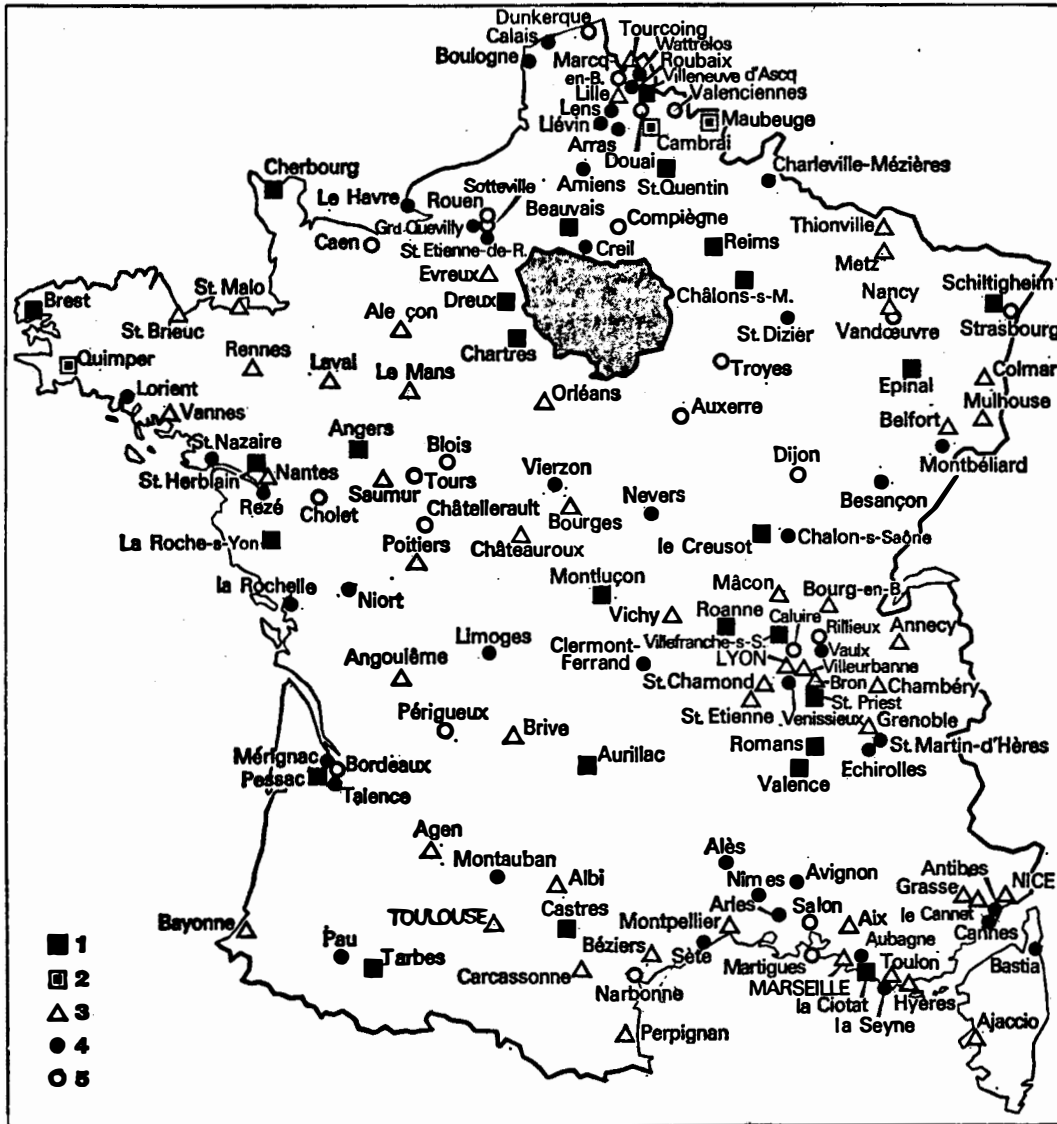
1) Both the high level of voter participation (72 percent nationally) and the Union of the Left's gains indicate widespread rejection of the Giscard government's austerity program ("Barre Plan").

2) All parties broadly identified with Giscard's "presidential majority" suffered significant losses, especially the small Centrist formations, whose electorate is rapidly switching to a pro-Union of the Left posture. The Gaullist tendency succeeded in maintaining itself wherever it is led by strong personalities known for their opposition to various aspects of Giscard's Atlanticist de-industrialization policies. By contrast, except in Paris, Chirac's tactic of systematic alliance between the RPR Gaullist party and the Giscardians against the "totalitarian" Union of the Left seems to have failed.

3) The spectacular results of Trotskyist and other extreme-left candidates in some cities — 12 percent in Orleans, 9.5 percent in Montbéliard, seat of the largest Peugeot auto plant in the country, 7.5 percent in Rouen — reveal a rapid process of radicalization among strata of especially working-class youth threatened with unemployment, who reject the Communist Party's capitulation to its Socialist partners' electoral opportunism and "zero growth" proclivities.

4) While in Paris the Rockefeller-funded counter-insurgent "Friends of the Earth" received about 10 percent of the votes, various "environmentalists", led by leftist splinter groups or independents, registered

# Results Of The First Round Of The French Elections



1. Cities taken over by the "Union of the Left" March 13
2. Cities taken over by the "Presidential Majority"
3. Runoffs
4. "Union of the Left"-run (unchanged)
5. "Presidential Majority"-run (unchanged)

Addendum:

Ecologist ballot lists polled 8% or more of votes cast in:

Lille	Chambéry
Paris	Grenoble
Belfort	Nice
Lyon	

Trotskyist ballot lists polled 8% or more of votes cast in:

Rouen	Orléans
Caen	Montbéliard
Nancy	Vénissieux

significant results in other important cities (almost 20 percent in Chambéry, 12 percent in Nice, 9 percent in Grenoble). Prime Minister Barre suggested in an interview with *Le Monde* two days ago that the environmentalists' success reflects the displeasure of a growing fraction of the population — including Gaullist strata — with the presidential majority and the left-wing alternative.

Although anticipated to some degree, the extent of the left's progression has stunned virtually all political observers in France and abroad. The financial daily *Les Echos* summarized the views of French industrial capitalist circles yesterday by calling on Barre to immediately relaunch industrial investments so as to reduce unemployment. Otherwise, said *Les Echos*, the government is sure to lose the nationwide legislative elections scheduled for 1978. Similarly, Pierre Charpy wrote in the Gaullist newsletter *Lettre de la Nation* March 15 that "something must be done" urgently by the government in the area of economic program to stop the growth of the left.

Atlanticist circles are hysterical. The French weekly magazine *L'Express* said this week that "we are in 1788.... We have less than a year to prevent otherwise unavoidable clashes." In the U.S., government circles are reported by *Le Monde* correspondent Henri Pierre to

fear "the rise of the left" and a Gaullist consolidation in Paris. An editorial in the March 16 *New York Times* expressed concern about the renewed growth of the French Communist Party and the resulting lack of control of the pro-Atlanticist Socialist Party leadership over the Union of the left, and called on "democrats outside of France (to try) to make even firmer the ties that would bind any government in Paris to its neighbors and natural allies." U.S. Ambassador in France Kenneth Rush had his picture taken in the company of a Communist parliamentary delegation last week to emphasize the Carter Administration's determination to prevent any "loosening of the ties" between the U.S. and France in case the Union of the Left comes to power in the near future.

Trusting that he has not lost Wall Street's support, Socialist Party leader Francois Mitterrand this week called for early legislative elections, predicting that they would confirm the alleged 52-53 percent majority attained by the left March 13. However, Mitterrand conceded that only Chirac and the Gaullist have sufficient factional leverage to force Giscard into such a momentous electoral confrontation. Chirac's present position, like that of Prime Minister Barre, is to schedule the elections at the end of the current parliament's term, in the spring of 1978.

# Behind Carter's Blunders: A Dangerous Strategy For Mideast War

Jimmy Carter's March 8 statement in support of Israel's right to "defensible borders," his March 9 unveiling of a multi-year "peace plan" along the lines suggested by a 1975 Brookings Institution report which calls for the stationing of Israeli defense forces on Arab territory; and his March 16 call for a "homeland" for the Palestinians, have all drawn extensive speculation in the United States and in the foreign press as to Administration intentions. The emerging consensus is aptly summed up by a Pentagon connected thinktank official in Washington: Carter has "unfortunately muddied the waters" with his "careless statements."

James Reston, writing in the *New York Times*, is more correct: Carter is "provoking both sides in the Middle East to take absolute and contradictory positions from which they cannot withdraw, thus forcing a confrontation too soon."

This is both the intention and emerging result of Mr. Carter's intervention into the Middle East arena. Within the ten days since Carter's first statement, positions of both the Israelis and the Palestinians have hardened into intransigence. In a not-unrelated development, Lebanese leftist leader Kamal Jumblatt, a proponent of peace in the Mideast, was machine-gunned down outside his headquarters March 16, a murder his son attributes to Israeli intelligence. In the last 48 hours, Lebanon has again veered toward bitter civil war, with 200 people now reported dead. Wider fighting in Lebanon and possible spill-overs of violence into Syria and other Arab states is now being widely predicted.

There can now be little doubt that Jimmy Carter and his ever-present mentor, National Security Council Chief Zbigniew Brzezinski, are driving for a Middle East war which will quickly become a U.S.-Soviet Union confrontation. Most immediately, Carter's seemingly incomprehensible flip-flops are aimed at keeping the Europeans out of the region. The European Economic Community, despite periodic lack of will, has maintained the momentum of the strategically vital European-Arab dialogue and the commitment to consider Mideast policy independent of Washington.

Whether Brzezinski's scheme will work is in large part dependent on the response of the Arab world. According to the script, the Arabs are expected to respond to Carter's destabilizing utterances with patterned anti-Israeli moves, unwinding a scenario similar to the 1967 Arab-Israeli war. But the Arabs instead may direct their ire against the Carter Administration, a possibility suggested by recent angry Egyptian and Palestinian denunciations of Carter. This may engender a

sophisticated break with Carter toward Europe and catalyze motion on the *monetary* front towards forming a New International Economic Order.

## *The Scenario for Israel*

Ever since a secretive March 31, 1975 meeting of leading Wall Street policy-makers — including current Secretary of State Cyrus Vance and George Ball — the U.S. has been committed to architecting an "Israeli breakaway ally" military strike force that could be manipulated into launching a war "independent" of the U.S. To accomplish this, the cabal members have assessed, the U.S. would have to manufacture an *illusion* of pressuring and abandoning Israel in public, while through covert commitments and enormous military aid, bringing to bear the weight of U.S. imperial power behind an Israeli garrison state. An important ingredient of this process is the use by a U.S. President of the emotionally laden code words — "Palestinian homeland," "Israeli withdrawals," and so on.

George Ball has recently written the lead article for the Council of Foreign Relations' *Foreign Affairs* magazine entitled "How to Save Israel in Spite of Herself." Recommending that Carter hold the threat of a withdrawal of U.S. aid to Israel, if Israel doesn't comply with U.S. demands, Ball stresses that "it is not whether we should try to force an unpalatable peace on the Israeli people, but rather how much longer we should continue to pour assistance into Israel to support policies that impede progress toward peace." Ball calls upon Carter to "take the political heat from powerful and articulate pro-Israeli domestic groups" and "be prepared to accept abuse and blame from both sides."

Lehman Brothers partner Ball, author of *Diplomacy in a Crowded World*, knows that his statements intersect a devastating internal crisis in Israel that is acting against Premier Yitzhak Rabin and threatening to bring a military clique to state power. Fears of U.S. abandonment are the necessary ingredient to bring the warhawks into power.

Rabin and his Labour Party supporters have been under steady "Watergating" assault for the past three months, the most recent being a spurious scandal involving Rabin's wife. Rabin has come under mounting pressure from the supporters of the defeated nominee for Premier, war-mongering Defense Minister Shimon Peres, who have demanded an equal share in all appointments and policy making.

Beginning this week, the Rabin regime has been further undermined by a national wave of strikes, in

strategic industrial and bureaucratic sectors. Observers have characterized the strike wave the "worst in Israel's history," and Israeli papers over the past few days have warned that the country is descending toward "anarchy" and "national suicide" and is approaching the "edge of sanity." The government has come under severe attack for being "paralyzed" and adopting a "do-nothing" attitude.

Rabin's response to the situation has until now been as per program. He has warned that the U.S. and Israel are heading toward a "tough struggle." He has also made his most intransigent statements ever toward the Palestine Liberation Organization, charging in London that "the very existence of the PLO constitutes a mortal threat to the existence of Israel."

### *The Arab Reaction*

The dangerous U.S.-Israeli interplay has had a noticeable effect on Arab leaders. At this week's meeting of the Palestine National Council, Egyptian President Sadat declared that the Arabs would "not cede one inch of land" to Israel, while top Syrian-connected PNC official Zihair Mohsen of the Saiqa commando group promised that the Palestinians would soon recommence "commando operations" against Israel. This latter statement was echoed by PLO head Yasser Arafat March 15, and reflected intense feeling at the PNC meeting that no concessions could be made toward Israel until a definite quid pro quo came from the Israeli side to previous Palestinian offers of moderation.

In and of themselves, these statements are not sufficient to reveal Arab states' strategic determinations. Angered by Carter's irresponsibility, Egyptian president Anwar Sadat summoned U.S. Ambassador Hermann Eilts to his office last weekend and, informed observers report, "raked him over the coals." On March 13, the government-controlled *Egyptian Gazette* newspaper said: "The Carter Administration knows that peace will not come in 1977, doesn't want it to come, and is making even greater efforts to ensure that there will be a fifth Arab-Israeli war." (See below.)

At the PNC meeting, official spokesmen derided Carter's "homeland" statement as "words, not action," and angrily demanded that the U.S. act to support Palestinian rights. Several Palestinian leaders were quick to blame "the forces of U.S. imperialism and Israel" for the Jumblatt murder and predicted a wave of assassinations and confessional fighting to come in its wake.

American policymakers are reportedly concerned that the anti-Carter sentiment could effect the outlook of the keystone Saudi Arabian leadership. One Midwestern banker recently returned from the Arab Gulf implied that Carter's "homeland" statement was made only to assuage Saudi sentiment in order to connive the reluctant Saudis into bailing out the International Monetary Fund.

The failure, however, to derail Euro-Arab dialogue talks and to shatter the cohesion of the PLO is a sharp thorn in Brzezinski's side.

Last weekend, Italian newspapers report, Italian Foreign Minister Arnaldo Forlani was summoned to Egypt and Syria by Arab leaders to act in the name of the

European Economic Community to expedite the Mideast peace process. After Forlani's return to Italy, Radio Cairo commented favorably on EEC moves to formulate a Mideast policy, and noted with satisfaction a call by British Foreign Minister David Owen, soon to travel to the Mideast, for the EEC to "play a bigger role" in determining Mideast politics. The ongoing status of EEC-Arab talks led Israeli Foreign Minister Yigal Allon, on the eve of West German Foreign Minister Genscher's arrival in Israel, to say that the EEC had "no role to play in the Mideast" and should "stay out of the Mideast situation." The West Germans were blamed for having introduced in January a pro-PLO clause into an EEC Mideast policy statement.

Preliminary readings from the PNC meeting indicate that the most significant tendency has been a tentative re-entry of the dissident Palestinian "rejection front" into the mainstream PLO. The Iraq-backed Popular Front for the Liberation of Palestine for the first time ever this week supported the creation of a "mini-state" on the Israeli-occupied West Bank and Gaza territories instead of the old formula of a "democratic secular state" for all of historical Palestine. Leading PLO officials expressed confidence that the PFLP leadership would soon rejoin the PLO Executive Committee. This action would take the life out of many existing Rockefeller think tank scenarios for terrorism by "Palestinian extremists."

### Corriere Della Sera on the Mideast

March 15 — The industrialized countries of Europe know that they must establish close ties with the countries of the other side of the Mediterranean on which they depend for energy supplies and which are becoming powerful world financial powers.

The Arabs are calling for a European Italy so that it would be able to carry out its geographical and historical task as intermediary between Europe and the Arabs. Any attempts to deal with North-South and the Mediterranean issues are predicated on the solution to the Arab-Israeli conflict.

### *Egyptian Gazette:*

#### Carter Doesn't Want Peace

*The following are excerpts from an editorial entitled "Carter For War" in the March 11 Egyptian Gazette:*

A UPI cable of Sunday, February 20, from Washington, said that the Carter Administration believed that if Middle East peace doesn't come this year, "then 1978 could be the year of the fifth Arab-Israeli war." UPI's informants in Washington were obviously being diplomatic. They should have said that the Carter Administration knows that peace will not come in 1977, doesn't want it to come, and is making every effort to ensure that there will be a fifth Arab-Israeli war. Perhaps that will come in 1978, but the sooner, the better, as far as the Carter Administration is concerned.

What else can you conclude from Mr. Carter's last pronouncements on the Middle East issue following his talks with General Rabin, the Israeli Prime Minister?



Last Wednesday he told a news conference that Israel will probably have to withdraw from much of the land it invaded in 1967, but that a peace settlement will be a "long, tedious process" that must start with ensuring Israel's survival. Why it should be long and tedious, why it should start with ensuring Israel's survival, he did not say. Clearly, however, Mr. Carter isn't anxious to put over an image of "honest broker" in the Arab-Israeli dispute....

You can only wonder what is left for Presidents Sadat and Assad to discuss when — and if — they go to Washington. How Mr. Carter can have made up his mind on the Middle East issue, in the absence of any kind of

discussion with the Arab leaders, is surely astonishing. It is all the more so since the Vance "fact-finding" junket was his idea and he was the one to request talks with the Arab leaders and invite them to Washington. And even if his discussions with General Rabin have served to decide him on the issues involved, wouldn't it have been rather better form for him to refrain from making such announcements until after the Arab leaders' visits? But, in a way, it serves the Arabs right. For them to have thought that the United States would show them even a fraction of the consideration...was plainly ridiculous. And to have believed that the U.S. would really fulfill its pledge to work for a just peace was ludicrous.

## Turks Look To East For Relief From IMF

Last week, after issuing a statement praising Moscow and the importance of Turkish-Soviet relations, Turkish Foreign Minister Ihsan Sabri Caglayangil arrived in Moscow to discuss with Soviet officials Soviet financing of 20 industrial projects in Turkey involving \$7 billion in credits. Turkey is also considering construction of a large Black Sea refinery for the processing of Soviet oil from the Baku fields.

According to Radio Moscow, high level military contacts between the two countries are also being planned, with Soviet Chief of Staff General Nikolai Ogarkov slated to visit Turkey later this year, complementing a trip to Moscow last year by his Turkish counterpart General Semih Sancar.

Turkey's turn to the East is primarily propelled by its bitter battle with the International Monetary Fund. Turkish officials, led by Finance Minister Yilmaz Ergenekon, walked out of a meeting with an IMF delegation that arrived in Turkey on the eve of Caglayangil's departure to the Soviet Union. The IMF was demanding drastic import cutbacks. The IMF also made known its decision to cut credit to Turkey until after the elections, scheduled for October. The IMF, however, was forced to back down slightly and agreed to extend \$70 million to the Turks.

Turkey's trade deficit continues to grow, exacerbating its liquidity problems. To attract foreign cash, it has promised to up interest rates on convertible lira deposits made for longer than six months. According to one banker, nobody is taking the Turks up on their offer and whatever deposits are being made are still short-term. With only \$900 million in foreign currency reserves, the Turks are faced with paying back double that amount in convertible lira deposits as well as the \$3.1 billion deficit.

### *Clifford on the Watch*

The Carter Administration has met Turkey's turn toward the Soviets and its insistence on a 7 percent growth rate with rather undisguised threats. Last week, the *New York Times* warned of "the ever-present threat of military intervention in Greece and Turkey" due to the "fragility" and "unviability" of democracy in both countries. Turkey is paralyzed as a result of right- and left-wing student clashes that have left at least 40 dead since

the start of the school year. Late last week, four political prisoners managed a spectacular escape from prison, leading to search and seal operations throughout the country and raising the spectre of martial law and military takeover.

According to the Turkish press, Carter's hand-picked envoy Clark Clifford, who just returned from a trip to Greece, Turkey, and Cyprus at Carter's behest, will shuttle back to the area next month, uninvited by local leaders. Clifford's first trip followed by days important steps by the Greek Cypriot and Turkish Cypriot leaders toward a settlement. The second trip will intersect the convening of U.N.-sponsored peace talks beginning March 31 in Vienna. A March 13 *New York Times* editorial by C.L. Sulzberger attacked the Clifford mission as unnecessary and ill-timed, noting that it comes exactly as the region is on the verge of solving its difficulties on its own.

Last week, Turkey suddenly announced that it will soon send out the Sismik oil search ship into the disputed waters of the Aegean, opening the possibility of a replay of last year's Aegean crisis. Greek political observers charged that the Turkish decision to send out the Sismik again is directly linked to the Clifford mission. While in Ankara last month, Clifford openly "pressured" Prime Minister Suleyman Demirel to "make concessions" in Cyprus, putting Demirel in the politically embarrassing position of having to comply with U.S. dictates and running the risk of losing votes in the upcoming general elections. Turkey's decision to exercise its independence by sending out the Sismik and by announcing military maneuvers for next month has already led to increased tensions in the area, with the Greek government threatening to cut off Aegean peace talks with Turkey and the Greek armed forces being placed in a "state of readiness." Rizospastis, the newspaper of the Greek Communist Party (KKE), has exposed the destabilization as a "U.S.-NATO plot to revive Greek-Turkish tensions and complicate the situation around Cyprus, the Aegean, and the EEC." The Greek press links the increased tensions to Carter-Clifford statements earlier this year predicting an "expected new crisis in Greek-Turkish relations." Huseyin Bas of the Turkish daily *Cumhuriyet* attacked Carter for his "crisis management" foreign policy and

linked it to the Trilateral Commission, warning that Carter is out only to foment crises in the region.

## **State Dept: Spring Always Brings Tensions**

*The following is an interview with a State Department official concerning Greece and Turkey:*

**Q:** Demirel and Karamanlis are both faced with incredibly unstable situations, what will they do about this?

**A:** Well, Karamanlis has a better situation by far, he has a parliamentary majority, while Demirel has to work with a shaky coalition. But Demirel's necessity of working with this coalition is much less than it was on Feb. 28, when he had to get the budget passed (in parliament). That hurdle has been passed. There are increasing chances for an early election. Right now the parliament is out of session, for ten days. When it goes back Demirel and Ecevit may well agree to call early elections, which would then be held in June. There are people in the military who favor both men, and the military even wants early elections. Demirel favors them too, since if he comes out of it well, there will be flexibility with Cyprus.

**Q:** What effect does the Caglayangil trip (to the Soviet Union) have on all this?

**A:** He is in Moscow now, and as far as we can determine, he won't sign a major political document, but will update the 1972 document. The Soviets want more, they want Turkey to loosen ties from NATO, but Turkey won't do this.

**Q:** But a big economic deal seems to be in the making.

**A:** Yes, Turkey is one of the biggest aid recipients from the Soviets, the three steel mills and so on. Kilic (Turkish energy minister-ed.) went to Moscow in 1976 and set up a joint Soviet-Turkish economic commission. It does seem that the Soviets' aid level will maintain a high profile. The basic situation is that the grant aid from the West is harder to get for infrastructure-type projects, and the Turks are intent on maintaining a 7 percent rate of growth.

**Q:** What is the problem with the Western aid?

**A:** Certainly it is harder for Turkey to get grant aid from the West, sources are drying up, it is harder to finance things. The U.S. is going from grant aid to credit aid in even military sales. During the 1950s and 1960s the West was in better position to make grant aid, but this era is passed.

**Q:** What is your assessment of what is facing Karamanlis?

**A:** Karamanlis is a man of the right who has made moves to placate the left. He is moving in a more conservative direction, in preparation for Greek elections in 1978.

**Q:** What evidence do you have of Karamanlis becoming more conservative?

**A:** Well, he would like to move Greece back closer to NATO, he is just using a more independent line to get more concessions from Turkey.

**Q:** You foresee then an upswing in regional tension?

**A:** This always happens as spring approaches, that is the traditional time for military maneuvers; the Turks begin their oceanographic studies at that time, and so on. The Seismic is being sent out again as part of this.

## **U.S. Banker: I Don't Think The Turks Are Serious About Turning East**

*Following are excerpts from an interview with a spokesman for a major West Coast Bank:*

The IMF (International Monetary Fund) is currently reviewing the situation in Turkey. Things are bad there, a lot like Egypt. The deficit is \$2.5 billion. Foreign exchange is bad, \$900 million, and 90 percent of this is tied up in Convertible Lira Accounts which has to be repaid in 36 months. The other 10 percent goes for the servicing of the accounts. So what you have is nothing liquid in the foreign currency account.

The IMF wants to restrain Turkey, and is calling for import cuts and expansion of exports. Some imports have been cut, but vital imports have not. There are political reasons why the IMF cannot push too hard in Turkey. You saw what happened in Egypt. They are afraid that things will explode in Turkey if they go in with a heavy hand. So the IMF is prepared to wait till the November elections.

The IMF has stopped credits. The Turks went to the Euro-dollar market thinking they could get something. But nobody — neither in Europe or New York — was receptive. The only people bullish on Turkey is Wells Fargo. They just gave \$150 million to Turkey for financing shipment of Iraqi oil. We chipped in \$24 million. But the loan was only for 180 days. We won't go any longer than that. But I don't think that the Turks are serious about turning toward the Soviets.

# Zaire 'Invasion': Carter Foot In Africa?

---

## ZAIRE

---

Zairean officials are characterizing incidents in the copper-rich Shaba region of Zaire as a Cuban-led invasion from Angola, a characterization the Carter administration has not hesitated to use as the pretext for a show of force in Africa. This week Mr. Carter also increased public pressure on South Africa with financial threats and verbal threats by UN Ambassador Andrew Young to South Africa's Ambassador to the U.S., Roelof Botha. Young threatened that the U.S. is on the verge of cutting diplomatic relations with South Africa. These maneuvers, however, are by no means for peace. The threat of cutting off South Africa is part of the "break-away scenario" designed to guarantee a continuation of South African operations against Angola from South African-controlled Namibia, seemingly independent of the U.S.

### *The Strange Events in Zaire*

On March 10 Zaire announced that an invasion had been launched two days earlier from Angola into the Shaba region. Initial reports came from the U.S. embassy in Kinshasa, Zaire. The only other source of information has been the Zairean government, which is charging that as many as 5,000 have invaded the country. Although some American missionaries in the region have been evacuated, others have elected to remain, and there is no independent confirmation of the supposed invasion, the number of people involved in it, or how far it has proceeded.

This morning's *New York Times* however, hit the stands with front-page headlines claiming that the mining center of Kolwezi has been taken by rebel invaders, while today's *Washington Post* and CBS radio report that the invaders are only within 60 miles of Kolwezi.

To alleviate the alleged threat to Zaire President Mobutu's government, Carter personally authorized \$2 billion worth of emergency aid flown to Zaire, without the approval of the U.S. Congress. In testimony to the House International Relations committee March 16 Secretary of State Cyrus Vance said that the fighting in Zaire posed "a dangerous situation," since it threatened the operation of the copper mines, upon which the foreign exchange earnings of Zaire depend: "If something should happen to the copper mines, it would be a very serious blow to the Republic of Zaire."

An editorial in the *New York Daily News* March 17 captured the tone maintained by the Carter administration: "The Reds are up to their old tricks," and the supposed invasion may draw the U.S. into another Vietnam-style quagmire. The *Christian Science Monitor*

claimed March 17 that Zaire was of strategic importance, and that the U.S. and the Soviet Union had confronted each other for power and influence in this region before, a reference to the Belgian-Congo conflict of the early 1960s.

The invasion is being attributed to Kantangan gendarmes, Zaireans who fought in the army of Moise Tshombe, who spearheaded the attempt to establish an independent Katanga in the early 1960s (the former Katanga province is now called Shaba). After the defeat of Tshombe, the Katanga gendarmes took refuge in Angola. Zaire is charging that Cuban-led Katangan gendarmes are carrying out the invasion, although European press sources reported that there was very

## What Kind Of Information The Invasion Reports Are Based On

"How invasion developed" by Michael Kaufman from Kinshasa, Zaire

"At this distance from the invaded area, it is difficult to discern fact from the host of rumors circulating here. But according to Western diplomats who themselves have had no chance at firsthand observation, the invasion began on March 8. Forty men, they say, crossed the border from Angola on that day at a frontier checkpoint where two Zairean guards were on duty without radio communication."

— *New York Times*, March 18

little fighting; Belgian sources reported that about 500 Katangans had returned to Zaire peacefully recently.

Angolan Defense Minister Henrique Carreira warned that the Western countries sending military aid to Zaire were creating the conditions for another Vietnam, this time in Africa. France and Belgium have also sent small arms to Zaire following the U.S. move.

Angola has confirmed fighting in the Shaba region, but reported that it was between Zairean groups and denied providing a base for mercenaries as charged by Zaire; Angola has also charged that Zaire is trying to internationalize its internal problems and increase tensions with Angola.

There is widespread discontent among the Zaire population against the regime of Mobutu. This resentment increased some months ago when all unemployed people in urban areas were forcibly expelled to rural resettlement areas. It is in these areas that the green monkey epidemic was widespread last summer. With the rural population (80 percent of the population) "thoroughly discouraged" according to a U.S.-based

Zaire expert, and urban unrest due to the disastrous economic situation, the events in Western Shaba could get out of control and quickly spread.

#### *Interesting Considerations*

In February, Angolan President Agostino Neto charged that Zaire was being used by the U.S. as a staging base for a Green Beret Special Forces operation against Angola, code named Cobra 77, led by Col. Mike Thompson. A week later an invading force of 200 men, led by three whites, from Zaire attacked the northern Angolan town of Panagala, killing 43 people. Yesterday another massacre by forces based in Zaire was reported by Angolan authorities, this time against the village of

Conongo, in the northern province of Cabinda, killing 31 civilians.

Attributing the present disturbances in Zaire to "mercenaries from Angola," is the first stage of a campaign to discredit Angolan policy in relation to Zaire, according to Angolan authorities. In this way the stage is set for stepped-up operations from Zaire into Angola, as well as the possibility for an invasion by Zaire armed forces. A Zaire desk office of a major New York bank said in an interview that a U.S.-Soviet confrontation over the Zaire situation was inevitable, and could happen quickly: "There are a number of people who would want to force this confrontation. It may be a good time for Carter to show his decision-making powers. It is a test of U.S. will."

## Castro's African Tour Part Of Programmatic Drive To Unify Horn Of Africa

Cuban President Fidel Castro's current tour of Africa — including stops in Algeria, Libya, South Yemen, Somalia, and Ethiopia and Tanzania — are part of a joint socialist sector Non-Aligned Nations drive for the programmatic unification of Arab and African countries in the Red Sea area. The basis for such unification was implied in a joint communique Castro signed with Col. Muammar Qaddafi, the president of Libya, early in the tour which announces that the two countries will cooperate to implement the resolutions adopted by last year's meeting of the Non-Aligned Movement in Colombo, Sri Lanka — resolutions which call for Third World debt moratoria and a new world economic order.

President Castro's trip follows an earlier programmatic offensive by the Yugoslavian government to defuse the historical border conflicts among these nations on the basis of their common economic interests in development. President Josep Tito was in Libya a month ago, followed by Yugoslavian Foreign Minister Milos Minic's tour through Ethiopia, Somalia, Tanzania and Zambia.

After Castro's visit to Ethiopia, he returned to Somalia to push for a Soviet-backed federation of Somalia, Ethiopia, South Yemen and the territory of Afars and Issas (now held by the French). This "common anti-imperialist front" in the Red Sea area will end the potential for an East-West crisis over the Horn of Africa. Somalia had previously proposed the federation of Ethiopia and Somalia specifically as a solution to the dispute over the Ogaden area which borders the two countries) after Ethiopian president Mengistu Haile Mariam had successfully quashed a U.S.-backed coup attempt against his government in early February. Then President Mengistu began to talk openly of federation, agreeing that a union with South Yemen could be easily accomplished, and began to discuss joint economic and technical proposals with Somalia and South Yemen,

calling for the expansion of production and a rising standard of living.

Regional peace was also aided by the Afro-Arab Summit in Cairo (March 7-9), where the potential for an expansion of the conflict between the Eritrean Liberation Front and the Ethiopian government was quietly defused. At this summit, the representative from the Ethiopian Foreign Ministry, Bernard Dinke, explained that the Eritrean conflict was not created by a national liberation movement, but was a maneuver of other countries which intend to destabilize Ethiopia. Mr. Dinke's call for the end to interventions from other countries was quietly supported by the Arabs, who ignored Eritrean Liberation Front leader Osman Sabbe Saleh's memorandum for support of the Eritrean liberation struggle. According to *Le Monde* March 16, Osman Saleh was "discreetly conducted out (of the summit) by the authorities who refused to grant him observer status."

In the spirit of this Afro-Arab summit, President Al-Hamdi of North Yemen will sponsor a conference for the heads of state of North and South Yemen, Ethiopia, Somalia and Sudan on March 22 in North Yemen. President Al-Hamdi noted that disputes between neighboring Non-aligned countries in the Red Sea and Horn of Africa area can only benefit Israel, Rhodesia and South Africa, and, for this reason, the summit will discuss the Eritrean question and various border animosities between African and Arab nations. Such discussion could pave the way for the political unity that is necessary to develop East Africa — particularly Sudan which has the potential of becoming the breadbasket of the Mideast and Africa.

The North Yemen heads of state conference is timed to coincide with the arrival of Soviet President Nikolai Podgorny, who will tour Tanzania, Zambia and Mozambique — countries which have been pushing for

the implementation of the Colombo resolutions. This commitment to the Colombo program was underscored at the Cairo summit by President Kenneth Kaunda of Zambia who said: "There exists no debt which has to be paid back. And we are not supporting the Afro-Arab cooperation just to get money. Neither individually, not in separate groups can we meet face-to-face with the powerful forces which stand behind the present economic order, forces which are blatantly against our interests."

This defusing of the war potential in the Red Sea area has caused Wall Street to put pressure on more malleable Arab nationalist networks in Egypt, Sudan, and Saudi Arabia to form a counter-federation of moderate Arab countries. Such an attempt to turn the

Red Sea into an "Arab Lake" would heighten the ability of Wall street to engineer an East-West confrontation in the area. Jaafar Numieri is now on tour of North and South Yemen, Oman, and probably Somalia. On behalf of Saudi Arabia and Egypt, Numeiri will ask Somalia and South Yemen to join the joint political command of Sudan, Egypt and Syria, which is now strongly behind the Eritrean secessionist movement. The Saudis are reportedly supporting Numeiri's efforts by offering Somali President Barre a \$300 million bribe if he will kick the Soviet advisors out of his country. This counter campaign is being attempted at the same time that the Somalians are sending delegations to the Soviet Union to strengthen ties between the two countries.

## Foreign Influences At Work In East Africa To Wreck Non-Aligned

*The following is an excerpt from an article by Slobodan Rankić on "Mounting Tension on the Horn of Africa" which appeared in the Yugoslav weekly Review of International Affairs.*

The dramatic showdown in the top echelon of the Ethiopian Revolution has aroused the attention of watchers of the African scene and broader factors of world politics too. Ethiopia is faced with numerous internal contradictions and difficulties which are first of all the result of the conditions of extreme backwardness in which the imperial regime had kept the people. However, the fateful developments in this non-aligned country are organically linked to developments in neighboring countries and may strongly influence further trends throughout the region of North-East Africa, an area of great strategic importance. They also affect non-aligned policy very much so because of the non-aligned movement.

There were and there still are quite a number of regional disputes in the area of the non-aligned world. They have different social backgrounds, sources and causes, and they differ too according to the relation of internal forces and according to their links with foreign centres of power and influence. They do have one thing in common, though. By their practical effects, such conflicts detract from the overall strength of non-alignment, they serve to undermine the unity of the movement and they lead to the linkage of certain non-aligned countries with alien alliances and systems.

Regional disputes were revived in a particularly intensive way in the period preceding the Colombo Conference. This fact alone indicates sufficiently clearly that foreign influences are constantly at work in the region. Recognizing the danger of an expansion of such conflicts and disruption of the movement, the Fifth Conference of the Non-Aligned Countries in Colombo gave careful study to these questions. It put the accent on the global and strategic themes of non-aligned policy, and through a positive intonation contributed in a decisive manner towards calming down passions in

different regions.

An easing of tensions was thus noticed around Sahara and also in relations between Somalia and Ethiopia. The Arab countries directly involved in the Middle East conflict had been, so to say, on the verge of going to war between themselves. The meetings in Riad and Cairo altered this situation and made it possible to bring the Lebanese civil war to an end. The divergences and frictions over Angola, although they have not quite vanished, are no longer in the forefront of inter-African relations. Further points have been scored in the process of uniting all the forces of the black continent around a single anti-colonial platform to liquidate racism and to liberate Rhodesia and Namibia.

But, on the other hand, we have seen some earlier controversies being revived. After having lain dormant, just below the surface, they recently began to erupt. This primarily refers to the situation on "the Horn of Africa", where the deterioration of relations primarily involves Ethiopia, Somalia and Sudan.

The Ethiopian Revolution has not improved its relations with neighbours to this day. The proclamation of cultural and national freedoms, the granting of greater autonomy to the provinces, do not appear to have been adequate measures for the internal situation to be radically changed. There is unrest, sabotage, subversive activity and guerilla warfare in individual provinces. The appearance of guerillas in Ogaden, a province with a pro-Somali makeup, has been blamed by official Addis Ababa on a subversive conspiracy by Somalia, whence arms and aid are alleged to be coming. At the same time, Eritrea remains the chief internal trouble-spot. Military action against the guerillas has been shown to have only a temporary, shortlived effect, after which the secessionist movement gains further momentum. It is thus obvious that the problem needs to be resolved by political means.

In numerous statements and documents, official Somali representatives have declared themselves repeatedly in favour of peace and good relations with neighbouring

Ethiopia. At the same time, they have not denied the existence of territorial issues such as the problem of Ogaden which, in Somalia's view, is part of Somali territory. Mogadishu mentions as proof of its good intentions the fact that it had proposed to the new leadership in Ethiopia that a federation of the two states be established. Ethiopian government circles, on the other hand, have been inclined to see this offer as a propaganda move. For, they say, the road to a federation is a long one, and it cannot be showered with roses, but what are needed are concrete efforts to foster friendly cooperation and understanding. And so mutual mistrust is making the problems even more difficult.

The third side involved in this triangular dispute is Sudan. Khartoum claims that a large portion of the Sudanese opposition has concentrated in Ethiopia, preparing there for subversive activities. Ethiopia has denied such allegations and made counter-accusations of its own, indicating the ever-increasing support Sudan is extending to the guerilla movement in Eritrea in the aim of bringing about its secession from Ethiopia. In the view of Addis Ababa, a broad and carefully planned conspiracy against the Ethiopian Revolution, financed by reactionary Arab oil circles and designed to revise the map of this part of Africa, has been launched via Sudan.

In view of the multitude of contradictory information it is sometimes difficult to establish the full and objective truth in particular situations which arise and change daily in this triangle of mutual suspicion and mistrust. But it is not hard to see that there are partial and small truths on each side. In such an atmosphere of shifting positions the relation patterns between individual countries are often changed, too. Sudan, for example, has so far maintained a comparatively peaceful and constructive attitude in regard to the internal difficulties in Ethiopia. Contacts were maintained on its territory with representatives of the Eritrean movement in an effort to find a compromise, peaceful solution. And even if this is not feasible at the moment, it still does not mean that the impaired relations between the two countries cannot be restored to their previous condition. Particularly as there are no territorial or any other major disputes between them....

The great powers, of course, are not keeping aloof. A dramatic struggle for positions and influence, using all kinds of ways and means, is going on at every step in this exceedingly important strategic region. The role of France, in particular, needs to be emphasized. France is under obligation to decolonize Djibouti. Since the Colombo Conference, at which sharp criticism was made of certain French moves connected with the decolonization of the Comoro Islands, her obligation in this respect has taken on an added weight. French diplomacy is at great pains to convince the world that, if she relinquished Djibouti, war could easily break out between Somalia and

Ethiopia and ignite a large-scale conflict in the region which controls the entrance into the Red Sea and thereby passage through the Suez Canal.

The current turmoil on "the Horn of Africa" is a source of grave concern to the factors of nonaligned policy. All the countries in dispute are well-known protagonists of non-alignment. It is therefore not difficult to conclude that a kind of "special war" is going on in the region. Underneath the current happenings is an organized effort to becloud the true and essential interests of the countries in the region and to highlight temporary gains. Old disputes are being revived and old accounts put on the agenda, historical injustices are being brought to the light of day, frontier and territorial problems are being exacerbated, and religious mysticism and national antagonisms are being encouraged. This form of struggle against non-alignment is not new, but in the present circumstances it is acquiring new dimensions.

As a result, certain liberation movements have found themselves in an unenviable position. Through a combination of external developments they are becoming an instrument of foreign vested interests. In consequence, they break up into different factions which operate under the control of different financial centres. In this way, even the justified demands for national rights become distorted and are transformed into their opposite. The national question is not settled by a mere change of masters. Only the natural alliance of the most progressive revolutionary forces within the frameworks of a country or a region can work towards positive changes which will do away with past injustices.

We are faced here with a specific paradox. Sudan, Somalia, Ethiopia and Libya have all carried out their own revolutions and they all endorse similar goals and ideas. All four belong to the movement of non-alignment within the scope of which they are fighting against imperialism, colonialism and all kinds of subjugation. They are all at approximately the same level of material development and they all share the problems which invariably attend a country's efforts to pull itself out of age-old backwardness and to create a modern economy. They are all engaged in a full-scale effort to transform their socio-economic relations on the lines of socialism, on the principles of a prosperous, free and just society. Yet, for all this, deep antagonisms are developing between them.

Over the past fifteen years, non-aligned policy has done a lot to raise the consciousness of colonial peoples and to promote the political emancipation of the newly-independent countries. It is faced with the same task today, too. For this reason the soundest currents in the non-aligned movement must give their full attention to any new development and to disputes such as the one discussed here and encourage those forces and processes which create fresh scope for peace, equitable cooperation and good neighbourliness.

# Human Rights Violations In Colombia Require Investigation

---

## COLOMBIA

---

For two years the Colombian population has lived under a military state of seige. Entire sections of the country are militarized "war zones," and their inhabitants are subject to arbitrary military "justice." The repression leveled against peasants in these zones now rivals that carried out under the dictatorships of Argentina and Chile.

The Colombian army, historically trained and equipped by the United States, and its counterinsurgency units like the Lancers, have arrested, tortured and murdered top leaders of the PCC, its electoral coalition, the National Union of Opposition (UNO), and allied organizations. In rural areas, UNO's peasant supporters are herded into camps and physically and psychologically tortured for "aiding guerrillas."

Despite the fact that the Communist Party, political leaders from other parties, and the victims of military repression themselves have presented thorough documentation of violation of human rights to the Colombian Congress, to the Interior Ministry, and to President Lopez Michelsen, there has been no halt to the military terror. On the contrary, the military repression has been accompanied by the imposition of a "war economy" which has lowered living standards and made more repression necessary.

It may be wondered then, why U.S. President Jimmy Carter has not mentioned Colombia in his international human rights campaign. Close associates of the Carter Administration have even gone so far as to call Colombia a "model Latin American democracy."

Evidence produced by the Colombian Communist Party indicates that the U.S. President would, in fact, find an investigation of human rights violation in Colombia extremely embarrassing. The systematic death squad deployment against its leadership and the torture of its peasant supporters, the PCC has charged, is an Operation Phoenix of the type carried out by the CIA in Vietnam. This is no mere comparison. As the U.S. Labor Party will document in a forthcoming report to the U.S. Congress, the U.S. embassy in Bogota and allied U.S. agencies in Colombia are the on-the-scene directors, advisors, financial supporters of the operation.

The attached "grid" of human rights violation in Colombia is based on material published in the weekly newspaper of the PCC, *Voz Proletaria*, cross-checked against foreign wire services, local Colombian press, and eyewitness reports.

In accordance with the Carter Administration's stated concern for "respect for human rights" as a keystone element of its foreign policy, it is incumbent upon the U.S. Congress and its appropriate subcommittees to investigate the violations outlined herein; and U.S. agencies' financing and training of the military-police apparatus responsible for these violations.

## The Violation Of Human Rights In Colombia

- 9-75 *Yacopi*, department of Cundinamarca. UNO councilman, Nicolás Mahecha, and PCC President of the Yacopi Agrarian Union and Javier Baquero are arrested by the Army and assassinated.
- 10-9-75 *Uraba*, department of Antioquia. UNO councilman and PCC leader Jesús Antonio Jiménez is assassinated by the Army.
- 12-15-75 *Cimitarra*, department of Santander. Vice President of the municipal council, José Romana Mena, is assassinated by the Army. (By January, 1976, generalized repression against the population of Cimitarra intensifies not only against Communists, but members of other political parties.)
- 3-24-76 *Cimitarra*, department of Santander. Military units capture and torture UNO sympathizers Adolfo and Moises Guzman. Adolfo is machine-gunned to death in front of his brother.

- 5-76 *Cimitarra*. The Fifth Brigade of the Army begins its "counterguerrilla" offensive against the population following a UNO victory in municipal elections in April. A concentration camp is set up at a nearby airfield and as many as 400 persons are arrested and tortured allegedly for their connections to guerrilla groups. In the first week of May, Col. Nestor Espitia, commander of the Cimitarra military base, calls a town meeting to say that the Army will eliminate the Communists by force and that the legitimately elected municipal council will not be permitted to meet. As of May 4, peasant men, women and children are brought into the airfield from outlying areas and told by Espitia: "We'll show you that war is war." Although writs of habeas corpus are presented to the proper authorities in Bogotá on behalf of the detained Cimitarra residents, the Army refuses to release

prisoners. A statement published by a group of professionals in the Bogotá daily, *El Espectador*, denounces the Army action, saying that prisoners are subjected to "prolonged (forced) fasts, cruel and degrading treatment in the midst of provocations and unending interrogations without the benefit of legal assistance." Tortures include forcing individuals to lie face down on the ground; if they move, they are beaten. They are also ordered to lie on their backs while soldiers jump on their stomachs; prisoners are deprived of food and water for entire days.

UNO councilmen are among Cimitarra citizens brought before military tribunals; they and other Communists are illegally jailed. (A Supreme Court investigation later finds all councilmen innocent of the charges that they have aided guerrillas and frees them, but two of these councilmen, Luis Giraldo and Elias Pérez, are re-arrested in Barrancabermeja and beaten.)

The military confiscates all political propaganda and raids the UNO headquarters. Any individual travelling in the area requires permission from the military to carry food, drugs or other indispensable items. Virtually all agricultural and other economic activity is halted in this area.

- 7-11-76 *Cimitarra*. Misael Rodríguez, UNO sympathizer is assassinated by the military in the region known as "Pizzaral." His mutilated body is shown to peasants as a warning.
- 9-11-76 *Cimitarra*. Isaac Gomez and Antonio Galvis Rodríguez are assassinated by the Army. Both were UNO sympathizers.
- 10-76 *Yacopi*, Cundinamarca. The military adopts a strategy of deploying small "hit squads," dressed as civilians, to assassinate targeted victims. Peasants "disappear" periodically in the area, as in the case of Leonel Ulloa.
- 11-20-76 *Yacopi*. Isauro Bustos is kidnapped by counter-guerrilla unit. His remains are later discovered in the department of Boyaca. Witnesses report having seen him thrown from a helicopter in mid-flight.
- 11-15-76 *Yacopi*. Military units raid the town corral and rob fowl.
- 12-14-76 *Cimitarra*. Tobias Lamus, UNO lawyer is assassinated by Army units.
- 12-18-76 *Yacopi*. The military mayor announces that the "thieves" who robbed the town corral (above), will be sentenced to death if caught. He proceeds to name the town's UNC councilmen, Campo Elias Palacio, Nancienceno and Carlos Herrera, as the "thieves." (The Army has prevented Yacopi's town council, in which the UNO is a majority, from meeting.)
- 1-7-77 William Manjarrés, student at the Universidad Industrial de Santander and leader of the Communist Youth (Juco), is jailed and tortured for five days by the Army. He is held at the Paraver military base and interrogated on his alleged connections to guerrilla groups. He is physically beaten and told to run away, so he can be shot "trying to escape." Troops from the Popa Battalion led by Sgt. Saul Lopera, raid Manjarrés' home while he is detained.
- 1-7-77 *Quibdo*, department of Choco. Damián Herazo and Adalberto Hinestroza are jailed for 15 days for partic-

ipating in a demonstration protesting police and military repression.

- 1-9-77 *Cimitarra*. President of the municipal council and PCC leader Josue Cavanzo is assassinated by an "unknown" assailant. He had previously been arrested and jailed, then freed by civilian courts. He had been threatened with death in the presence of high-ranking military officers of the Fifth Brigade. *El Espectador* of Jan. 11, 1977, quotes PCC Secretary General in Santander, Juan Campos who attributes Cavanzo's death to a military death squad. "The Army has taken on the mission of liquidating the most prominent figures of the PCC...Cavanzo's murder has no other origin (than this)." Campos reported that he and other top PCC leaders have received death threats; "we're sure the death squads won't leave this just at words..."

The Fifth Brigade military officer leading the occupation troops (five battalions) in Cimitarra, Captain Hernando Martínez, publicly flaunts a list of PCC members and other individuals to be assassinated. On Jan. 9 he threatens to kill UNO councilman Octavio Ramírez, and Jesús Triana. On Feb. 16, 1977 Martínez is quoted as saying, "if the Communists want blood...then we'll give it to them...that's why there are so many of us."

- 1-9-10-77 *Cimitarra*. Camilo Moreno, an elderly peasant, is dragged by the Army from his home and taken to a nearby military base Camposeco. An eyewitness reports seeing him beaten over a four-day period and overheard officers say that he had died after the fourth day. On the same day, Miguel Cruz is arrested in Camposeco for carrying bottles of serum to a sick family. Captain Martínez personally oversees his interrogation, tying him with a rope and beating him until his right arm is broken. Martínez claimed the serum was for guerrillas. (Cruz escaped from the La Corcovada base where he believes he was to be assassinated. His family was subsequently threatened by the Army.)
- 1-22-77 *Puerto Tajada*, department of Cauca. The Army arrests UNO members, among them alternate councilman Olmedo Rios, for pasting up wall posters. On the same day in Yumbo, department of Valle, PCC organizers are arrested for selling copies of the party newspaper, *Voz Proletaria*.
- 1-28-77 *Yacopi*. UNO councilman Nibardo Hernández is arrested and taken to the Bogotá headquarters of the Military Institutions Brigades (BIM), charged with "being a communist" and tortured. Arrested along with him are PCC members Tulio Hernández and Eudoro Avila. (Local Army officers and landlords had previously threatened Nibardo Hernández with death.)
- 1-24-77 *Armero*, department of Tolima. Army and secret police units arrest UNO councilman Alfonso Nuñez. Although a popular mobilization forced police to release him, he is immediately re-arrested. PCC member Jaime Sedano is also arrested at the same time. Military officers in the area announced that more arrests will follow.
- 2-4-77 *Yacopi*. Military units raid the home of the Bustos family "looking for guerrillas." Gilberto and Alcides



Bustos are taken from their home and dragged into the nearby mountainous area. The next day witnesses report seeing their machine-gunned bodies. (Upon hearing the news their mother died instantaneously of a stroke.)

2-5-77 *Yacopi*. A BIM unit ambushes Gilberto and Alcideo Vanegas, (father and son) , robs them of 2600 pesos and kills them with automatic weapons. Officers tell peasants to call local inspector to pick up the bodies, but a military helicopter retrieves them before authorities arrived on the scene. (The Defense Ministry recently announced the whereabouts of the bodies.)

2-11-77 *Yacopi*. Peasants forced to serve as "guides" for counter guerrilla units, Sigifredo Machecha and Manuel Tejedor, both disappear. Other peasants are

told they must pay a 500 peso fine if they refuse to serve as guides.

NOTE: PCC members of the Colombian Congress, Gilberto Vieira (Secretary General of the PCC), José Cardona Hoyos, Manuel Bayona Carrascal as well as independent journalists have made public the evidence regarding these atrocities and violations of human rights. A special investigative commission which travelled to Cimitarra presented its report to the Colombian Congress in May of 1976, and to then Interior Minister Cornelio Reyes. On May 11, Manuel Bayona Carrascal presented the same evidence to Defense Minister Varon Valencia. In addition, peasants from Cimitarra have sent petitions directly to President Lopez Michelsen and other government authorities. No action on any of the documentation presented has yet been taken.

## Carter Human Rights Crusade Produces Fascist Counter-Crusade In Southern Cone

---

### BRAZIL

---

The Carter Administration human rights crusade for Latin America has, in fact, dealt a hard blow to freedom in Latin America, and has sown the seeds for potential full-scale continental war. Events over the past week are leading some observers to wonder whether the Carter team's "new moralism" was even intended to do anything but strengthen the most repressive "Pinochetists" forces in the southern cone nations. For these avid militarists, defense of death squad activities and police-state repression has now become a matter of "national honor" and "national sovereignty" against "U.S. interference."

Beyond purely internal repercussions, the Carter human rights campaign is propelling, along the lines of a "breakaway ally" scenario, the formation of a presumably "anti-U.S." fascist bloc within the southern cone. It is but a small step from the creation of such a continentally-oriented "SATO," hinged on Brazil, to its deployment as a fascist shockforce against those Latin American nations which are still resisting Wall Street economic policies.

Carter's human rights crusade has run into trouble in Brazil, where it is viewed as another U.S. effort to force Brazil to break its nuclear energy development treaty with West Germany, and compromise future Brazilian economic development plans. Brazilian monetarist Finance Minister Mario Henrique Simonsen took great care March 12 to emphasize that the cancellation of a 1952 military pact with the U.S. on March 5 in no way endangered the 1965 agreement regarding North American investment in Brazil. "We never consider

mixing one thing and another," Simonsen stated, adding that Brazil has received U.S. pledges that Washington will not seek economic reprisals in response to the treaty break.

The cancellation of the 1952 treaty is in itself inconsequential in military or economic terms, since Brazil now produces up to 75 percent of the equipment used by the armed forces. French defense officials have publicly expressed eagerness to replace the U.S. as a source of advanced military technology with no strings attached. With its \$30 billion foreign debt, the economic question remains primary in terms of Brazil's next step.

In the wake of the cancellation of the 1952 treaty, the Atlanticist press in Europe and the U.S. were quick to predict a Brazilian "break" with the U.S. Syndicated columnists Evans and Novak March 16 declared that Brazil, refusing to "play the human rights game," will become the head of a "right of center bloc" of countries against the U.S. The Christian Science Monitor proclaimed that Brazil wants to "flex its muscles elsewhere and exercise a degree of hemispheric hegemony" both in Latin America and, possibly, in Southern Africa.

The potential for igniting the long-standing geopolitical tensions was sparked in the diplomatic "incident" provoked this week by Venezuelan president Carlos Andres Perez' public support for the Carter Administration's campaign on human rights and against nuclear "proliferation." The Brazilian press quickly labeled CAP's statements an attack on Brazil's right to nuclear energy development, reporting "unofficial" rumors of a possible break in Venezuelan-Brazilian relations. CAP may have blundered his way into a dangerous potential military confrontation between the two nations, along the lines of the scenario prescribed by *Washington Star* journalist Elliot Janeway in January

for a "breakaway ally" Brazil to invade Venezuela to seize Venezuelan oil reserves.

The Carter "human rights game" has strengthened the hand of the pro-Chilean forces in the Argentine Navy, Air Force, and Army who demand that junta chief Videla impose a hard line against the labor movement and wage an unrestrained war against all "subversive" elements. The Buenos Aires daily *La Opinion* warned March 10: "The national interest (mandates) circumscribing the break with the U.S. to its strict limits, and counteracting any attempt to isolate Argentina or involve her in a bloc with Chile, Uruguay and Brazil against Peru and the majority of the Latin American nations."

Chile is the most prominent example of the success of

Carter's human rights operation. Fascist dictator Augusto Pinochet responded to U.S. "human rights" denunciations with a further "right turn." On the pretext of "discovering" a plot to overthrow him March 11, supposedly engineered by the Christian Democracy and illegal Communist Party, Pinochet summarily dissolved all political parties — "never to be allowed to exist again." (Only the Communist Party and other leftist groups were officially outlawed in 1973; the bourgeois parties were declared in "recess.") The three-year state of seige was institutionalized officially as a "State of defense against subversion," and human rights petitioners painted as evidence of a new "marxist threat."

## Mexican Gov't Announces 'Petrobond' Issue To Pay Debt

---

### MEXICO

---

Mexican Finance Minister Rodolfo Moctezuma Cid has announced that the Mexican government will begin to issue special "petrobonds" pegged to the international price of oil and directly backed by titles to Mexico's large oil resources. Through the petrobond scheme, Mexico has taken the lead in pushing the commodities policy being promoted by the Carter Administration under the UNCTAD common fund proposal. By directly linking the bonds to oil, the "petrobonds" will go even beyond the commodity price fixing proposed under the common fund — in fact it will implement the fundamental aspect of Henry Kissinger's International Resources Bank plan, presented at the Nairobi UNCTAD meeting in May of last year, and then universally rejected by the nations present.

The petrobond scheme is also a step forward in the Carter administration's efforts to gain control of Mexico's oil. The Mexican press today reports that Nelson Rockefeller's Commission on Critical Choices has issued a study proposing a "hemispheric" oil cartel to bust OPEC. The Mexican daily *Excelsior* ran the story under the headline "Rockefeller seeks an agreement with Mexico to ensure steady oil supply to the U.S."

The petrobond issue topped a long list of economic measures announced during the just concluded National Bankers' Conference held in Acapulco. The conference was attended by 2,000 Mexican bankers and 450 foreign observers, including representatives from the International Monetary Fund, which is directly overseeing austerity measures in Mexico. The major theme of the conference was succinctly described by financial analysts in Mexico: "For the first time the protagonist at the bankers' conference is not money but oil."

The first petrobond issue of \$90 million at 7 percent interest, payable in three years, is scheduled to be

floated in April. The first issue will be an "experimental issue" limited exclusively to Mexican nationals, as part of the efforts to "stimulate domestic savings." The Finance Ministry has announced that further issues of bonds backed by oil, as well as by other resources, like silver, will be floated on domestic and international markets. In contrast with bond issues floated in the past by the government-owned oil company (Pemex) to finance the development of Mexico's oil resources, the petrobonds will be directly backed by oil titles. Finance Minister Moctezuma Cid announced that a special fund has been established with which the "federal government will purchase 6.5 billion barrels of crude oil" as collateral for the bonds.

The direct relation between the petrobonds and the Carter administration's proposed common fund for commodities was openly recognized by Moctezuma Cid and by the head of the Bank of Mexico, Gustavo Romero Kolbeck. After the announcement of the petrobonds Kolbeck declared that "the increase in international prices of some raw materials like coffee, cotton, tomatoes and petroleum . . . will improve our balance of payments deficit."

The unique aspect of the bonds was immediately recognized by a World Bank official in Washington who noted that "this is the first case I've seen in which bonds are indexed to resources or commodities."

#### "Taking on the Foreign Debt"

The bankers' conference announced additional measures to "increase domestic savings and reduce our foreign financing," whose purpose was bluntly stated by Moctezuma Cid at the conclusion of his address to the conference: "With our resources and our work we will take on the foreign debt."

The measures announced at the conference under the rubrics of "internal savings," "economic autonomy," and "de-dollarization," are in full accordance with the latest IMF directives. According to a secret IMF document leaked by *Excelsior* on the last day of the con-

ference, Mexico must impose "limits on indebtedness" and "extreme austerity" on public spending.

In line with the calls for austerity, the head of the Bank of Mexico announced the lowering of the legal reserve requirements for private banking — a measure long demanded by business and banking circles. Revenues currently at the disposal of the government through a high central bank reserve ratio (known as the "encaje") will now be shifted back to the private sector. While the exact percentage of the new "encaje" level has not been announced yet, Mexican bankers are estimating that the private banking system will immediately receive anywhere between \$100 to 200 million since the measure will be implemented retroactively.

This will represent an important reduction in the government financing of the state sector, built up under the administration of former President Luis Echeverria as the backbone of Mexican development efforts, and still defended by the remaining Echeverristas in the López Portillo government.

Despite general expressions of "confidence" and "pleasure" by the businessmen at the meeting, spokesmen for the Monterrey Group of financiers and industrialists reiterated their recent demands on López Portillo to purge the Echeverristas in his government. This view was voiced at the end of the bankers' conference by

the head of the Businessman's Coordinating Commission, Armando Fernandez, who argued that "the measures by themselves have not reestablished anything."

Fernandez's specific concern was revealed by a columnist for the Mexican daily *Novedades*, who yesterday called for purging "those who contributed to the collapse of the national economic stability in order for the measures announced at the bankers' conference to have more profound and lasting effects."

The Echeverristas are beginning to counterattack. Augusto Gomez Villanueva, the current head of Congress and former Agrarian Reform Minister, two days ago forcefully defended the "many achievements of the Echeverria government," and declared that "the interests affected by the previous administration are those who are trying to satanize the survivors of the administration."

Gomez's statements were followed up by a barrage of attacks on the Rockefeller attempts to gain control over Mexico's oil. The daily *El Sol* strongly attacked the Commission on Critical Choices proposals in an editorial rejecting the "special treatment" offered to Mexico in return for its oil as "false prosperity." A second editorial in *El Sol* calls for the establishment of a new international economic order, stressing that the U.S. itself would benefit.

# LaRouche Committee, Labor Party, Call For Investigation Of FEC

On Feb. 14 the Committee to Elect LaRouche and the U.S. Labor Party issued a joint call for a congressional investigation into the activities of the Federal Election Commission. The two organizations charged that since approximately Nov. 1, 1976 the FEC has functioned as a "plumbers unit" against Carter opponents in Congress and the Labor Party, instead of carrying out its congressionally mandated job of guaranteeing honest election fundraising and safeguarding the disbursement of federal matching funds to political candidates.

The Labor Party will testify March 22 before the Senate Appropriations Committee, advising Congress to terminate all funding appropriations to the FEC.

In addition the LaRouche Committee and the Labor Party have announced three lawsuits against the FEC: first, to compel the FEC to pay the more than \$100,000 due the LaRouche Committee in matching funds; second to compel payment of damages; third, a mandamus action to force the FEC to enforce the law against the Committee to Elect Jimmy Carter.

The first lawsuit, *Committee to Elect LaRouche and Leroy Jones vs. the Federal Election Commission* was filed Feb. 14 with the D.C. Court of Appeals. It asks the Court to review the FEC's arbitrary denial of more than \$100,000 in matching funds due the LaRouche Committee. The Commission is obliged by law to make payments within ten days of a candidate's establishment of his eligibility to receive the funds.

On Oct. 18, 1976 the LaRouche Committee certified to the Commission that it had raised approximately \$127,000 from 2,300 contributors over the course of a primary campaign period ending Oct. 15. The LaRouche Committee and the Labor Party stressed to the Commission that it would do whatever necessary to facilitate the speedy award of matching funds.

The FEC responded with numerous procedural delays. On Oct. 28 the LaRouche Committee filed suit for the funds in the D.C. District Court. The court ruled that the FEC still had legitimate investigative tasks, including an audit to complete before the award of matching funds. The D.C. Court of Appeals and the U.S. Supreme Court agreed.

The period from Nov. 1, 1976 to Jan. 12, 1977 is described by Committee to Elect LaRouche Chairman Marcia Merry Pepper as a "Kafkaesque nightmare." The FEC submitted request after request to the committee for checks and rechecks, audits and reaudits of the committee's accounts. The committee made every effort to comply with these requests. Finally the FEC initiated dozens of so-called spot checks during which LaRouche

contributors were personally interrogated by Federal authorities on their contributions. The LaRouche Committee's request for matching funds was denied Feb. 10.

The second lawsuit, *Committee to Elect LaRouche, U.S. Labor Party and Six Individual Contributors to the LaRouche Campaign vs. FEC* will be filed March 22 in D.C. District Court coincident with testimony against the funding of the FEC before the Senate Appropriations Committee. This suit seeks multimillion dollar damages against multi-state harassment operations conducted by the FEC in its effort to spot-check LaRouche contributors.

According to the FEC's own "analysis of Contributions Confirmation for the Committee to Elect LaRouche," released Feb. 10, agents attempted to canvas 70 contributors in each of three states — Massachusetts, Wisconsin, and Delaware with 88, 35 and 27 documented contributions respectively. *On the basis of 6 a.m. interrogations and intimidations of LaRouche contributors at their homes and places of business in a three day period, the committee's request for matching funds was denied.*

Sources close to Capitol Hill informed the LaRouche Committee that the spot checks on contributors were designed to intimidate LaRouche supporters and to gather evidence pertinent to the denial of matching funds as well as to a criminal investigation of the Labor Party, the National Caucus of Labor Committees (NCLC), and the LaRouche Committee by a vengeful National Security Council. According to these sources, the Carter election committee asked the Department of Justice and the FEC to open such an investigation on Nov. 2 following an election-eve paid political broadcast by Lyndon H. LaRouche, Jr. on NBC national television. LaRouche asserted that large-scale election-day vote fraud had been planned to place Jimmy Carter in the White House, as the figurehead for a Trilateral Commission takeover of constitutional government in the United States.

The FEC's sudden transformation, into a Cointelpro front for such federal agencies as the Public Integrity Section of the Justice Department and the Treasury Department was, according to Washington sources, effected for the purpose of creating and compiling evidence for criminal frameups of the Labor Party and the NCLC. Information in FEC reports filed by the LaRouche Committee, according to these sources, was also to be utilized in a 60-day plan initiated through the National Security Council for harassment of major U.S. Labor Party contributors by such agencies as the In-

ternal Revenue Service, the Securities and Exchange Commission and the FBI. This entire National Security Council program will be the subject of discovery in the damages suit.

Attorneys for LaRouche Committee have also announced plans to file a third suit against the FEC in the month of April. This suit, a mandamus action in the D.C. District Court will seek redress for the FEC's non-enforcement of its own laws against the Committee to Elect Jimmy Carter. The U.S. Labor Party and LaRouche Committee documented evidence that Carter campaign expenditures (reported in unitemized, unaudited reports to the FEC as Carter expenditures of federal monies) were utilized for vote fraud in several states. While acknowledging that the Carter campaign has overspent the federal campaign limit, and acknowledging the shoddy nature of its reporting procedures, the FEC has refused to open an investigation of the Carter Committee despite documented evidence presented to it.

Marcia Merry Pepper, Chairman of the Committee to Elect LaRouche has stressed that "The court actions and call for congressional investigation of the 'FEC's LaRouche files' are the appropriate format for opening full investigation of the Carter Administration covert operations directed through the FEC against the Congress of the United States." According to Pepper, "The founders of the FEC, John Gardner and Common Cause, deliberately maneuvered to set in place an agency which could be manipulated by Ralph Nader-type tactics, into conducting vendetta investigations of federal elected officials for political reasons."

Sources inside the Commission report that every single report filed by a political candidate in 1976, is technically in violation of the Federal Election Campaign Act because the laws are "misleading and deliberately confusing to the layman or lawyer." This alone means that the FEC can unleash criminal prosecutions at any time the climate is ripe, says Pepper.

Pepper locates the consolidation of the FEC into a "plumbers unit" in the coordinated actions of James Buckley and Eugene McCarthy, respectively the 'right' and 'left' wings of a Trilateral Commission policy nexus. Buckley and McCarthy jointly filed a suit against the Federal Elections Commission, *Buckley v. Valeo*, the 1976 U.S. Supreme Court decision on the case stripped Congress of its control over the FEC and abrogated control of fair election complaints to the Justice Department. Under its first enabling act, the FEC had held dual jurisdiction with the Justice Department in investigating unfair election practices complaints.

Paralleling its operation against the Labor Party, Carter forces within the commission have launched a watergating operation against FEC Chairman, Vernon Thomson, a Republican from Wisconsin. The central figure in this tactic is former Defense Secretary Melvin Laird, who sought to prevent Wisconsin Republicans from uncovering and prosecuting 1976 vote fraud in that state. Thomson is being accused of leaking information on an FEC investigation of the Sasser Senatorial campaign in Tennessee. In December, John G. Murphy, General Counsel for the FEC resigned his post, repor-

How Tax Dollars Helped Steal The Presidency		1976 DEMOCRATIC PRESIDENTIAL CAMPAIGN COMMITTEE, INC.			
		FULL NAME, MAILING ADDRESS AND ZIP CODE	PURPOSE OF EXPENDITURE	DATE - MONTH, DAY, YEAR	AMOUNT OF EACH EXPENDITURE THIS PERIOD
This photostat of one page of the Carter campaign's financial records (above) shows \$1100 in payments to Detroit's "Shrine of the Black Madonna" for unspecified "get out the vote" activities, on Oct. 30, three days before the presidential election.	SHONE PAUL P.O. BOX 1973 ATLANTA GA	TRAVEL SUBSISTENCE REIMBURSEMENT	11/30/76	67.25	
		TRAVEL SUBSISTENCE REIMBURSEMENT	10/25/76	59.53	
	SHOBB STEVEN 629 E 51ST ST SAVANNAH GA 31405	STAFF PAYROLL	11/15/76	215.00	
	SHRINE OF THE BLACK MADONNA 7525 LINWOOD DETROIT MI	GET OUT THE VOTE	10/30/76	100.00	
		GET OUT THE VOTE	10/30/76	100.00	
		GET OUT THE VOTE	10/30/76	100.00	
		GET OUT THE VOTE	10/30/76	100.00	
		GET OUT THE VOTE	10/30/76	100.00	
		GET OUT THE VOTE	10/30/76	100.00	
		GET OUT THE VOTE	10/30/76	100.00	
		GET OUT THE VOTE	10/30/76	100.00	
		GET OUT THE VOTE	10/30/76	100.00	

tedly disgusted with the arbitrary actions of the commission.

The FEC now proposes to expand its "plumbers" operations against Congress. The FEC has submitted to Congress regulations which will require congressional and senatorial office contributions and expenditures to be reported in the same fashion as campaign expenditures. Under the warcry of "open government," the actions of a legislator as he carries out his representative functions are to be made available in detail, through FEC report requirements, to the scrutiny of the Foreign Intelligence Advisory Board, the Justice Department, the press, and anyone seeking material on a Congressman who moves to oppose the Carter Administration. Under the regulations, corporations which make significant contributions to congressional office budgets will be equally vulnerable.

According to Pepper, Carter forces are trying to slip these regulations through a Congress which "they are attempting to cow with the KCIA investigations and the entire Pandora's box of phony Congressional ethics reform." Pepper noted that the Washington Post of March 15 reported that Andrew D. Tartaglino, presently head of the Justice Department's Interpol liaison office

had been appointed as chief investigator for the House Ethics Committee now undertaking the investigation of the KCIA scandal. "Interpol is the coordinating arm of the Nazi police network rescued and maintained by the Rockefellers since the end of World War II," Pepper charged. The Post reported that the new Deputy Staff Director for the Ethics Committee would be Michael Hershman, currently chief investigator for the FEC, and, according to Pepper, "the man responsible for the FEC's harassment operations against LaRouche contributors." Hershman's previous government service includes the Senate Watergate Committee and the National Wiretap Commission.

Pepper plans to outline all of these operations before the Senate Appropriations Committee March 22 and to present a full brief on NSC penetration of the FEC in arguing that until it is fully investigated by the Congress, further funding of the FEC would constitute "a knowing subversion of the Constitution." The Senate Committee will also hear from LaRouche supporter Leroy Jones of Delaware who will detail the 7:00 a.m. June 26th visit to his home by purported FEC investigators and a subsequent 4 hours of interrogation, after which agents informed Jones that his contribution to the LaRouche campaign could result in one year in jail and a \$10,000 fine.

## Chronology Of FEC Action On LaRouche Matching Funds

- 10-15-76 Letter sent to Federal Elections Commission by LaRouche informing the FEC that the \$100,000 matching fund threshold has been reached.
- 10-16-76 U.S. Labor Party Convention nominated Lyndon H. LaRouche, Jr. as its 1976 candidate for president of the United States.
- 10-19-76 FEC chief auditor Joseph Stoltz reports that audit of the CTEL books could begin by Oct. 26 if approved at that day's Commission meeting; Commission does not place CTEL on agenda at Oct. 19 and thereby begins its months' long stall on CTEL funds.
- 10-28-76 CTEL files case in Washington, D.C. Federal Court charging FEC with violation of statute requiring action by FEC within ten days of a candidate's having established matching funds eligibility. CTEL requests that money be granted before Nov. 2 election.
- 10-29-76 Case denied.
- 11-1-76 CTEL appeals case to Supreme Court Chief Justice Warren Burger. Appeal denied.
- 11-4-76 FEC meeting approves audit of CTEL receipts and expenditures.
- 11-8 to 20-1976 FEC conducts field audit of CTEL expenses but contributions are not checked. Auditor Stoltz promises prompt check of contributors records at FEC headquarters.
- 12-3-76 Stoltz reports that contributor audit by the FEC is completed. The FEC claims that 11 states are under \$5000 qualifying threshold.
- 12-10-76 CTEL submits reverification of documentation showing over \$5,000 in contributions from 11 contested states.
- 1-12-77 CTEL attorneys begin to issue a series of ultimatums to FEC demanding immediate FEC decision on CTEL request for matching funds.
- 1-25 to 28-77 FEC agents conduct surprise visits at odd hours to CTEL contributors and their employers in three states, Wisconsin, Delaware, and Massachusetts. FEC interrogations were conducted to coerce contributors into denying their contributions. The FEC did not notify CTEL that such visits and interrogations would take place.
- 2-10-77 FEC meeting denies CTEL matching funds claim on grounds that CTEL did not qualify in three states, Wisconsin, Delaware, and Massachusetts.
- 2-11-77 CTEL attorneys file petition for review of FEC decision on LaRouche matching funds with D.C. Circuit Court of Appeals, petition seeks immediate award of \$100,000.
- 2-14 to 18-77 CTEL is informed by high Washington sources of 60 day program by National Security Council to bankrupt U.S. Labor Party using FEC investigation and campaign reports as one of its chief means; CTEL and U.S. Labor Party receive 4 separate complaints from the FEC threatening criminal action in particular on the LaRouche NBC Ad.

2-19-77 present CTEL attorneys announce plans to sue the FEC for damages on harassment and through discovery to prove the NSC use of the Federal Elections Commission; communications between CTEL, its Washington attorneys and the U.S. Labor Party all

arrive opened; CTEL officials spend two days in Washington addressing Congressmen on the real nature of the FEC; CTEL and U.S. Labor Party schedule testimony before the Senate Appropriations Committee on FEC funding.

## 'To Restore The Right Of Free Elections In The United States'

*The Committee for Fair Elections and the Labor Organizer's Defense Fund have initiated five lawsuits "to restore the right of free elections in the United States" and will present to the Congress Omnibus Election Reform legislation on April 1. According to spokesmen for the two groups, these actions represent the only alternative to so-called election reform legislation currently being drafted by Vice-President Walter Mondale at the request of President Carter for presentation to the Congress in April.*

*The key features of the Carter-Mondale election reform proposals, as reported by staff in the Vice-president's office, are "universal voter registration" and "abolition of the electoral college" as presently constituted. CFFE and the LODF spokesmen maintain that the electoral college and personal voter registration are critical aspects of "fraud-proofing" elections and that the Carter Administration reforms amount to an "attempt to institutionalize the documented methods by which the Carter for President campaign committed fraud during the Nov. 2, 1976 presidential elections." The following is a report on the Carter-Mondale proposals and pending vote fraud litigation, prepared by the staff of the Labor Organizer's Defense Fund.*

The Electoral College was designed by the founding fathers to remove the most critical national election from the passions and uncertainties of everyday politics. Rather than, as the reformers claim, permitting one individual to brush aside the will of the majority, the Electoral College has historically delayed the formal declaration of a victor until the outcome of the election can be accurately determined. In the last presidential election, charges of widespread vote fraud were made in a number of states. The time necessary for the certification of the electors, and the casting and counting of their votes — approximately two months — provided the juridical basis for some fraud investigation to take place, despite unwarranted judicial caution in taking on the fraud issue. The Carter-Mondale proposal to make the Electoral College a rubber stamp would eliminate even that safeguard.

The second Carter proposal will affect all elections, not just the Presidency. The proposal for universal mail or on-site registration threatens to make ballot security impossible. Lawsuits in at least four states (New York, Pennsylvania, Ohio and Wisconsin) challenged the outcome of the Nov. 2 presidential election and six congressional races were similarly challenged. In each instance,

ballot-stuffing based on fraudulent registration and tombstone voting was conclusively documented.

The Carter-Mondale plan is to invite more such lawlessness. The congressional vote challenges are still in court or are being considered by special three-man congressional review teams set up to decide the claims. Of the remaining cases, *Donahue v. New York State Board of Elections* has the most serious implications for the fu-

### 'We Don't Look For Irregularities'

*The following is testimony given by Mrs. Betty Dolen, Directory of New York City Board of Elections under questioning by Lester Fettell, Counsel for the Plaintiffs in the case of Donahue V. New York State Board of Elections, Dec. 8, 1976.*

**Q:** In your capacity with the Board of Elections of the City of New York, do you presume that there is no fraud among voters?

**A:** Well, I wish we had Utopia—

**Mr. Schwartz:** Objection, your Honor.

**The Court:** Well, just because Mr. Fetell volunteered the statement I will allow the witness to answer.

**A:** I said I wish we had a Utopia of that kind.

**Q:** Do you recognize that it is a part of your responsibility and the responsibility of the Board of Elections to look for irregularities and report them to the proper authorities, if found?

**A:** No, we don't look for irregularities; if they are called to our attention we check them out.

**Q:** Was there anything — when this system was implemented by the Board of Elections, was anything done to spot check for the possibility of registering from tombstones to empty lots to empty buildings?

**A:** No, there is an affidavit on the application and when it is signed — that affidavit must be signed by the applicant. And when that application comes in with the signature on the affidavit, it is presumed what the person filled out is the truth and also there is a class E felony on the other side which charges in the event it is proven you are not telling the truth, you are subject to a class E felony."

ture of free elections. This case has just been filed with the U.S. Court of Appeals for the Second Circuit for reconsideration of the crucial issues involved.

In *Donahue* last December, Judge Jacob Mishler, Chief Judge of the U.S. District Court for the Eastern District of New York, refused to issue a preliminary injunction to stop certification of the Carter electoral slate in New York State. Mishler also dismissed a complaint alleging fraud substantial enough to overturn the election.

For the first time in a civil rights suit involving voting rights, the judge ruled that to substantiate their claim, plaintiffs would not only have to show that their votes had been diluted by enough fraudulent votes to change the outcome of the election, but also that the election officials who allowed those fraudulent votes to be recorded did so from criminal intent rather than negligence! According to the *Donohue* Appellate brief "the plaintiff must bring in proof showing the hand in the cookie jar."

The *Donohue* complaint was initiated by the U.S. Labor Party; the Rockland County Conservative Party; Lyndon LaRouche United States Labor Party candidate for President; a Republican candidate for state assembly; and several individual voters. It was based largely on a scientific sampling of registered voters in the election. This demonstrated that a large percentage of non-existent or falsely registered individuals voted; it was further substantiated by numerous affidavits demonstrating chaos at the polls, intimidation, multiple voting and other irregular practices.

An official of the National Scientific Corp., asked about the problems of vote fraud where computers are used to count votes, replied, "Fraud is an emotional issue. No one has ever proved fraud." But no one has ever demonstrated that the problems in proving fraud mean it does not occur. Judge Mishler, in his order for an evidentiary hearing, stated terms of proof which were impossible to accomplish.

Carter's margin of victory in New York was 250,000 votes. In addition to requiring that the plaintiffs show enough fraudulent votes to change the outcome of the election,

Judge Mishler stated, "The burden which the plaintiffs must meet is a heavy one.. ordering a new election in New York State for President could involve the most serious consequences, raising the question of 'whether the relief, if given, might do more harm than good'... the claimants must come forward with the most clear and convincing evidence that state officials or persons acting under color of state law, by intentionally depriving qualified voters of the right to vote, altered the outcome of the election... this standard implies conduct of a most egregious nature, approximating criminal activity."

Judge Mishler also noted that the press of time in an electoral case is a major factor. In the usual course of events, a plaintiff demonstrates fraud in an election by showing improperly cast votes and criminal prosecution follows. For example, in state court in Louisiana, in *Moreau v. Tonry*, contesting the outcome of a Democratic Congressional primary this year, Edward Moreau showed numbers of improperly cast votes. Although the court did not overturn the primary, U.S. Attorney Gallinghouse has since obtained twenty-three criminal indictments against the election officials involved.

In *Donahue*, the plaintiffs randomly sampled 2434 voters mainly from New York City, with a small sample drawn from the four other large cities in the state, Buffalo, Rochester, Syracuse and Albany. Five percent of those voters, representing a population of a little more than half the New York State voters in the November election, could be definitively shown not to exist. Another 6 percent could not be found by the most strenuous search. (See table). On the basis of the survey, over 320,000 votes were cast fraudulently *in the parts of the state surveyed*.

The most important vehicle conveying these non-existent voters into the voting booth was mail registration.

Besides overwhelming city boards of election with tens and hundreds of thousands of new registrations to verify (which the boards of election made little effort to do), mail registration provided the cover for huge amounts of tombstone voting. In the large cities, Carter supporters

### Statistical Summary Of Vote Fraud In New York State

The above data, as analyzed by Dr. Steven Bardwell, was presented as testimony in the case of *Donahue vs. New York State Board of Elections*. Minimum number of irregular votes indicates researchers proved registrants did not exist. Maximum number indicates voters could not be found after extensive search.

POPULATION SIZE	MIN. % OF IRREGULAR VOTES (CONFIRM. FRAUDS)	MIN. OF IRREGULAR VOTES	LARGER % OF IRREGULAR VOTES CONFIRM. & UNCONFIRM. FRAUDS	LARGER NO. OF IRREGULAR VOTES
209,040	6.67%	13,797	13.48%	28,220
685,133	7.23%	50,015	20.55%	141,137
1,272,413	4.18%	53,434	9.12%	115,789
<u>655,083</u>	<u>3.21%</u>	<u>20,961</u>	<u>7.41%</u>	<u>48,541</u>
2,821,669	4.9 %	138,207	10.8%	333,687



poured tens of thousands of dollars into mail registration drives, resulting in well over 90 percent Democratic registration. The mail registration drives were followed with more tens of thousands of dollars to "get out the vote" on election day. As the *Donahue* survey showed, over 10 percent of the vote "gotten out" had a very doubtful corporeal existence. Only 75 percent of the "ghosts" voting as a result of this partisan drive would have had to cast their ballot for Carter to provide his 250,000 margin in New York State (and his winning margin in the Electoral College). And this assumes, of course, that the fraud described was confined entirely to the five large cities, an experience not born out in Ohio, where a U.S. Labor Party investigation showed many fraudulent votes cast in rural areas.

According to the standard set by Judge Mishler however, even this proof of the dilution of legitimate votes by fraud does not suffice. How can you prove that the election board officials *intended* non-existent individuals to vote? Never has such a standard been applied to civil rights violations of this type.

New York is not the only instance where "liberalized" registration procedures occasioned massive vote fraud. In Ohio, registrars were not permitted to ask voters for any proof of identification or residence. In addition to documented tombstone voting, fraud included transporting numbers of people into the state to vote. Federal

Judge Kinneary, in deciding a suit charging fraud in Ohio, used Mishler's decision to deny relief as a guideline for his own.

In Wisconsin, a new and unconstitutional on-site registration law also provided the opportunity for fraud. Election officials there encountered so many applicants for on-site registration, as the vote was "gotten out" by having teams travel from poll to poll, that affidavits of residence were written on napkins and whatever other scraps of paper could be found. In Wisconsin there are no records of who voted or how many times.

The Committee for Fair Elections charged that tens of thousands of irregular votes were cast. The Committee filed suit in Wisconsin challenging the outcome of the election, which suit was dismissed when hasty certification of the results by Wisconsin officials closed the question. A Committee for Fair Elections appeal charges that the abrupt certification, orchestrated by Wisconsin Secretary of State Bronson LaFollette, was itself illegal.

If the Carter electoral reform proposals and the Mishler decision are allowed to become law, vote fraud will be institutionalized. Mail registration to maximize the number of registered tombstones and make their detection impossible, coupled with the contemplated modification of the Electoral College, will permanently remove the United States from the ranks of constitutional democracy and render it a "banana republic."

# The Roots Of Carter's Public Works Programs

The Carter Administration has now officially revived the work programs of Franklin D. Roosevelt's "New Deal" and Adolf Hitler's Third Reich. On March 9, Carter sent to Congress a "youth employment and job-training" package which hinges on the creation of a Youth Conservation Corps "similar to what we had during the Depression years known as the Civilian Conservation Corps."

A bill for a state Civilian Conservation Corps is now pending before the Ohio state legislature that establishes the current federal youth bill as the auspicious beginning of what is intended to be a national system of conscript, pick-and-shovel labor. The Ohio bill, previously defeated by labor and industrialists, would put an initial 200 youth into "work brigades" to "reclaim" strip-mined land, at \$25 per week. (An earlier version would have provided uniforms for labor to be performed under the state's National Guard). Carter's Federal package involves urban "public works" — park clean-up, "community improvement projects," etc. — and additional monies for the Job Corps, and the Comprehensive Employment and Training Act programs, two of the most firmly established channels for current Federal sponsorship of menial, non-productive employment.

In consultation with Carter planners, Senators Humphrey (D-Minn), Javits (R-NY), Jackson (D-Wash), Stafford (R-Vt), and Representative Meeds (D-Wis) are all sponsoring one or another piece of such public-works legislation.

Carter's use of the "Civilian Conservation Corps" as precedent is perfectly clear testimony on the Hitlerian character of his program. Roosevelt's CCC was frankly modeled upon the German work-camps of the 1924-36 period, imported to Depression America by employees whom John D. Rockefeller, Jr. lent to the Roosevelt "brain-trust" to devise that and related such programs.

A notable influence in shaping the Carter variety of slave-labor system is Mr. Kenneth Holland (a member of the New York Council on Foreign Relations; current Chairman of The Fund for Multinational Management Education within David Rockefeller's Council of the Americas; former director of education for Nelson Rockefeller's Office of International Affairs). Holland, who sent an April 1976 memo to Carter outlining a "Civilian Conservation Corps" plan like that now emerging in legislation, in the 1930s, sent many similar memos to Roosevelt on behalf of the Rockefeller interest.

As a young man, Kenneth Holland toured European labor camps, visiting those of Germany in 1932 under the auspices of the International Student Services. Return-

ing to the United States, he became a foremost publicist for conscript labor, writing articles for the New York Times, making speeches and dispatching memos to every member of Congress, and to the Roosevelts.

In 1936, Holland was sent back to Germany to inspect the Nazi work-camp system; he published his findings in the 1939 book, "Youth in European Labor Camps," which recommended that the New Deal's CCC be made a permanent part of the economy. In 1941, he authored two pamphlets whose titles are self-explanatory: "Work Camps for College Students" and "Work Camps for High School Students."

Today, Kenneth Holland advises not only the Administration's labor bills, but the Humphrey-Hawkins "National Employment Service" bill, which is in part a product of his frequent consultations with Senator Hubert Humphrey.

## Holland: "I Was Responsible For CCC"

*The following is part of a recent interview with Kenneth Holland.*

*Q:* Mr. Holland, how much input did you have in the Roosevelt Administration in regard to the Civilian Conservation Corps idea? Did you write your book, "Youth in European Labor Camps," for the government?

*Holland:* I sent materials to FDR, just like I did to Carter last spring. I've also talked to Humphrey several times, but you know, one never knows just how much one's ideas affect policymaking. I wrote the book for the American Council on Education. It's not governmental, but a private organization set up during the war (by the Rockefeller family —ed.) . . . I did testify in favor of the Civilian Conservation Corps (CCC) before a Senate committee during the Hoover Administration and again early in the Roosevelt Administration. I was a bit of a New Dealer, you know. First I was made Director of Education for the CCC of New England. Then in 1935 I came to Washington as the Assistant Director of the American Youth Commission (created by the American Council on Education —ed.) to conduct a study on youth camps and the National Youth Administration residence centers...

*Q:* Was it during this time that you visited the work camps in Europe?

*Holland:* Yes. Although I had also visited camps earlier in '32. I went back to visit them again in '33 and '36 while I was employed by the American Council on Education (ACE).

*Q:* How would you say the proposal Carter made for youth employment compares with what you advocate?

*Holland:* I'd say it will probably be very similar. I sent Carter a memo recommending the establishment of CCC-type camps with some modifications. I already mentioned that I talk to Humphrey sometimes.

*Q:* What modifications would you want to see?

*Holland:* First of all, there should be *no army* involvement. The Agriculture and Interior departments can handle it by themselves. Young people these days won't have anything to do with the camps if the army has anything to do with it, especially after Vietnam. Also, I would want to see no racial discrimination like there was in the original CCC, and no segregation. Lastly, women should be included in the camps . . .

*Q:* Where do you think FDR got the idea of the CCC camps? Do you think he got it from the European camps?

*Holland:* I knew Mrs. Roosevelt very well and exerted a lot of influence on her. I think I had a lot of influence on FDR as a result. Of course there was the top man in the forest service, Brown, who was very keen on work camps. Brown saw some camps in Germany under Bruening, you know before Hitler took over. There were so many thousands of unemployed they were getting at each others' throats. Really, the camps were very successful at promoting loyalty to the country. Of course, I testified when I was only 24 years old for Senators Costigan, LaFollette, and Cutting. I also sent a project recommendation to all of Congress and the President and Mrs. Roosevelt. I guess you could say I was responsible for the idea of the CCC. You know, Carter hasn't got the flair, but he's pushing the right ideas, similar to FDR's. Carter's just lower key.

*Q:* How did you get interested in work camps?

*Holland:* While I was at the University of Paris, Edward R. Murrow, who was the Assistant Director of the Institute of International Education, who had given me a fellowship, visited me and we really hit it off well together. He went on to Czechoslovakia for a conference and saw to it that I was named American Secretary of the International Student Services. This is the institution that sent me through Europe seeing the camps. I came back to the U.S. in '32 and wrote about my experiences...

*Q:* Some people say that work camps are fascist and that's why Americans shouldn't have them. What do you say when people bring this up?

*Holland:* It all depends on who's administering them. Hitler took over the Bruening labor camps and made them into Nazi propaganda machines, but that's not the fault of the camps . . .

## Jackson, Meeds Bills: "Nothing To Do With Education"

*Senator Henry "Scoop" Jackson and Congressman Lloyd Meeds are sponsoring bills which call for an expansion of Youth Conservation Corps, which at present exists as a summer employment pilot project. Their plan provides strictly labor-intensive projects in primarily the National Parks and Forests.*

*The following is part of an interview conducted with an aide to Senator Jackson.*

*Q:* Is education a part of the YCC you are advocating?

*A:* No, you see the YCC is part of an economic package as far as Jackson is concerned. The aim is job-creation, rather than training. The problem with the Job Corps is that it tried to do too much too fast. Here's how we see it. We recognize a large number of unemployed youth who need jobs and would be willing to do outdoor work. At the same time there are all kinds of labor-intensive work that need to be done in our parks and forests. We can solve both problems at once. At least in the beginning, we are not concerned with training, although if a participant learns carpentry or how to use heavy machines, good; but that's not the point of the program. You see we want to see if the CCC concept will work with this generation of young people.

*Q:* Why wouldn't the CCC work today?

*A:* Well, the hard core unemployed youth from the inner city or rural unemployed may have a different attitude towards work in the woods. There's the problem of drugs, too, that wasn't around during the first CCC.

*Q:* Do you think they might have something against labor intensive work?

*A:* No, not once you get them into the program. There won't be any trouble once they're recruited.

*Q:* Why is the program labor-intensive?

*A:* It means we can put kids to work quickly. We won't have to spend a lot of time planning a project or paying for a supervisor and expensive equipment. This way it's a lot easier. Besides there is so much labor-intensive work to be done. All the reforestation — it doesn't take any planning or equipment to put a seedling into the ground and the forest service doesn't have the time to do it.

*Q:* How do you answer the people who say that work camps are fascist?

*A:* Let's face it, the CCC was very military like. But without the military mobilization the CCC couldn't have been implemented. But take a look at the more recent YCC. It's co-ed and is run by the Agriculture and Interior departments rather than the Army. There is of course no indoctrination or military flair. . . . You don't have to worry about it, if there's any way to alienate kids, it would be to run it like an army. We learned a lot from the old CCC.

*The following is part of an interview with an aide to Rep. Meeds.*

**Q :** Will there be an educational program included in the YCC?

**A :** No, the YCC is more of a job program than it is training.

**Q :** How long can a young person remain employed by the YCC?

**A :** The limit is one year. We have no intention of creating permanent Federal jobs; those must come from the private sector. The YCC is for kids who are in between school and a job and who need experience. They will be paid minimum wages for gaining experience and conserving national resources. Of course, these are jobs that otherwise would not be done.

**Q :** Why are the camps slated to be labor-intensive?

**A :** First of all the object is to create as many jobs as possible, as fast as possible. You can create more jobs if they are labor intensive. Secondly, young people simply do not have the skills to run complicated equipment. Besides, the sweat of the brow and good hard work is good for anyone. It gives young people a feeling of accomplishment to look at a trail or a dam and say with pride, 'I built that trail.' The psychological benefits are very important.

### Humphrey's Future For Youth: Painting a Fence, Using a Saw or Hammer

*The most all-inclusive piece of youth labor legislation is the "Youth Employment Act of 1977" sponsored by Senator Hubert Humphrey (D-Minn) and Sen. Jacob Javits (D-NY). The act combines the Jackson bill with a bill sponsored by Senator Stafford (R-Vt), a "Youth Community Improvement Act of 1977." Stafford plans to put youth to work in the cities repairing run-down housing, and so forth, with jobs "coordinated with classroom instruction" qualifying the laborer for academic credit. The Humphrey-Javits bill provides for both a Youth Conservation Corps year-around and a Youth Community Conservation Corps, focusing on what it calls "job*

*counselling" and accredited work-study programs as well.*

*The following is part of an interview with an aide to Senator Humphrey.*

**Q :** Did Brookings or other research institutes have a hand in creating the bill?

**A :** No, not really. We didn't need any more theoretical input since we had hearings before the Joint Economic Committee last August with many people from the academic community testifying.

**Q :** Who testified?

**A :** Paul Barton, from the National Manpower Institute. He works with Wirtz (former Labor Secretary Willard Wirtz —ed.) at the Work Education Council. Then there was Beatrice Rubins from Columbia, Mayor Flaherty of Pittsburg, Andrew Young, and Howard Samuels, president of the Amalgamated Clothing Workers Union. Also we had Bernard Anderson, a Wharton School economist who specializes in youth unemployment. After the hearings both Humphrey and Javits came up with the same idea and that's where the bill came from.

**Q :** Please go into the content of the job training part of the bill.

**A :** It's designed to meet the needs of all different kinds of young people. There is the Youth Community Service project approach which goes on in the local community, but with federal funding for youth both in and out of school, aged 16-21, and aged 14-15 if still in school. There would be one supervisor for every ten enrollees. The program would consist of basic work experience plus counseling. The main object, though, would be work. The training would be unsophisticated: painting a fence, using a saw or hammer. Mostly what they would learn is how to work together, how to show up for work on time, how to take and carry out orders — basic experience needed to get and keep work. . . . The fourth area covered in the bill is occupation education. We would place trained job counselors right into the high schools. They would feed and gather job information from computer terminals containing a national data bank. This way a student's interests could be matched with jobs. One problem now is that the schools are overly weighted towards college bound students. We will take care of the situation by providing job counselors.