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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE —

A major outbreak of **fighting** between **Egypt** and **Libya**...part of the Carter-Rockefeller drive to **bust the OPEC oil grouping**...underlines the now-daily **danger of a "Sarajevo"** which could trigger World War III. In an emergency memorandum...U.S. Labor Party chairman **Lyndon H. LaRouche, Jr.** assesses **"Warsaw Pact Combat Group Modifications"** under present conditions of **dollar collapse** ...sees **three monetarist groupings** battling to control the **Arabs \$40 billion** annual reserves-generating capacity...forecasts a likely show of **Soviet "unbluffability"**...warns that the **USSR will not fight Carter's "limited nuclear war."**...see **International Report.**

* * *

A **Harriman-influenced bureaucratic shuffle** in Washington...designed to shove "human rights" nuclear provocateur **Zbigniew Brzezinski** into the background...has produced **nothing** more reassuring than a **new outburst** of provocative anti-Soviet posturing from **Carter**...in his supposedly "conciliatory" **Charleston speech**. A grouping of **conservative Congressmen** and **retired military officers** has formed a "Defense Task Force" to **challenge the Administration** on military questions...see **International Report.**

* * *

Some **Wall Street** characters have tried to **take advantage** of the **Soviets' T-ruble offer** in

order to bail out the bankrupt **New York banks**...but the **Soviets** are not playing ball. The USLP's **LaRouche** explains how the **USSR will use the T-ruble**...see **International Report.**

* * *

"Urbank" has come to the **U.S. Congress**...this **stone-age plan** for systematically **wiping out U.S. industrial and agricultural productivity** through a series of **regional urban development looting schemes** is analyzed in this week's **National Report** ...plus a **day-by-day chronology** of the **Carter Administration's drive** to push its **fascist energy and slave labor plans** through Congress...

* * *

Carter Administration henchman Tip O'Neill has grabbed hold of the **KCIA investigation**...and is attempting to **terrorize Congress** with the appointment of **Watergate special prosecutor Leon Jaworski**...But **new revelations** about close **Carter advisor Bert Lance**...**"a walking conflict of interest"** said one columnist...could presage a serious effort to exercise **"the Mondale option,"** our **Washington Week column reports**...and if the **Carter "plumbers' operation"** against the **USLP's Alan Ogden** is exposed...see **National Report.**

INTER- NATIONAL
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Forces grouped around French President **Giscard d'Estaing** are making preparations for a "gold coup" against the declining dollar...it could be the start of a new **hard-commodity** international credit system...Meanwhile the **planned shutdown** of the U.S. steel sector has begun as a result of the dollar monetary mess...see **Economics**.

* * *

Slowly but steadily...the **USSR** has been acting in concert with **Arab** and **European** forces to enhance the possibility of ending the **Rockefeller hammerlock** on global oil production. A full report on **Soviet oil deals** is feature in this week's **Energy** section.

* * *

Who is **Santiago Carrillo**?...the **USLP's LaRouche** draws the connection between his rise to power and **FBI takeover** of the Communist Party USA...identifies the significance of the **USSR's recent attacks** on this monetarist agent...see **Counterintelligence**.

* * *

Carter Administration blackmail against the Arab world is in high gear in the aftermath of Israeli prime minister **Begin's Washington visit**...See our **Middle East** section for reports and interviews on **Jake Javits' drive** to destroy the Palestinian movement...**Israel's pre-war austerity push**...and the ominous **Libya-Egypt conflict**.

* * *

The **Desai government** in India is embroiled in heavy **factional disputes** over how far its **World Bank budget** may be safely implemented. See **Asia** for a news analysis...Also featured: a report on **Japan** in the aftermath

of last week's surprising election victory for the **LDP**.

* * *

The **Mexican government**...under heavy pressure from the **IMF's "Carteristas"**... has acted to **suppress explosive testimony** by the **Mexican Labor Party** on the effort to replay the **Chile coup** in Mexico... Our **Latin America** report presents lengthy **excerpts** from the 10,000 word **PLM testimony**...and the barrage of **slanders** in the Mexican press which followed.

* * *

"**Break up the Teamsters**" is now the war-cry in Washington as the Administration strives to **eliminate** what is potentially the key force in a "**Whig Coalition**" against its austerity and war policies. But **Teamster leaders** are **temporizing** on a decision to fight back politically...see **Labor**.

* * *

A **national wire story** is out on **UPI** covering the **Federal Election Commission's** peculiar file of 200,000 letters opposing Carter's "universal vote fraud" legislation...which columnist **Jeffrey St. John** reported as part of a Carter move to compile an "**enemies list**" prominently featuring the **U.S. Labor Party**...See **Press** for the St. John and wire service releases.

* * *

To insure that Congress has **adequate intelligence** on the military-strategic questions...the **USLP's LaRouche** has proposed the **Senate establish** a special ad hoc grouping containing several policy viewpoints...see **Military Strategy**.

Carter Team 'Clarifies' Soviet Policy, Reassures No One

Jimmy Carter's July 21 foreign policy speech in Charleston, S.C., billed beforehand as a conciliatory effort to "reassure the Soviets," was in fact a continuation of his Administration's "aura of power" provocations against the USSR. The speech showed that although National Security Advisor Zbigniew Brzezinski was shoved into the background in a supposed policy shakeup earlier in the week, Brzezinski's nuclear "chicken game" policies still dominate the White House.

"The Soviets are worried about our cruise missiles," Carter bragged in Charleston. "Our cruise missiles are aimed at compensating for the growing threat to our deterrent capability represented by the buildup of Soviet strategic offensive weapons forces... If an agreement cannot be reached, there should be no doubt that the United States can and will do what it must to protect its security and insure the adequacy of its strategic posture."

When he wasn't rattling his missiles, Carter was again demanding that the Soviets follow his lead in deindustrializing the world through "technological disarmament" as in his war on the nuclear breeder reactor. "In the talks on strategic arms limitations we advanced a comprehensive proposal for genuine reductions, limitations and a freeze on new technology..." Carter reminded his audience.

Finally, Carter stuck up for his "human rights" tirades on the grounds that the Soviets would not be the only targets of this type of destabilization of other governments. "We stand on what we have said on this subject before," Carter said. "It is addressed to all countries equally." Regarding Soviet attacks on the policy, Carter blustered, "if these comments...are merely designed as propaganda to put pressure on us, let no one doubt that we will persevere." Later in the day he promised, "I won't back down. You can depend on it."

Earlier in the week FDR's "old Soviet handler" Averell Harriman had sought to remove Brzezinski from his limelight role making U.S. policy toward the USSR and the so-called Interagency Coordinating Committee for U.S. Soviet Affairs was set up under the State Department to be co-chaired by Harriman operative Marshall Shulman and George S. Vest, a protege of Henry Kissinger.

Harriman's effort to curb Brzezinski and Carter is a small concession to outraged Europeans who have resisted Brzezinski's demand for preparations for a "European theater limited nuclear war" — a sure formula for World War III and the destruction of the United States and Europe. Having pushed "human rights" nuclear

provocateur Brzezinski into the background somewhat, Harriman, David Rockefeller and lower Manhattan investment bankers are praying the Soviets will appreciatively desist from their initiatives for a new monetary system based on economically sound transferable ruble deals, and will return to step by step reconciliation with the Wall Street debt collectors.

Meanwhile, Harriman and the Rockefellers have stepped up their drive to impose fascism in the U.S. in the immediate future. In yet another shake-up move ordered by the financiers, reported today by columnists Germond and Witcover, "Our Crowd" controlled Vice President Walter Mondale has been promoted to the head of a committee of senior presidential assistants and charged with drawing up a "long-range agenda of domestic and foreign policy issues requiring direct presidential involvement" — that is, issuing marching orders to puppet Carter. Germond and Witcover reveal that the Mondale-Committee, the top body of a new Policy Management System in which the "demoted" Brzezinski will work, will concentrate on mobilizing government agencies to push ahead with the full range of fascist slave labor programs, public works slave labor, welfare forced work, looting of Social Security funds, energy deindustrializations, and so forth.

The decision by the Harriman-Rockefeller forces to "low profile 'Zbig'" follows directly David Rockefeller's recent Dartmouth Conference-sponsored trip to Moscow and Averill Harriman's July 14 meeting with Carter at the White House.

Helmut Sonnenfeldt, Henry Kissinger's former top aide on Eastern Europe, who accompanied Rockefeller on the Moscow trip, told the Italian press this week that "the Soviets perceived Brzezinski as the problem." The Italian daily *La Stampa* even mooted Sonnenfeldt as a possible replacement for Malcolm Toon, U.S. Ambassador to the USSR.

Harriman frontman Thomas Halstead, Director of the Carnegie Endowment's Arms Control Division, told NSIPS earlier in the week that "Harriman met with Carter to wean him away from Brzezinski," Herbert Scoville, another Carnegie official closely connected with Kissinger and Harriman, in an interview with NSIPS confirmed this and blasted Brzezinski, "a Pollock with a paranoid pique against the Russians." Yesterday's Wall Street Journal in a front page article titled, "U.S.-Soviet Relations Seen Deteriorating..." joined the chorus, hitting Carter and Brzezinski's provocations of the Soviets based on "personal pique."

It was the *New York Times* which blew the story on

the Soviets specifically mentioning Harriman's meeting with Carter and Coordinating Committee co-chairman Shulman's longstanding close relation to Harriman.

Brzezinski's ally Richard Pipes, a member of the war-hawk *Committee on the Present Danger*, summed up the meaning of the "policy shuffle" in an interview prior to Carter's Charleston speech: "The new committee could

simply be a cosmetic maneuver — letting the Russians know that they could bring their complaints to Shulman and get a hearing. There's no way of knowing until we hear Carter's speech. If he merely says that he was sorry somewhat about the harshness of some of his statements, but still maintains his stand on the important issues, I'll be very pleased..."

Defense Task Force Formed To Spur Strategic Policy Debate

"American Whig" political and military leaders broke with the Carter Administration and its financier backers on defense policy last week, and organized a new opposition formation, "the Defense Task Force." The new group went public at a July 19 press conference in Washington sponsored by the American Conservative Union.

The formation of the Task Force provides an important opportunity for a national debate on the U.S.-Soviet strategic policy. However, if the Task Force fails to address the overriding economic issues which have created the grave war danger, it could unwittingly precipitate an intensified arms race, and enhance the danger of general war. Reprinted below are two press releases from Rep. Philip Crane and Sen. Jake Garn issued at the formation of the Task Force.

Crane and Colleagues Blast Carter Defense Policies

July 19 — Congressman Philip Crane, the sponsor of a joint House-Senate press conference called expressly to "make public our concern over dangerous trends in U.S. defense capabilities," spoke out sharply against the "unilateral concessions made by the U.S. without securing any Soviet reductions in arms capability."

Sharing the podium with Sens. Curtis, Dole, Garn, Hatch, Hayakawa, Laxalt, Thurmond and Cong. Bob Dornan and Steve Symms, Adm. Eliot Strauss and Gens. G. Keegan and D. Graham, Crane referred specifically to Carter Administration decisions to scrap the B-1 bomber, the Minuteman I and II upgrade programs, and to cut back in the development of MX. "I believe that the recent decisions mandating unilateral cuts in our defense program will increase the prospects for nuclear war rather than enhance the prospects for stability and peace."

Crane's colleagues echoed his sentiments, each of them denouncing last night's Senate vote (59-36) to kill funding for the B-1 bomber as requested by the

President. Sen. Hayakawa, announcing his "unqualified conclusions" that the B-1 is needed, explained his views: "If we don't have this weapon we are likely to need it desperately; if we have it we are likely never to have to use it." Sen. Paul Laxalt was even more adamant in his tersely stated opinion that the "Senate abdicated its responsibility on the B-1 bomber."

Sen. Jake Garn, introduced as the chairman of a "Defense Task Force," spoke at length on his perception of the "continual degrading" of the U.S. defense capabilities leaving the U.S. in a position "second to the Soviet Union."

The Task Force's purpose as explained by Crane is to disseminate "no nonsense facts and figures" concerning our national defense capability. According to Crane, the Task Force's first priority is to "alert the American people to the dangers inherent in President Carter's emerging defense policy." The Task Force will make available the expertise of military officials, legislators and educators to explain the impact of congressional and presidential defense decisions to the American Public through lectures, written material and media coverage.

Crane concluded the press conference by calling on the American people to "make known to the President that they will not accept the prospect of the U.S. falling behind the Soviet Union in defense capability. The President must be educated to the folly of his decision if we are to ensure our country's survival."

Spearheads National Defense Policy Task Force

July 18 — Senator Jake Garn (R-Utah) today announced that he has agreed to head a task force on national defense policy, sponsored by the American Conservative Union. The Senator also said that he will be one of the principal participants in a news conference tomorrow, in which several members of Congress and others will discuss "the potential consequences of President Carter's national defense policy."

“President Carter has made some recent decisions which could have grave consequences as far as our national security is concerned... In my opinion, he seriously weakened our defense triad when he recommended stopping production of the B-1 bomber. The triad was further weakened when the President announced only a few days later that he wants the Minuteman Missile production line closed. Either one of these decisions, taken alone, would have concerned me, but taken together, they seriously weaken our defense and national security.

The triad defense concept has served the national well, and it should not be abandoned without a full-scale

national debate. Certainly, the executive branch of government should not be allowed to dismantle it unilaterally. The full impact of President Carter’s action should be brought to the attention of the American people. Tomorrow’s news conference is a first step in that direction.”

Senator Garn said that it is not known, at this time, exactly what the makeup of the Task Force will be, but that defense experts will be asked to join members of Congress in the effort. The Senator said members of the group will likely tour the country to “alert the public to the problem as we see it.”

Some Boys From Wall Street Were Trying To Be Cute

The following statement was released on July 20, 1977, by Lyndon H. LaRouche, Jr., U.S. Labor Party Chairman and Presidential Candidate

We have just tracked down the facts on the T-ruble agreement some of the boys from Wall Street area thought they had tucked into their briefcases, all signed and supposedly as good as countersigned. That version of the T-ruble arrangement is not one that the Politburo is going to countersign.

What happened was this. There are certain elements around the Soviet Central Committee typified by Georgii Arbatov who are currently in, shall we say, bad graces with the Soviet leadership. However, these gentlemen are permitted to stray around on a short-to-medium length political leash, as long as the Soviet leadership persists in a policy of maintaining certain previously-established channels of contacts with Manhattan-centered financial circles. Recently, one of these Soviet gentlemen-on-a-leash took into his fat little head to imagine that he was miraculously transformed into Leonid Brezhnev, and in that exotic state of narcissism proceeded to go through the motions of making deals with certain representatives of U.S. financial interests.

In short, these gentlemen from Manhattan went to the Soviet Union and negotiated an agreement with the moral equivalent of the local office boy!

Contrary to what some desperate gentlemen from Manhattan thought they had secretly pulled off, there is another Soviet T-ruble offer on the launching-ways which is genuine. The two notions of a T-ruble agreement do have certain resemblances to one another, just as the usual counterfeit currency tends to imitate the real. The crucial distinction between the real offer and the one negotiated with some Moscow office-boy is twofold. First, the Soviets will never make a T-ruble offer which "sells out" the interests of the developing sector. Second, the Soviets could not and would not offer to bail out a collapsing set of New York banks in a straight-forward support operation.

Those distinctions are not merely matters of Soviet policies. They are also matters of what will and what will not work.

The monetary strength of the Comecon ruble is that Comecon external debt is all of a hard-commodity variety, secured by the use of those borrowings to increase the output of the Comecon economies in much larger proportion than the debt incurred for this purpose. Moreover, under conditions of appropriate financial reorganization of Third World debt, enabling Third World nations to generate a new series of debt on hard-commodity basis for high-technology capital goods

imports, the large and growing Comecon sector represents a massive chunk of potential basis for solid increase in debt-incurrence on account of export programs.

If this Comecon potential is juxtaposed in the same regulated international financial markets with gold-reserve-based Arab Monetary Fund currencies, representing \$40 billions or so annually of OPEC-generated hard-commodity reserves, this combination represents the adequate lever for launching a new gold-reserve-based world monetary system with sufficient magnitude and force to facilitate a rapid and sustained globaleconomic recovery.

However, none of these potentials work unless the non-performing segments of Third World external financial indebtedness are frozen by debt-moratoria agreements, and unless the industrialized, capital-goods-exporting nations gear up to launch massive export programs centering around gearing up to a level of hundreds of gigawatt and larger full-fuel-cycle-situated nuclear energy installations. We require a level of long-term credit-extension to the Third World in the order of \$200 billions annually from all exporting nations combined.

Any other monetary or economic policy is a fool's errand.

On the basis of shifts in policies of OECD nations toward the sort of new world economic order I have proposed in the name of the International Development Bank, the Soviets will negotiate opening up T-ruble hard-commodity credit accounts with industrial groups and with entire nations. Furthermore, this policy is being energetically offered by President Brezhnev and others, offering this sort of economic cooperation to assist the OECD nations to rise out of the current world depression and establish a basis in mutual interests for securing durable peace.

To date, the Soviets have pursued a cautious line in advancing this policy. They know that the T-ruble offer can not be put into general use until the Eurodollar market collapses and certain related adjustments are made. At the same time, while waiting for the collapse of the dollar to occur, they are avoiding placing themselves in the position of being blamed for triggering such a collapse. So, to date, they have cautiously moved along the edges, making substantial T-ruble offers wherever policy recommends and wherever a channel of hard-commodity credit can be set up in a way which by-passes the mechanisms of the present, bankrupt world monetary system.

They have acted in this way to stabilize the Italian economy, to maintain production levels somewhat in the Federal Republic of Germany, have explored such

arrangements on a large scale with Great Britain, and have recently aired a massive offer to aid the French economy.

If we had a sane and sensible United States government, we could have the full advantages of this potentiality very quickly, and would already be on our way out of the depression. The principal difficulty, including the principal cause of the condition of the U.S. government, is that certain banking interests, especially well-known names based on Manhattan and London, are clinging with fanatical obsession to the monetarist quackeries associated with such modern witch-doctors as Keynes, Schacht and Friedman. They rampage, howling like banshees — or, like Jake Javits — through the corridors of power, shrieking about “proven monetary principles” and threatening such horrors as “a thousand-year depression” if certain Manhattan and London banks should face acute embarrassment.

Aye, the principles of Keynes, Schacht, Galbraith and Friedmann have “proven themselves” rightly enough: two world wars, a Great Depression, and now the imminent blow-out of the biggest financial bubble in history, the Eurodollar market. The monetary principles so fervently embraced by these bankers and their sycophantic chorus of frogs have proven themselves to lead

recurringly and lawfully to gigantic bankruptcies of whole monetary systems.

To make matters worse, at the same time that various New York and London financial groups are ostensibly united in defense of the thus-proven “monetary principles,” they are practising “life-boat ethics.” Huddling together against a common poverty, they occupy the in-between moments picking one another’s pockets. The net effect of this process to date is that the present configuration, ensures that it is the United States that is about to be fleeced by London-centered financial interests as the pieces are gathered up From Ye Olde Monetary Blow-Out. Or, at least certain circles assure themselves this will be the case.

Hence, when found out, some of the Manhattan personages involved in the private deal with the Moscow office-boy caterwauled with the puffed-up self-righteousness of a boy caught with his hand in the cookie-jar. The poor fellows, so desperate for bail-out, apparently thought they had put a cute one over. What they had was a nice, new, crisp, and counterfeit multi-billions ruble note.

Don’t try to pass it, boys. However, if you’d like the real thing, come sit down and talk the problem over with me. With the right approach, the Soviet leadership will be inclined to make a genuine offer.

What Were David Rockefeller And Georgii Arbatov Up To At The Dartmouth Conference?..

The eleventh annual “Dartmouth Conference” on Soviet-American relations took place near Riga in the USSR, July 9-13, co-starring Chase Manhattan Bank President David Rockefeller and head of the Soviet USA and Canada Institute Georgii Arbatov. According to participant Norman Cousins, editor of the *Saturday Review*, the discussion “culminated in significant agreements. We came away convinced that the Russians want to put American-Soviet relations back on the high road.” The conference set up a working group to “further economic cooperation.”

For 17 years, Rockefeller has utilized the Dartmouth Conferences as a forum for conveying his

marching orders to Arbatov, his agent in Moscow, and to dupes in Arbatov’s circle of “soft-liners.” Unfortunately for Rockefeller, however Arbatov is no longer on the “high road” himself. He has been on the outs in Moscow ever since the “hang tough” provocations of the Carter Administration convinced the Politburo majority that Rockefeller is not the “friend of detente” that Arbatov always promised he was. Soviet policy today is not “economic cooperation” with Rockefeller within the bounds of the decaying dollar monetary system, but cautious support to anti-Rockefeller forces in the West and the developing sector who want to break with the dollar and switch to a new transferable based monetary system.

Participants at the Conference from the U.S. side included:

Landrum Bolling — President, Lilly Endowment
Robert Campbell — Professor Economics, Indiana University
Robert Chollar — President, Charles F. Kettering Foundation
Norman Cousins — Editor, *Saturday Review*
Paul Doty — Director of the Program for Science and International Affairs, Harvard University
Rita Hauser — Partner, Stroock, Stroock, and Lavan

Vernon Jordan — Executive Director, National Urban League
Donald Kendall — Chairman of the Board, Pepsico, Inc.
Joseph Sisco — former Undersecretary of State; President, American University
Helmut Sonnenfeldt — former State Department counselor
John Wilson — Senior Vice President and Chief Economist, Chase Manhattan Bank
Herbert York — Director of Program in Science, Technology, and Public Affairs, University of California, San Diego

Soviet T-Ruble Offer Sparks Hysteria In Lower Manhattan

The Soviet Union's offer of the gold-backed transferable as an instrument for world trade has evoked frantic efforts in Lower Manhattan to obscure the true nature of the Soviet proposals, and wild hopes that somehow the Soviets can be induced to help prop up the dollar instead. Wall Street sources reported this week that at a recent session of the U.S.-U.S.S.R. Trade and Economic Council, the Soviets urged a plan to create an international bank for trade among the USSR, USA, Western Europe and Japan. In the Wall Street version of the plan, the developing sector would be left out, to pay its debt as best it can. Asked to comment on the proposal, Manufacturer's Hanover Executive Vice President Don Waade declared that it is nothing new — "We made a similar proposal ourselves two years ago."

A representative of the Soviet Trade Representation in Washington termed the Wall Street report a hoax.

The Soviets have no intention of participating in any bailout operations on behalf of the Lower Manhattan banks. In fact, they have begun to publicly organize among U.S. capitalist layers for a real economic development perspective. Soviet economist Nikolai Shmelyov contributed an article to the Journal of Commerce July 20, excerpted here, which recommends broad all-European projects to be undertaken by the Council for Mutual Economic Assistance (CMEA) and the European Economic Community (EEC), for "creating a unified power grid; building an all-European network of motor roads, waterways and pipelines; developing a network of joint research institutions..."

A Soviet View:

CMEA-EEC Joint Action Urged

The present-day economic potential of Europe within its natural boundaries noticeably surpasses the economic potential of any other region or continent. Europe accounts for roughly 47 percent of the world's total national income and 55 percent of the world's industrial production.

The European states annually invest enormous funds in new industrial and civil engineering projects and in the modernization of all economic sectors. At present, the annual investments of the member countries of the Council for Mutual Economic Assistance (CMEA) and the countries of Western Europe in absolute terms are roughly at the same level and total approximately \$500,000 million.

At the same time, it has become particularly obvious that some economic problems of our time have by far transcended national boundaries; they have acquired, at

least, a continental and, not infrequently, global character. It is possible to solve them only by pooling the efforts and resources of many countries and by drawing up programs of joint actions, which should necessarily be of international importance.

Being classed among such problems ever more frequently are the growing shortage of energy resources, the threatening position with the world's food reserves, the need for radically restructuring international economic relations, and the danger of irreparably harming the environment.

Strong European Base

The conference in Helsinki has strengthened the foundations of a durable peace and security in Europe and created fresh opportunities for the development of all-European cooperation in many spheres of human activity. In these circumstances, special importance attaches to the character of further mutual relations between the two integration groupings in Europe — CMEA and EEC.

The Council for Mutual Economic Assistance has the character of an open organization, and none of its aspects of activity is directed against the interests of third countries. Totally absent from the policies and practices of CMEA is a desire to fence themselves off from the other European states behind a system of discriminatory restrictions. The CMEA countries view integration not as a means of isolation from the rest of the world, but as an effective way of raising the level of economic development.

This organization has no common customs tariffs against third countries, and the choice of supplier of goods imported by the socialist countries is based on economic grounds common to all. The Council for Mutual Economic Assistance is open for accession or closer cooperation to other countries expressing agreement with the basic principles of its activity. Several years ago, Cuba acceded to the Council. Yugoslavia is taking an active part in the work of many of its bodies. Forms of cooperation of third countries with CMEA can be fairly deep and varied, as is borne out by the example of Finland, Iraq, and Mexico...

In the future, the economy of Europe could be of a more comprehensive character based on the mutually supplementary structure of the economies of its individual states. Apparently, it is quite realistic now to raise the question of the need for some forms of coordinating the long-term programs of economic, scientific and technological development of both the East and West European countries, their investment programs in particular.

This would make it possible to create on the European continent a more rational system of interstate specialization based on the natural and technico-economic advantages of individual national economies, as distinct from

the present situation, where the various artificial measures aimed at protecting the ineffective national lines of production have become an important factor in the European division of labor.

What Could CMEA Give?

By virtue of natural conditions, the major European resources of industrial raw materials and fuel are located in the continent's eastern areas. Oil and oil products, gas, coal, chemical raw materials, ferrous and nonferrous metals, timber and sawn timber, asbestos and other raw materials from the socialist countries traditionally account for a considerable proportion in the overall consumption of these commodities in Western Europe.

West European investors are now increasingly showing interest in finding profitable applications for their capital within the framework of long-term bilateral and multilateral cooperation with the Soviet Union and other socialist countries in such fields as oil and gas extraction, transportation and refining, the working of deposits of metal ores, chemical prime materials, and the tapping of timber resources. Evidently, the East European countries could also in the future gradually assume a considerable proportion of the deliveries of enriched nuclear fuel for the proposed network of atomic power stations in Western Europe.

And these are only some of the possible areas of large-scale all-European cooperation. Western producers and consumers are only beginning to learn about the possibilities of the processing industries in the socialist countries, whose achievements in several advanced branches of industry meet high international standards. There are also good prospects in the field of scientific and technological collaboration among all the European countries: the vast scientific potential of the Soviet Union in the sphere of basic research and the impressive achievements of several other European countries in the applied research and development work could form the basis for cooperation and a deep division of labor in this field.

Realistic Prerequisites

Prerequisites have now matured in Europe for realizing important all-European projects: creating a unified power grid; building an all-European network of motor roads, waterways and pipelines; developing a network of joint research institutions; and pooling efforts in the field of environmental protection. It is not accidental that European public opinion has favorably received the Soviet Union's proposal on holding international conferences on pressing problems — energy, transport development, and environmental protection.

An important part in the solution of basic problems of all-European cooperation could be played by the joint ef-

forts of the Council for Mutual Economic Assistance and the European Community as representatives of the collective efforts of the member-states of these organizations.

No doubt, progress in the field of economic relations between Eastern and Western Europe is directly connected with willingness and ability of the leaders of the Common Market countries to adapt that organization to the requirements of new Europe, the Europe of trust and cooperation.

It is obvious that the situation where the two organizations do not yet have even a single agreement governing their relations and establishing mutually acceptable "rules of the game" in present-day conditions, is becoming an anachronism.

CMEA Takes A step

It is these purposes that are served by the offer made by the CMEA countries to conclude an agreement between the Council for Mutual Economic Assistance and the European Community on the basic principles of relations between them. The EC Council of Ministers was given the draft of such an agreement on Feb. 16, 1976. This initiative is fully in keeping with the general spirit of steps being taken by the socialist countries towards implementing the decisions of the Helsinki Conference with a view to further improving relations between all the European states.

The draft submitted by CMEA provides that the content of the general agreement shall not affect the rights and commitments of parties to it under existing bilateral and multilateral treaties, and also their rights to conclude similar treaties in the future. The CMEA countries stand for a flexible combination of bilateral and multilateral relations between Eastern and Western Europe, which would fully take into account the principle of the partners' equality...

Normalization of relations between the Council for Mutual Economic Assistance and the European Community is an important component of the overall process of easing international tension. It seems to me that realism and common sense will prevail in the West in this matter, too.

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United States Labor Party Memorandum

Warsaw Pact Combat Group Modifications

The following memorandum was released on July 21, 1977 by Lyndon H. LaRouche, National Chairman and Presidential Candidate of the U.S. Labor Party.

The gross mis-situating of Warsaw Pact combat group modifications circulated into NATO circles in Europe ought to be promptly corrected. I refer to the evaluator's situating the question of such modifications of Warsaw Pact combat groups within the context of a Warsaw Pact "conventional warfare" mode of assault in the European theater.

In general, the evaluator not only fails to situate the question of Soviet ground forces' deployment within the corresponding strategic situation, but aggravates that by attempting to reason from tactics to strategy. The pernicious influence of line-by-line cost-benefit pseudo-thinking upon the evaluations community appears to be prominently reflected in the subject case.

If the Warsaw Pact discussion of combat group organization and capabilities is situated where it belongs, in what I shall term Phase III, or the End Game of general war fighting, then and only then does this matter show up in its true importance within overall Warsaw Pact strategic thinking.

Although the outline of indicated Warsaw Pact general warfighting has been repeatedly outlined elsewhere, it should be summarized again here. This is done to facilitate systematic criticism of the overall analysis employed, specifically to assist critics of my estimate in focusing on possible loopholes.

The case of the Warsaw Pact combat group deployment on which I wish to focus by this means is as follows. In the End-Game phase of general war (Phase III for this purpose) Warsaw Pact forces are confronted hypothetically by an attempt of NATO forces to regroup in the vicinity of the Ruhr, industrialized Alsace-Lorraine, the Lille area, or an analogous location. In this End-Game phase, Warsaw Pact policy is to minimize destruction of populations and productive facilities. For obvious political reasons, this setting for the discussion of combat group capabilities would not appear in Warsaw Pact publications. However, it is the situation in which the discussion in question most emphatically arises as a problem within Warsaw Pact strategy.

In this setting, we should place the Warsaw Pact discussion of combat group capabilities and related problems vis-a-vis corresponding adjustments of U.S. combat-group policies, with included emphasis on the problems associated with improved targetting of ABC tactical and support artillery weapons of various sorts. In principle, this problem has a hereditary connection to the effects of aimed fire by skirmishers and others against eighteenth-century Prussian, British, etc. infantry and similar problems arising during the U.S. Civil War.

The work of von Steuben in developing American capabilities used in the Battle of Princeton illustrates a second hereditary problem posed in modern ABC contexts of combat group deployment.

The Warsaw Pact's included attention to the problems of combat intelligence, which I am informed is relatively a weak-point in earlier Soviet development, is also extremely relevant to defining what sort of problem Soviet thinkers have in mind.

From an historical standpoint, the problems of combat group capabilities in End-Game phases of general war appear as essentially another case of the way in which modes of warfare have undergone successive evolution to date. I have included the historical references as a way of exemplifying the kind of mind-set with which the subject ought to be approached.

The need to situate the study of Warsaw Pact combat group capabilities within its proper strategic setting reemphasizes the importance of finally defining what general war means, without the Rand Corporation and other Orwellian nonsense spewn out in the effort to confuse the issue.

Strategy in General

Overall Soviet and Warsaw Pact strategy can be termed Clausewitzian in the most specific sense in that it divides strategy into war-avoidance and war-winning. However, it is not Clausewitzian in certain crucial respects, as East German studies of the cases of Baron von Stein, Scharnhorst, Gneisenau and Clausewitz indicate in a special way.

From 1806 through 1815, the German republicans grouped around von Stein and Scharnhorst committed a fundamental political blunder in placing themselves at the mercy of England and Prussia (and Metternich), and thus losing the freedom to place their capabilities (Landwehr etc.) in the balance between France and England. Politically, the strategic thinking of these German republicans around von Stein was qualitatively inferior to that of Franklin's collaborators in the United States and France. They did not, consequently, maneuver and maintain political freedom of maneuver to situate the application of their resources to whichever side of the balance coincided with their fundamental self-interests. Hence, at the Treaty of Vienna, they and their interest were dispensed with politically to the United States' acute strategic disadvantage.

Ironically, we now confront a reflection of this matter of political-strategic maneuver in the case of the forces grouped around Giscard d'Estaing.

Giscard's forces are currently following their version of a Gaullist policy. They are operating within the Atlantic configuration according to a three-level perception. We should distinguish between a Carter-Brzezinski configuration, a Mondale-London con-

figuration (with Andreotti so far delimited vis-a-vis Mondale-contained Carter by London connections), and an inner core built along lines of the DeGaulle-Adenauer pattern of strategic alliances. Within these three levels, including a parody of DeGaulle's Soviet policy, Giscard's forces are exploiting France's screw-up potentialities to the end of exacting items which are beginning to shape up as a shopping-list of special advantages. This shows Giscard et al. as riding various horses almost simultaneously, but with a consistent objective — based on perspective of a dollar collapse — as a continuous, dominant threat throughout.

This is a parody of the policy of Condorcet et al., and a kind of parody of the policy von Stein et al. should have followed during the Napoleonic period.

The Soviets are manifestly on top of the essentials of this European situation, a perception which is obviously aided by their sources of information, but is also aided by the fact that Soviet strategic thinking runs along those lines of judgment.

The ramifications of this should be reviewed, since those considerations most directly affect the actual war in which strategic patterns will tend to evolve up to the threshold of any general war situation in the immediate future.

The immediate key to the situation is London's momentary "inside track" with OPEC and the Arab Monetary Fund under conditions of developing dollar collapse. The gist of thinking reflected by the London-Humphrey-Mondale axis is that in the case of a monetary blow-out a strong position of London banks in the EEC and an inside track, through Hambros et al. with the Soviets, means that their combination comes out on top at the expense of those other financier interests combinations with poorer connections to an OPEC reserves generation in the order of \$40 billions annually. The gist of the immediately opposing crew (e.g., Senators Javits and Church) is thus to smash OPEC. However, neither of these two factions is thinking in terms of a new monetary system, but only a reform of the existing monetary system in which each has a relatively-enhanced position at the expense of the other. The Giscard combination includes forces which have a strong thrust in the direction of a new gold-reserve-based monetary system. Their estimation, as I read it so far, is essentially a viable one.

In a dollar blow-out, London's inside track with OPEC vanishes because of OPEC self-interest in securing their assets by placing them in the orbit of a stable monetary arrangement centered around gold-pegged hard-commodity credit.

These three factional tendencies of the moment are complicated by efforts to maintain flexibility and to consolidate strengthened positions both within various nations and globally. Political back-stabbing among allies and special positions with opponents are in part deceptions, pragmatic concessions, but also lawful implementations of the underlying policy-tendencies which essentially characterize each factional tendency.

Like an old English sheep-dog, underneath all the proliferation of hairiness, there is something with definite shape.

This is somewhat complicated by the factional situation in the Eastbloc, especially the Soviet leadership. Each of the factional tendencies within the Atlantic orbit is also playing games with the process of adjustments within the Eastbloc. Not only is each combination probing for its own set of options with the East, but this activity is associated with efforts to affect the evolution of the internal process within the Soviet leadership.

This hairy Eastbloc beast also has a definite shape underneath. No matter what short-term adjustments to the contrary occur at any moment, the military and hard-liners will now prevail — and it is to the advantage of the United States that they should prevail.

They will prevail for the following reasons.

The hard-line factions, catalyzed into a strengthened position by the Vance-Warnke Mutt and Jeff act in Moscow earlier this year, are operating on a war-avoiding policy modelled upon the U.S. Labor Party's International Development Bank peace alternative. At the same time, they are developing their war-winning preparations. Any aversive development, which includes aversive pressures against the peace strategy of hard-commodity-credit approaches to a new world monetary system, will trigger an enhancement of the war-winning posture for "Clausewitzian" reasons.

The enhancement of a war-winning posture would most probably lead to a Soviet show of force in some area such as Ethiopia or the Middle East. This show of force is made a probable variant for such circumstances by the airing of versions of the Schlesinger doctrine themes by leading press and official spokesmen in the Atlantic countries. A show of force would be designed to avoid probable general war, although taking that risk, but to demonstrate Soviet "unbluffability." Under such conditions, the Soviets would give little consideration to the penalty of offending the Saudis and so forth. Ethiopia is a probable case for such a show of force.

To the extent that Soviet strategic posture is generally accurately represented by leading press and official spokesmen of the Atlantic nations, the probability of a show of force is diminished.

Among the aversive factors, in Soviet perception, is any and all pressure to impose Friedmanite and World Bank policies upon indebted developing nations, and also the introduction of Schachtian-Friedmanite programs of "labor-intensive" austerity within Atlantic nations, including the United States. The Soviets will increasingly read the Carter-Mondale "energy" and other austerity policies as replications of the Hitler regime for purposes of assessing the direction and tempo of U.S. and other foreign policies. They will correctly read intensive austerity programs as generating the political structures and moods committing the United States to an early confrontationist posture, regardless of any short-term impulse to the contrary.

Because these perceptions have become operative at the top levels of the Soviet command, it will be impossible to put the Soviets back into the pattern associated with the Henry Kissinger period. The possibilities for influencing internal Soviet perceptions characteristic of the Kissinger period no longer exist.

However, short-term impulses in the direction of a return toward internal Soviet configurations of the Kissinger period are a distinct possibility. We have seen some indications of that during the most recent weeks. The catalysis for such short-lived impulses will be provided chiefly by London and will be reflected from London through Italy, even for those cases in which the momentary shift appears to be in response to an initiative from the USA. Such responses to U.S. efforts to strengthen the soft-line position within the Soviet leadership will tend to occur only on the basis of the influence of London and Rome readings of the Mondale option. Those will be short-lived wherever they occur, as we have seen an example of this most recently.

Such developments will increase the danger of general war, since the resumption of the hard-line posture will tend to occur as a jolt, and be accompanied by a momentary enraged reaction.

What we require is continuous stability of a rational, cold-blooded outlook from the Soviet leadership. This will afford us the essential precondition for developing agreements on the basis of rational options.

The special strategic problem of the moment arises from the loss of control represented by competing groups of interest among the Atlantic nations. As the momentary crisis intensifies, the impulse to force adjustments in the position of one group vis-a-vis the others, and the accompanying deterioration of U.S. and other intelligence overview of the essential elements of the situation represent a growing element of instability in the overall strategic configuration. One of Giscard's bargaining-maneuvers could go out of control. The conflict of interests among Atlantic factions in the Middle East and Africa, dangerous games being played with the China-Korea situation, and a potential for breakdown of checks-and-balances within Atlantic and other governments might readily trigger a sequence of events leading into general war under conditions in which the world is so close to the threshold for configuration.

The best variants within the configuration outlined are: (1) That the USA promptly changes course in the directions I and my associates have proposed as urgent, or, alternatively, (2) that the Giscard option wins out over New York and London under conditions of monetary collapse. In the latter case, such a development would enhance a USA potentiality for shift to the first option. That latter contingency I have thought through and could handle to USA advantage.

In the case that the Carter-Brzezinski (and Javits-Church) thrust prevails, general war is imminent *now*. In the case that the current Mondale-London approach prevails, general war is imminent *soon*.

Excluding the obvious war-danger itself, the worst problem potentially confronting the United States is the victory of the Mondale option apparently without a well-defined immediate war-danger. Under this circumstance the U.S. would find itself at a profound economic-strategic disadvantage in the world. Eurasia, Africa and major parts of Latin America would orient toward a Eurasian-Mediterranean focus of world economic development, leaving the United States significantly frozen out. The Soviets, under a Mondale option, would tend to reenforce such a course, for strategic reasons.

First, the "energy" and austerity policies associated with the Mondale option mean a fascist war-tending dynamic within the United States like that of Nazi Germany under Schacht during the 1933-1936 period. That will be Soviet perception of the implications of the Mondale option — and they will be correct.

Second, the Carter-Mondale "energy" and austerity packages mean a rapidly-deteriorating economic potential in the United States, and an evaporating base for militarily-relevant high-technology development. Soviet strategy for this case, given the preceding political evaluation on their part, would be to exploit this internal weakening of USA military-technological potential.

It is rightly argued that Western Europe would not wish to participate in the process of a decisive Soviet strategic advantage along these lines. However, the alternative is early strategic confrontation, which means early general war. This will also be a rapidly developing perception in the USA, which means virtual certainty of early general war under a Mondale option.

The only alternative is that which coincides with USA capability for maintaining economic-industrial hegemony and corresponding strategic capabilities. That requires that Carter and the Mondale option both go in favor of the remedial measures my associates and I have proposed.

Warsaw Pact War-Fighting Strategy

The overriding risk in war is losing the war. Once the threshold has been reached at which war is to be made, war must be fought, and gentlemen's agreements to moderate the penalties of war are honored only by such fools as are determined to lose war. War must be seen as a maximum deployment of capabilities at the most rapid rate possible to destroy the adversary's capabilities for continuing war beyond his initial exertions, and for breaking his political will to continue fighting.

Once those objectives have been predetermined as strategically secured, then, and only then, does strategy prescribe the minimization of damage through continued war. In this phase of war, the End-Game phase, the populations and productive capacities are the resources available to the victor, which he must properly wish to secure with the least further damage.

Generally proposed NATO doctrine is intrinsically incompetent because it has these equations of war-fighting policies backwards: it proposes to advance its combat personnel ahead of supporting artillery fire.

Moderation in the conduct of war is properly applied only to captured populations and territories or to those populations and territories one is assured of capturing.

Warsaw Pact doctrine has these equations in the proper order. On this count Warsaw Pact doctrine is to be believed because: (1) It is generally a properly articulated and rationally evolved perception of reality, and has been evolved by painstaking exclusion of other options as unacceptable; (2) the totality of developed war-fighting capabilities of the Warsaw Pact corresponds to its doctrine; (3) the doctrine corresponds to the experience of the nature and penalties of war by Soviet forces in World War II.

My cumulative perception of Warsaw Pact war-fighting is as follows. I define each element now listed in the following way. In the general description of each element I state only that feature of which I am certain. I include under that heading the recommendation of further evaluation of some elements which are important, but concerning which I am sensible of the limitations of my knowledge.

PHASE ONE: The Opening Artillery Barrage

The opening artillery barrage of the Warsaw Pact forces must include the aim of destroying the following targets:

- (a) The in-depth war-fighting capabilities of the North American Atlantic nations.
- (b) All NATO and allied bases and concentrations of forces throughout the world, including especially ABC-armed naval forces.
- (c) Selected features of in-depth war-fighting capabilities of Atlantic nations outside the Eurasian continent. (e.g., Great Britain).
- (d) Defense measures against Atlantic forces' ABC artillery capabilities (including aircraft).

Discussion

(a) Means primarily population and logistical centers of the United States and Canada. This is certain.

If USA commanders were to behave rationally under conditions of Soviet strategic missile lift-off, all strategic weapons would be immediately launched.

The Warsaw Pact must assume high probability that all Atlantic silos hit by Soviet warheads would be empty silos. However, Warsaw Pact commanders must allow for irrationality in a NATO command conditioned to a two-strike policy, and must act to exploit such a blunder.

(b) Although it must be certain that destruction of naval ABC-armed vessels would have the highest degree of priority, I have only some indications of crucial features of this process.

Otherwise, all assured military targets and key logistical targets must be expected to be hit in the same phase.

In general, this initial barrage would be regarded as determining the preconditions for Warsaw Pact war-winning capability based on the balance of in-depth capabilities for continued war-fighting. This, we must assume with aid of elaborated Warsaw Pact discussion to this effect, that they have prediscouted their penalty for total deployment of NATO strategic capabilities. The figure of thirty million losses during World War II would be the prominent point of reference in their thinking.

PHASE TWO: The Assault

The occupation of Western Europe by ground forces becomes the immediate objective following the opening barrage of war. This would include:

- (a) Paving the way for ground assault with ABC sanitization of areas of opposing troop concentrations.

(b) Probably a dispersed assault in combat-group strengths on all usable borders. (As distinct from the earlier concentrated Fulda gap and northern-sweep probabilities).

PHASE THREE: End-Game

If Atlantic forces elect to play out the End Game, a consideration which must tend to correlate with the extent of surviving NATO strategic (naval, aerial) capabilities, the questions of reforming the Warsaw Pact combat group most prominently arise. Naturally, the qualities of the combat group best suited to that circumstance are the basis for the type of group best suited to the initial assault.

It is unthinkable, under the existing NATO commitments, that the Warsaw Pact would launch the assault without preparatory and covering ABC bombardment. At the phase of war, the countermeasures — ABC bombardment — to be applied by NATO are obvious. It is only under the End Game condition that it becomes urgent from a Warsaw Pact postwar perspective to find means for avoiding a continuation of the ABC "paving" measures in populated industrial and analogous areas.

Since the world is already dangerously proximate to the thresholds for general war, the effort to misinterpret the Warsaw Pact discussion of combat-group problems to suggest a conventional war-fighting opening phase (under present configurations) is itself a step toward increasing the probability of outbreak of war, in the same general sense as deploying neutron bombs and cruise missiles in Europe.

The effect of such misinterpretations upon West Germans is obvious in fact and in its implications. Numerous West German professionals are assured that NATO MC 14-4 doctrine is insane. Yet, the imposed psychology of defeat in two world wars, the "Soviet tank" paranoia, and so forth reinforces their belief that they must adhere to even an insanely incompetent NATO doctrine as a condition for enjoying continued protection of the U.S. thermonuclear umbrella. In such circumstances, spreading disinformation of the sort indicated, whether intentionally or not, is in itself a kind of Mutt-and-Jeff form of psychological conditioning, Zuckerbrot and Peitsche in a single package. "Ah, maybe we won't be as badly destroyed as we feared." Some Germans will tend to seize upon such disinformation with grim obsessiveness. If they then act on that basis of such a delusion, another essential control on the strategic situation is jeopardized.

In general, at this juncture, the propagation of disinformation concerning the implications of general war is, like building worthless — but trusted — fallout shelters in target cities, a lowering of the threshold for general war.

War does not commit itself to states; states, wittingly or not, commit themselves to war. War must be fought on the terms that war prescribes. Whoever refuses to master the implications of that has lost all wars against well-matched adversaries before the war begins. Any "treaty" or "convention" made in advance of war by potential adversaries will be honored only in those details where no potential strategic advantage is gained by violating it.

'Urbank': Stone-Age Fascist Economy On Congress Agenda

Led by a triumvirate of Senators Hubert Humphrey (D-Minn.) and William Proxmire (D-Wisc.) and Rep. Henry Reuss (D-Wisc.), Fabian Democrats in Congress, nested in the Senate and House Banking Committees and the Joint Economic Committee, have drawn up a legislative blueprint for fascism in America.

At last count, 15 different proposals are circulating: for a "National Development Bank," with one version sponsored by Rep. Badillo (D-N.Y.), a second by Rep. Minish (D-N.J.); a "National Rebuilding Bank," proposed by Rep. Rangel (D-N.Y.) a "National Housing Bank," from Rep. Wolff (D-N.Y.) and Sen. Humphrey; a "Reconstruction Finance Corporation," sponsored by Rep. Whitten (D-Miss.); Regional Capital Development Banks, from Rep. Michael Harrington (D-Mass.); and every other type of economic perversity so-called liberal Democrats could dream up in all-night brainstorming sessions during the past few weeks. The game plan, Congressional sources reported, is to get a "consensus" among the variations-on-a-theme versions in public hearings in August and September, and ram the finished product through before the end of the year.

The content of each of these proposed bills is to float massive amounts of government-guaranteed bonds — preferably bought with trade union pension funds — to finance low-wage, low-skilled stoop labor in public works projects. After the national outcry against the previous attempts to foist such plans on Congress and the U.S. population, such as Fritz Mondale's national Employment Relocation Act in 1974 and the Humphrey-Hawkins Balanced National Growth Act in 1976, the Fabian Democratic gang admits to some trouble in selling their schemes. They will advertise their updated version of Adolf Hitler's pick-and-shovel labor program as a booster for "national progress and economic development," but already anticipate a severe credibility gap.

"It will take a real national emergency to get this legislation through," said a Congressional staffer involved in the preparations for Rep. Harrington. "The New York City black-out was just great. But this time, it will take something even bigger!" Two days before the power went off in New York, Carter aide Jack Watson created a special "crisis management" unit in the White House to organize "massive White House intervention" in case of disasters like blackouts. Defense Secretary Harold Brown and energy czar James Schlesinger have been delegated to supervise the team, with a special panel section examining the coordination of a national power grid that will give Carter fingertip control over future blackouts ... and riots. A recent *New York Times* editorial demanded that Carter "seize upon the New

York experience" and force through a "national youth service," scheme for "job creation," and "welfare reform."

The Fabian hard-sell originated in a Brookings Institution roundtable conference two months ago which advocated that both the Administration and Congress draft legislation for urban banks which would use trade union pension funds to pay for slave labor municipal public works projects in the blight-stricken (and riot torn) cities. A transcript of the Brookings proceedings was subsequently circulated widely in Congress, giving rise to the plethora of social fascist "bank bills" now awaiting action in the House and Senate Banking Committees, as well as the Joint Economic Committee. Simultaneously, Carter ordered his Treasury Department to draft model "urbank" legislation, which is currently being reviewed and "polished" by Treasury Secretary Blumenthal. According to White House and Treasury officials who participated in developing the legislation, its content is "top secret." "We're under orders not to talk about it," one White House source reported.

At the same time, Donna Shalala, a former New York Big MAC director who currently heads up the Housing and Urban Development Department's "Urban and Regional Policy Task Force Group," it setting up inter-departmental command structures for the Justice, HUD, Health Education and Welfare, Labor, and Commerce Departments to run community-level economic development and neighborhood task forces which will regulate municipal bailouts, mobilize Nazi youth labor brigades and coordinate disaster planning, once the "Urbank" comes off the legislative assembly line.

Although Messrs. Humphrey, Badillo, Rangel, Wolff and other proponents of Nazi economics have managed to string together the words "national," "development," and "bank," their proposals have nothing to do with revitalizing the economy. Their legislation is a pure and simple financial swindle, a ripoff against the national credit of the United States in general and trade-union pension funds in particular, on behalf of their sponsors at the leading New York investment houses.

Start with Badillo's "National Development Bank" paradigm. This proposed institution will make loans to industries, municipalities, and small businesses which cannot obtain capital in the credit markets for job creating public works projects — with one stipulation: the more jobs they create, the more money they get. This means that the most labor-intensive leaf-raking, sweat-and-muscle employment would have top national priority. Coal mining, by the most antiquated methods, would have preference over nuclear fission and fusion

power; street-sweeping and do-it-yourself housing insulation projects would take precedence over a comprehensive housing construction or mass transit program. All credit would be cut off to the capital-intensive aerospace industry. The closer the economy gets to the stone-age, the better, under Badillo's so-called Development Bank.

In fact, Badillo's method of "job creation" entails the worst possible inefficiency for the economy. The greater the proportion of the labor force that goes down Badillo's and Humphrey's sinkholes, the less the economy will produce relative to its requirements.

Badillo does not entirely ignore the consequences of degrading the skill levels of U.S. workers. Wages, in the Badillo universe, will be either the prevailing or the minimum wage — his bill assumes they will converge! The plan doesn't predict that this perverse type of "economic expansion" will expand the tax base, either. Badillo aides expect the entire operation to be financed by looting union pension funds. The unions will go along, they predict, because "National Development Bank" bonds will be underwritten by the U.S. Treasury. If the pension funds can't absorb the full brunt of the bail-out, the Treasury will be compelled to buy up the outstanding bank stock. The Treasury guarantees are an admission in advance that the no-skill, low-wage employment will generate less value than the original investment necessary to get the bank going, while the intended pension fund robbery is an admission that the U.S. banking system is already bankrupt.

This method of destroying the U.S. economy and public credit is no small-potatoes side-venture to benefit a few thousand ghetto youth. Under identical legislation drafted by Rep. Michael Harrington, Congress would create ten Regional Capital Development Banks, each with an initial capitalization of \$2 billion, for a total of \$20 billion. Since banks lend many times the amount of their capital, Harrington's scheme would emerge in roughly the same scale as the present U.S. commercial banking system as a whole! By definition, the most important capital-intensive sectors of the economy — aerospace, fission, and fusion energy, high-technology transportation, machine tools, and research and development — would be entirely shut out from sources of capital!

Times' Starr: Need Mondale Plan For Urban Relocation

Roger Starr, a member of the New York Times editorial board, best known for his advocacy of "planned shrinkage" of New York City, outlined his "rebuilding" plans for the city in the following interview.

Q: What is your reaction to President Carter's decision to withhold disaster assistance funds from New York City?

A: Well, Carter's decision is clearly very bad. Whether he's justified in saying that the city was not a victim of a natural disaster and therefore isn't qualified to receive disaster aid is something I don't know...I'm just not familiar enough with the law to say.

Q: Do you think that the failure to provide aid — especially an increase in funds for youth employment will lead to more riots?

A: Oh, definitely. I think it's very possible under any circumstances that there will be more looting and riots. New York City just lacks the economic opportunities for the people living here. In the low-income areas where most of the looting took place, the unemployment rate is an unmitigated disaster.

Q: Do you think that the looting of entire neighborhoods which took place during the blackout will de facto implement your "planned shrinkage" concept?

A: Let me just make one point here: I never called for planned shrinkage. I just said that this was bound to occur. It's inevitable that some cities will decline, and New York is one of them. People are bound to move out of the city, there simply aren't enough jobs. Of course, the government should be doing more — CETA jobs, that kind of thing. What we have to prevent, however, is a situation developing where the upwardly mobile sections of the population move out of the city — to Houston, Dallas, wherever — leaving us with 25 percent of the population made up of the welfare and unemployed, the kind of people who did the looting last week. We have to assist them in relocating...

Q: Vice President Mondale sponsored a bill several years ago, the National Employment Priorities Act, which among other things was aimed at providing relocation assistance to the unemployed. Is this what you have in mind?

A: Absolutely. I can't emphasize enough how important Senator Mondale's concept was. We can't do very much unless we get that bill resurrected. It's our number one priority...absolutely essential.

Q: But I understand the bill is dead. Is anyone going to reintroduce it?

A: I'm going to talk to Senator Javits and Moynihan about thatI certainly hope that Javits will move on it.

Q: The *Times* on Sunday carried an editorial calling on the community to rebuild itself? Could you elaborate?

A: I wrote that editorial. What I meant is that it is essential that the leadership in the looted communities move rapidly to prevent a recurrence of what happened Thursday

Q: How, specifically?

A: Well, they should form welcoming committees when the shopowners reopen. They should form community patrols and squads to protect the local shops when the same sort of thing threatens to reoccurI've been talking to a lot of people about this, and I think we'll see this sort of thing taking shape soon.

Q: Do you think that the National Guard should have been called in during the blackout?

A: There was a lot of talk about this during the crisis. I don't know . . .it probably would've been a bad idea.

Q: Who do you support for mayor . . . ?

A: . . . Mario Cuomo. I tell you, I was really down on the guy, but he impressed me tremendously today. His command control is particularly impressive

Carter Uses Blackout To Push Nazi Labor/Energy Program

Two days before the July 13 blackout descended over New York City, the Carter Administration's Energy Advisor James Schlesinger reiterated his oft-stated demand for emergency powers and rationing of energy. On Saturday, July 16, the *New York Daily News* reported that the day before the blackout White House domestic counsellor Jack Watson prepared a memorandum for President Carter outlining a step-by-step "crisis management" scenario for blackouts and other "natural" disasters. Recommendations included the use of the National Guard and "selective" nationwide blackouts.

Simultaneously, the Administration and its supporters in Congress and the press began a major push for slave-labor jobs as a way to prevent looting and rioting in the nation's cities. On Saturday, July 16 President Carter identified "unemployment" as "the number one contributing factor to crimes of all kind" and called for a greatly expanded job opportunities program for urban areas. The July 21 issue of New York City's *Amsterdam News* ran a front-page editorial: "Don't Lock Them Up, Put Them to Work" advocating that those convicted of looting "should be required, under strict supervision by parole officers and community leaders, to work in the communities rebuilding the shops and stores they looted and burned down."

This two-pronged program of massive energy cutbacks plus slave labor was first outlined at the Conference of Northeast Governors in Saratoga Springs, N.Y. in November 1976. Before the blackout, this program — consciously modeled after the policies of Nazi Finance Minister Hjalmar Schacht — had been put on the backburner: now the Administration is making this program its number one priority.

The chronology of this drive is given below:

July 11-12: The Senate votes to keep the Clinch River breeder reactor project paralyzed in its present design stage while supporting the Administration's plan to reduce by 20 percent the Energy Research and Development Administration's already inadequate thermonuclear fusion power research and development budget.

July 13: Blackout, plunging New York City and Westchester County into up to 25 hours of darkness occurred, extending into Thursday, July 14.

July 14: All news media played up looting with characterizations, particularly by *WINS* radio, that the looting is spreading elsewhere and reaching riot potential.

July 15: The *New York Post* runs a four-inch banner headline, "24 Hours of Terror" with press in Boston, Baltimore, Chicago and elsewhere echoing this theme. Long Island's *Newsday* asserted that the blackout shows

the need for a massive program of slave labor jobs to "help oppressed minorities."

Carter's United Nations Representative Andrew Young defended looting at a press conference given in Geneva. "If you turn the light out, folks will steal ... especially if they're hungry." Simultaneously, Congressional Democratic leaders, citing the New York blackout as one reason, scheduled "marathon sessions" to "keep their promise to President Carter to produce his top legislative priority, a national energy bill," the *Washington Star* reports. The *Star* characterized this as an "almost unprecedented move" and Senator Robert Byrd, Majority Leader, warns that the Senate will postpone its October recess if necessary. Rep. John Anderson (R-Ill.) charged that this amounts to a "ramrodding."

July 16: The *Washington Post's* lead editorial, "The Blackout," condemns the "awesome dependence of major cities on electricity and, therefore, on the energy that is needed to provide it." The *Baltimore Sun* endorses the "Metcalf plan" which would establish a federal corporation to strengthen national and regional electric power grids.

Carter interviewed by the *National Black Network* radio said, "obviously, the number one contributing factor to crises of all kind, in my opinion, is high unemployment among young people, particularly those

Ramsey Clark And The Crazy Homicides

The *New York Post* July 21 published a story on the Crazy Homicides, a Bronx gang who boasted that it had been paid by landlords to set fire to abandoned buildings in the South Bronx slums.

Landlords aren't the only people who pay gangs like the Crazy Homicides to do their dirty work for them. Information received by the *EIR* reveals that former Attorney General Ramsey Clark runs an outfit in New York City called the *Inner City Roundtable of Youth* which hooks up and controls over 50 gangs throughout the city of New York.

This alleged social work outfit is responsible for the organized outbreak of looting during the city's July 13 blackout.

The *Roundtable* was set up in March 1976 with funds for the gangs allocated on the proviso that gang members would put in 5,000 manhours to "Get Out the Vote" for Jimmy Carter in New York's postcard registration.

In its next issue, the *EIR* will present the full documented story on Ramsey Clark's *Roundtable*, and its links to the Carter Administration and HEW.

who are black or Spanish-speaking or in a minority age group where they have a difficult time getting jobs in times of economic problems." He said the situation in New York was a sign of the need to channel government programs for housing, health, education and job opportunities into deteriorating urban areas. He also emphasized the need "to restore confidence of citizens who live in a community in the structure of government, police officers, the housing opportunities, good jobs — and this is obviously not the case in New York." Further publicity was given in the July 21 *New York Post*, and was broadcast nationally this week.

The *New York Daily News* charged in a news analysis article that White House domestic aide Jack Watson had prepared one day before the blackout a memorandum giving "crisis management" options for dealing with a blackout as well as a blizzard, flooding and other related emergencies. (This was subsequently confirmed through the White House by the *EIR*.)

July 18: President Carter announced that he requested his energy czar James Schlesinger to prepare "option reports" on (1) the use of the news media in enforcing energy conservation; (2) the use of partial blackouts to save the whole system in the case of a power shortage; and (3) the development of a national electricity grid system. According to the White House Press Office, Carter has also requested Secretary of Defense Harold Brown to determine the role of the National Guard in a blackout or similar emergency.

July 19: *Baltimore Sun*, reports that Carter's new chairman of the Equal Employment Opportunity Commission, Eleanor Holmes Norton, urged the Administration to use the nation's unemployment insurance system to subsidize "work-sharing programs" where "many companies would be able to avoid layoffs by reducing their work week to 4 or even 3 days."

President Carter agreed to seek an increase in Federal gasoline taxes of up to 5 cents to finance transportation or other Government programs.

July 20: House and Senate Conferees accepted President Carter's offer of a compromise, agreeing to

drop funds for the Clinch River breeder reactor for the continuation of nine water projects the President had earlier opposed. The House Ad Hoc Energy Committee approved 22 to 18 a 4 cents-per gallon tax to take effect in two stages beginning January.

AFL-CIO Secretary Treasurer Lane Kirkland praised Carter for returning to his campaign promises around boosting the minimum wage and labor law reform. "Last week, President Carter demonstrated that he is a big man in a big job — big enough to change his mind when a strong case is presented to him," he said according to the *Washington Post*.

Carter will propose to Congress legislation granting full amnesty to aliens who have been working illegally in the U.S. for seven years or longer and simultaneously will enforce the law rigidly on the hiring of workers who entered the country illegally.

July 21: The lead front-page editorial of the *Amsterdam News*, "Don't Lock Them Up, Put Them to Work" advocated that those New Yorkers convicted of looting "should be required, under strict supervision by parole officers and community leaders, to work in the communities rebuilding the shops and stores they looted and burned down." The editorial said the "real problem" was lack of jobs.

George F. Will, syndicated columnist wrote in the *Washington Post* and *Baltimore Sun* criticizing Andrew Young's statement legitimizing looting (see July 15) but concluded the "United States has within its urban population many people who lack the economic abilities and character traits necessary for life in a free and lawful society."

New York Times editor John B. Oakes blasted Carter, in an editorial page feature, for being too soft on Congress by going for a deal which included the continuation of nine water projects even though House and Senate conferees agreed to kill the breeder. "In doing so, he has made a sad and crippling retreat. For he is the first President in generations to have faced up to the political and moral corruption inherent in so many of these projects."

Carter Deploys 'Topsy' O'Neill

Who's Koreagating Whom

House Speaker Tip "Topsy" O'Neill (D-Mass) has just seized control of the highly explosive Congressional "Koreagate" scandal, vowing to fully pursue trumped-up charges that over 100 Congressmen have received illegal contributions from the South Korean government. O'Neill's power grab — which de facto robs the traditionalist-dominated House Ethics Committee of its mandated authority to investigate the Korea-Congress link — was ordered by the beleaguered Carter Administration for two principal reasons: to blackmail a reluctant Congress into enacting the Carter no-energy program in the three weeks remaining before the August recess; and to put the lid on moves by Republican and other Carter foes to judo the Korean brouhaha against the rancid Administration itself, and particularly the Attorney General Griffin Bell.

Tip O'Neill — an old Boston crony of the corrupt Kennedy machine — emerged as the Koreagate "Enforcer" just a few days after he put his colleagues under lock and key until the Administration's energy package is passed. Amid vociferous demands by Common Cause, the *New York Times* and other Trilateral Commission mouthpieces that the investigation be taken out of the hands of Rep. John Flynt (D-Ga.), the conservative chairman of the Ethics Committee, O'Neill declared yesterday that he would personally oversee an "aggressive, independent" inquiry. The House Speaker said his first task would be to find a person of "impeccable reputation" to replace Phillip Lacovara, the former chief investigator for the Ethics Committee, whose resignation last week deliberately triggered the latest escalation of the Koreagate scenario. Late July 20, O'Neill announced that Leon Jaworski, the former Special Watergate Prosecutor, has agreed to take the job.

O'Neill has promised that the new chief investigator will be granted extraordinary powers. A "memorandum of understanding" worked out between Jaworski and the Ethics Committee July 21 provides Jaworski with "full and complete independence in the fact-finding process of the investigation." The Committee also promised Jaworski that he can only be fired by the full House and that it would automatically comply with his requests for subpoenas and any other "compulsory process" he decides to use. The House Speaker has backed this up with his own assurances that he will personally lean on

anyone impeding the investigation. "If he runs into any difficulty," threatened O'Neill, widely rumored to be a heavy drinker, "I would personally move in such a manner to straighten it out."

Although Jaworski has vowed that "If I find a crook involved in this matter, I want to bring him out and I want the public to know about it" no matter what party he belongs to, there are signs already that Jaworski himself may be implicated in the Korean connection. House Ethics Committee member Bruce Capute (R-NY) yesterday raised the possibility that Jaworski's law firm may have had dealings with agricultural interests that do business with South Korea.

Congressional sources around O'Neill are freely admitting that the House Speaker's power grab is designed at circumventing the Ethics Committee.

Koreagate into Cartergate?

O'Neill's Administration-ordered intervention into the Koreagate situation is intersecting a general atmosphere in Washington which one highly informed observer characterized as "reeking of Cartergate." This source reported that a whole wave of scandals is about to descend on Carter's brainless head involving improper campaign financing, the near-bankruptcy of Office of Management and Budget director and Carter "good ole' boy" Bert Lance's Georgia bank, and charges that Attorney General Bell is conducting a cover-up of the Korea scandal. The Republican Party has officially called for the appointment of a Special Prosecutor, charging the Justice Department with stonewalling.

In fact, the possibility that the Korean affair might get out of control and bring down the Administration has several Carter cronies terrorized. An aide to one leading Democratic Senator raged against the Republicans' call for a Special Prosecutor in an interview yesterday, charging that they are intent on "going after Bell and others in Justice and maybe even higher" targets in the Administration.

Carter, meanwhile, has opened himself up fully to such a judo operation. In a letter to the Republican Congressional leadership released July 18, the President turned down their demand for a Special Prosecutor on the grounds that since no one in his Administration was implicated, the Justice Department need not be bypassed.

More Gates Than A Rat Maze

Rumors that the Administration is involved in a host of major scandals are flying fast and furious in D.C. Sources close to a leading Texas Republican hint that a wave of new problems are about to hit the Administration including new revelations about Budget Director Bert Lance's unusual banking career, Justice Department coverups, and Federal Election Commission collusion to write off Democratic Party debts...

The nation's Budget Director, one of the country's top economic planners, is in financial straits himself, and is pleading with the Congress to allow him to temporarily keep his shares in a Georgia bank. Carter personally intervened to ask Congress to allow Lance the extra time, and Washington is abuzz with rumors that Carter is very interested in protecting Lance and keeping his financial woes quiet because some of Lance's largest loans went to Carter himself...

Carter is also reportedly concerned about protecting Lance's backers. Lance received several million from Manufacturers Hanover Trust to purchase his Georgia bank shares. Shortly after stories were floated that Lance was to get a top cabinet post, First National Bank of Chicago head A. Robert Abboud also loaned Lance money to refinance his loan. Insiders are hinting that the real story behind Lance's bank is about to break and may well cause a government shakeup...

Word that the Korean CIA scandal will pull in the Carter Administration is coming from as far west as Illinois. One leading Republican there told *EIR* that the KCIA investigation will not only involve leading Democratic Congressmen but "will be Carter's Watergate too." White House press secretary Jody Powell was noted to be bristling when reporters asked him about Justice Department coverups of the scandal. Carter has said, unasked, that there is no evidence that the Administration

was at all involved with a coverup and there is no need for outside investigators. Perhaps the President forgot that the Attorney General's law firm, Atlanta's King and Spaulding was representing the South Korean government at a time when a leading figure in the scandal arrived in the U.S. and in Georgia...

A number of investigative journalists are building dossiers on illegal activities the Federal

WASHINGTON WEEK

Election Commission conducted against political opponents of the Carter Administration, especially the U.S. Labor Party. At least two major television stations and three nationally known papers are on the verge of major exposés...

With the air reeking of a new Watergate, tension is mounting on Capital Hill between Administration supporters and opponents which broke out on the House floor a week and a half ago during a debate on establishing a House intelligence committee. The formation of the committee is a particularly sensitive question, coming at a time when all of Washington is in a mad scramble for control of the intelligence community. House Speaker Tip O'Neill had been strongarming Congressmen behind the proposal. O'Neill, better known among his friends as Topsy, castigated minority leader John Rhodes (R-Ariz.) for opposing the committee and in language rarely used in those hallowed halls, declared, "I wish the minority leader could lead instead of always following his followers around here." Citing his orders to push for the committee as coming from the White House, O'Neill banged his fist on the rostrum, shouting that in such matters there can be no par-

tisanship. Third-ranking Republican leader John Anderson (R-Ill.) then retorted, "This is not an animal farm where all bleat and bray on signal"...

Intelligence community questions are creating other major crises for the Administration. Sources reveal that the Administration will not place the name of Lyman Kirkpatrick, an associate of Nelson Rockefeller, in nomination for Deputy CIA director, because there is so much opposition to him. The White House is evidently terrified to force the issue because Kirkpatrick could not stand up to questioning about his role in CIA illegal drug testing activities.

Carter is not getting along much better with our European allies or the Soviets. In Moscow U.S. Ambassador Toon has tried to meet with Soviet Defense Minister Ustinov several times but could not get in the front door. Watching the spectacle, Helmut Sonnenfeldt, former State Department official and close associate of Henry Kissinger, blamed National Security advisor Brzezinski's policy for the Soviet refusal. Sonnenfeldt is reported to be tooting himself for Toon's job...

Top Administration officials are admitting privately that they are extremely worried about Soviet economic moves, particularly the Soviet extension of the transfer ruble to expand European-Soviet trade. A top NSC economics expert tried to convince himself that the Europeans were really not consolidating transfer ruble trade deals with the Soviets. "The European press is wrong. No one wants the ruble, it's worthless. You can't do anything with it."

This while the dollar was sinking fast...

And the heat was on Chase Manhattan. During New York's 103 degree weather July 21, Chase's air conditioners broke down. Rumors have it that James Schlesinger just ordered Chase to convert to solar heating...

Ogden Hearing Delayed Until August; Major Test For Human Rights

Carter Administration efforts to railroad Alan Ogden, U.S. Labor Party candidate for governor of Virginia into a one-year jail term beginning tomorrow were delayed today by "eleventh hour" developments in federal court. Ogden's case, a major test for human rights in the USA, will be decided in a series of federal and state court hearings over the next three weeks.

Ogden, whose Democratic opponent Henry Howell has his campaign run by the White House, had been ordered to appear in Richmond circuit court before Judge J. Randolph Tucker tomorrow to show cause why he should not serve a suspended one-year jail sentence for a 1974 trespass conviction. Today, as Ogden attorney Robert Geary was in federal court seeking a temporary restraining order against the state's action, Virginia's commonwealth attorney said Judge Tucker had agreed to postpone the "show cause" hearing until Aug. 8. Therefore, the commonwealth attorney argued, no restraining order was necessary.

But Federal Judge D. Dortch Warriner agreed to rule on the request for the restraining order; the Labor Party contends that the state court proceedings represent an unconstitutional abridgement of Ogden's gubernatorial campaign. Judge Warriner asked for briefs from both sides, and promised a decision on the TRO request by July 29. The judge indicated he would follow the precedent set in the Blackwelder case decided in the 4th circuit, and would grant the request if Ogden's attorney could show that an alternative ruling would do him irreparable harm, and would cause no harm to the state.

Get the Labor Party?

The effort to railroad Ogden is part of an international "Get the Labor Parties" offensive directed from the top levels of the Carter Administration — an offensive which includes planned kidnappings and assassinations of the Labor Party leadership and secondary leadership in North America and Western Europe presently scheduled for August. The present massive slander campaign against the Labor Party in Mexico is part of that international Carter Administration-directed deployment.

USLP officials interviewed in New York have labeled

this second attempt in less than six weeks to jail Ogden "a blatant Carter Administration show of force which will be the Achilles heel of the entire containment operation directed at the U.S. Labor Party nationally." Party officials pointed out that intensified Cointelpro operations against Ogden and the Virginia Labor Party over a two year period have always functioned as a signal for an overall escalation of harassment tactics against the organization.

But to take full advantage of this Cartergate opportunity will require a vigorous mobilization by U.S. Whig forces, who must fight any tendency to "throw the Labor Party to the dogs" in the hopes of saving themselves and avoiding "provoking a crisis" with the insane Wall Street-Carter Administration. Virginia's Republican Governor Mills Godwin, for example, was deluged by public protests over the state's handling of the case in which Ogden was sent to jail earlier this summer, but refused to grant either a pardon or clemency.

Such a course of action by Whigs now, in the context of the concerted international attack on the Labor Party and its co-thinkers, would be suicidal. The Labor Party and its allies internationally have demonstrated that they are the only force with an effective program and strategy for solving the present national and world crisis, a force whose elimination would remove the major barrier to a Carter Administration thermonuclear confrontation with the Soviet Union.

Ogden has been arrested more than a dozen times on trumped-up trespassing and similar charges since 1974; he has been acquitted or charges have been dropped in all but two cases. Earlier this year, he was illegally forced to serve eight days of a thirty-day sentence for trespassing by Judge Tucker; the state is now arguing that Ogden's arrest record constitutes a violation of the suspended sentence imposed in the second case, and Judge Tucker should therefore order him back to jail.

Labor Party officials have charged Carter Administration officials including press secretary Jody Powell with coordinating the campaign to jail Ogden, as they are known to be running the campaign of his Democratic opponent, Henry Howell. Powell's office has denied the charge.

European Press Ridicules 'Flower Dollar'

As the U.S. dollar sunk to new historic lows last week, one West German newspaper, the *Frankfurter Rundschau*, labeled the currency the "Blumenthaler" — a double pun on the name of the U.S. Treasury Secretary (Blumenthal) and the German word for "flower" (Blume). At one moment of panic on the New York foreign exchange market on Wed., June 20, the dollar hit a new nadir of 2.255 deutschemarks compared to 2.3590 two months ago.

FOREIGN EXCHANGE

Even the most fervent U.S. bank proponents of Blumenthal's policy of "benign neglect" towards the dollar — as part of a strategy to forcibly reduce the West German and Japanese trade surpluses — have suddenly realized that the dollar collapse is now lurching out of their control toward a generalized crisis of confidence. The normally complacent Rimmer de Vries, Morgan Guaranty's chief economist, bitterly complained to the *New York Times* that the major West German banks are speculating against the dollar and predicted still more dollar weakness unless the West German and Japanese governments "adopt more stimulative policies."

According to West Germany's *Frankfurter Allgemeine Zeitung*, the dollar crisis has prompted OPEC Finance Ministers to call an emergency meeting in Vienna on August 4 to discuss the dollar slide in relation to oil prices. The Italian daily *Il Giorno* noted that OPEC investors, abetted by the Swiss banks, have been unloading dollars on a large scale. Several European and U.S. gold market sources confirmed that a substantial chunk of these petrodollars are going directly into gold, which may help to account for gold's sudden jump to \$145.50 on July 19.

The British *Daily Telegraph* hinted broadly July 20 that "the more Gaullist stance emerging from Paris" is one of the "major psychological factors" boosting the gold market in Europe. EIR specialists have gridded evidence pointing to the formation of a right-wing French-Swiss-South African "gold axis" (see *Gold Report*). Indeed French financial interests have been heavily disinvesting from dollars recently.

Squeeze Play

The possibility of an open break with Washington on monetary policy has been mooted by several European press organs, which have characterized Blumenthal's maneuvers as *trade war* directed against European ex-

port markets. The *Frankfurter Allgemeine Zeitung* complained of the Carter Administration's "conscious war of nerves," while the French financial paper *Les Echos* roundly denounced the dollar decline as disguised protectionism.

As if to rub in the point, Blumenthal announced at a mid-week press conference that the U.S. would continue to run a mammoth trade deficit — now estimated at \$25 billion for 1977 — throughout 1978 as well. What particularly irks the Europeans is that the U.S. deficit — contrary to Blumenthal — has not helped the European economies a bit. U.S. imports from Western Europe have not risen, and, in fact, the U.S. has tended to run a *trade surplus* against this sector. The U.S. deficit actually reflects the decline of U.S. export capabilities due to austerity policies implemented abroad, particularly in Third World countries.

Cure Worse than Disease

Any European counter-moves in this currency warfare, however, will prove useless as long as action remains within the framework of the bankrupt dollar system. West German monetary authorities are confronted with two equally undesirable choices: either let the dollar go and destroy West German exports, or support the dollar through intervention and set off an inflationary spiral in the German money supply. The Bundesbank appears to have opted for the first "alternative," purchasing only about \$20 to \$30 million a day to "smooth out" the markets.

Most foreign exchange experts have predicted that currencies such as the British pound, French franc, Italian lira, and Scandinavian currencies which have tended to appreciate along with the deutschemark, will not be able to sustain their revalued position due to the greater weakness of their economies. The continued appreciation of the deutschemark threatens, in particular, to bust up the deutschemark-centered European "snake." Such "snake" participants as the Swedish krona and Danish krona are deemed in most immediate danger.

Italy, Britain, and France have "protected" themselves against future crises by making large purchases of dollars. For example, the Italian central bank, according to the *Daily Telegraph*, has taken advantage of the dollar decline to purchase about \$60 million daily on the open markets. As a result, Italian reserves are now close to \$7 billion, compared to \$4.3 billion at the end of May. In reality, continued holding of dollar reserves only serves to guarantee that the European economies are further infected with the dollar's inflationary disease.

Gold Based Hard Commodity Credit

Option In The Works

In response to the Carter Administration's "benign neglect" policy towards the depreciating U.S. dollar, various European political factions, centering around France's President Giscard, are planning to launch a gold-based "hard commodity" alternative. The Giscard operation depends immediately on two political factors: whether, as seems apparent, Giscard can swing the West Germans and other European forces behind him, and secondly, whether significant amounts of Arab money can be brought in behind the deal.

GOLD

London's *Daily Telegraph* hinted broadly at such an operation on Wednesday, in a City column that attributed the recent price rise of gold from around \$139 to the present \$144-145 range to "the new Gaullist stance coming out of Paris." Leading City of London merchant banks have been informed since early June that French financial circles, including the Banque de France itself, intended a "coup" on the markets in behalf of gold, leveraging the weakness of the Eurodollar market in favor of countries with strong gold reserves.

In private discussions, senior officials of the British merchant banking community admit that their "greatest fear" is a French-Arab monetary connection with a strong gold component. These fears have been accentuated over the last several weeks when merchant banking expeditions to the Persian Gulf returned empty-handed. "We used to have the inside track on Arab money," an officer of Hambros Bank says. "Now we can't get anything." In the United States, an observer of French affairs at a leading American think-tank reports that the Saudis have opted to work with neither London nor New York financiers, but with "Franco-German" interests.

The mooted French-Arab alliance took official form this week with the creation of the Saudi-French bank, capitalized at S. Riyal 100 million, with 40 percent participation by Saudi investors. Under the sponsorship of the Saudi Arabian Monetary Agency (SAMA), the country's central monetary institution, the Saudi side of the capitalization will be funded through the largest-ever issue of shares in Saudi Arabia, indicating a broad base of support for the new bank. Although the Saudi French Bank is not the first Saudi-European consortium effort, its projected capitalization is several times larger than any other such bank.

Gold has not yet come into the picture in a massive way, although there is a consensus among observers that the Middle Eastern countries have been steadily accumulating gold reserves in a modest fashion. Until now, the Saudis and others have hesitated to commit themselves to gold, despite growing mistrust of the dollar, due to fear of ending up with an unusable hoard. Saudi

willingness to accumulate gold depends immediately on the determination of advanced-sector countries to employ gold as a monetary reserve instrument. Giscard's move in this direction apparently will make the difference.

Critical to the French strategy are Giscard's ties to South Africa, which produces 60 percent of the world's gold supply, and Switzerland, the premiere trading depot for South African gold. Earlier this month, the French authorities negotiated an extraordinary agreement with South Africa in the strategic area of uranium mining, outbidding Westinghouse, Occidental Petroleum, and other interests for a 10-year, 40 million ton production contract. France secured the deal by offering the South Africans a badly-needed 103 million franc loan for mining development, interest free. An extraordinary feature of the deal is that the price of the uranium has been fixed at \$27 per pound, not much more than half the \$42 a pound price established by the world uranium cartel headed by Rio Tinto Zinc. In effect, the French government seems to have bagged a crucial channel of uranium supply, and undercut some of the world's toughest corporate muscle, in one major deal.

Switzerland, and the Swiss banking community, are one of the two major forces in the gold market: the other is the London Rothschild bank, through alliances with the Hong Kong and Shanghai Bank-British Bank of the Middle East-Sharpes and Pixley group, and the Monte dei Paschi Bank in Italy. The Giscard family has close ties to the Swiss banking community. Their personal fortune was managed by the Banque LeClerc, recently absorbed into the Swiss Bank Corporation. The bankruptcy of the Banque LeClerc in May has been attributed to American covert operations directed by former Chile Ambassador and present Ambassador to Switzerland Nathaniel Davis. In turn, the South Africans maintain extremely close ties with the Swiss. Several times this year, the Swiss National Bank has provided currency "swaps" for cash-short South Africa, in return for gold collateral. The French right-wing press has speculated about the possibility of a Franco-Swiss-South African gold axis often during the past two years.

But the French uranium deal with South Africa has much broader implications than South African gold. Very likely, French control over African uranium was a major factor in the agreement on nuclear energy policy between President Giscard and Chancellor Schmidt at their July 20 meeting in Paris. The two leaders agreed to joint development of uranium resources in French-speaking West Africa, where French foreign minister Louis de Guiringaud is currently on tour. In addition, according to varied European press reports, France and West Germany will encourage the development of nuclear energy in a number of African countries. This issue is of critical importance to the West Germans, who have been battling with the Carter Administration for months over the issue of free development and export of nuclear technology.

The central agreement that Giscard and Schmidt reached was on the subject of monetary policy. On July 22, French prime minister Raymond Barre journeyed to Bonn to complete arrangements for "coordination of economic policy." Although details of the agreement have not been released, the apparent content is mutual defense against the dollar and the monetary policy of the Carter Administration, and is coherent with Giscard's gold option. Editorials in the French and West German press have attacked the dollar monetary system with unprecedented ferocity, perhaps hinting at what the two heads of state discussed privately.

The *French Business Daily Les Echos* July 22 scored the Eurodollar market as a "dangerous pyramid" that threatened monetary stability and should be abolished. The right-wing daily *L'Aurore* questioned the right of the Organization for Economic Cooperation and Development, the U.S.-founded economic prescription body of 24 industrial nations, to maintain headquarters in Paris. Responding to recent OECD recommendations that the 15 OECD members who suffer from balance of payments difficulties should adopt severe austerity measures, *L'Aurore* demanded to know what right the OECD had to interfere with national policy, and proposed that its offices pack up and leave the French capital.

In West Germany the same day, the usually staid *Frankfurter Allgemeine Zeitung* let loose with an editorial entitled, "Crazy Blumenthal." The American Treasury secretary, the newspaper said, is possessed of a "madness with a method." Just like 1971 and 1973, the FAZ wrote, the United States was trying to dump its trade deficit problem on the rest of the world by depreciating the dollar. "It won't work this time," the West Germany newspaper warned; excess dollar liquidity has gotten out of control. "President Carter does not have a monetary official who understands the consequences of economic policy," said the FAZ. He should dump Blumenthal, the editorial concluded, "and get someone who does."

How far the West Germans want to distance themselves from the dollar is questionable. But the special dynamics of monetary breakdown are at work, and any leading political force that chooses to break towards a "hard-commodity" option against the bankrupt Euro-

dollar system has some very compelling advantages. If a French-Arab gold alliance has a chance of success, all other political forces and financier groups must immediately begin to hedge their bets against such an eventuality. U.S. Labor Party Chairman Lyndon H. LaRouche Jr. described this effect in reporting the reaction of the international financial community to his proposal for a private-sector gold-based international development bank, which was translated into French and circulated among a dozen key French and Belgian banks.

The British, in particular, are on the hot seat. During the round of meetings between Giscard, Schmidt, and Italian prime minister Andreotti this week, rumors abounded — despite denials by official West German spokesman Heinz Boelling — that the three-way discussions had read Britain out of policy-making in the European community. At the bare-knuckles level of European banking competition, there are strong indications that heightened Franco-German ties are developing at direct British expense. Key is the collapse of speculative sections of the French real estate market over the last several weeks, a leading area of City of London investment into France. Real estate speculation, which reached its height before the 1974 "secondary banking" crisis in the City of London, cemented the working alliance between British merchant banks and leading French Banques d'Affaire, typified by the close relationship between S.G. Warburg's in London and Paribas in France. There are indications from the strident denunciations in the French financial press of the real-estate chicanery of the leading Banques d'Affaire, e.g. in *Les Echos* of July 22, that the emerging scandal has a decidedly anti-British content.

After all, the British banks have access to their own "hard-commodity option," centering around the leverage of N.M. Rothschild and other London gold pool banks in the international gold market. The stronger Giscard pushes in that direction, the greater the impulse for the City of London to take its losses and get in on the game.

Financial observers are watching with great interest the activities of M. Bernard Clappier, the Governor of the Banque de France, in Moscow this week.

— David Goldman

Outlook For Steel: 'Mandatory' Shrinkage Underway

A number of leading investment banks, the U.S. government, and major U.S. steel companies have, in effect, made the decision to attempt to "rescue" the collapsing profitability of the industry and protect its long-term debt by shutting "excess," inefficient capacity and propping up prices.

BUSINESS OUTLOOK

A new study of the industry by Merrill Lynch, Wall Street's largest investment bank, recommends straight "Schacht" treatment — "mandatory" shutdowns of antiquated capacity and an end to the government's "de facto price controls" on steel.

The study is unusual in that it points to the advanced state of decay of the U.S. steel industry as the prime reason for its uncompetitive position vis-a-vis the modern Japanese industry. As such, the study conflicts with the white paper prepared recently by Putnam, Hayes and Bartlett for the American Iron and Steel Institute (AISI) which tries to blame the industry's lagging profitability on "dumping" by the Japanese and implicitly recommends protectionist import measures. Merrill Lynch recommendations, however, boil down to industry "rationalization," along the lines of the so-called Davignon plan now being implemented in Europe.

A Merrill Lynch analyst who helped prepare the study said matter of factly in an interview, "It would be good for the industry to get rid of the old capacity. It would force customers to keep higher inventories, it would raise operating rates in the remaining capacity, and it would improve profitability." The analyst added that U.S. Steel's projected \$3 billion integrated Lake Erie steel plant "couldn't be justified to its stock holders — there's no need for that capacity." On issuing its new study, Merrill Lynch took all but U.S. Steel and Inland off its recommended stock list.

A series of interviews with steel industry analysts at Putnam, Hayes, and Bartlett; Arthur D. Little; and the Ford Foundation revealed that the Merrill Lynch position — that "excess," uncompetitive capacity has to be shut down — is widespread. Paul Marshall, one of the three authors of the Putnam-AISI study, criticized Merrill Lynch's analysis as "sloppy" and misleading. However, Marshall endorses the Merrill Lynch conclusion that the industry must scrap its uncompetitive capacity — even though he is pessimistic about the prospects for government action to spur capital formation in the industry. "There's a restructuring of the industry in the works...The net effect of government's independent actions (environmental regulations, failure to act on accelerated depreciation, etc.) is to make that likely."

An analyst at the Ford Foundation was even more emphatic. "You *hope* they're planning to phase out their uncompetitive capacity. That's what managers get paid for. But no management likes to shrink."

U.S. Steel itself is in effect carrying out Merrill Lynch's rationalization program. U.S. Steel along with Armco have made the decision to diversify in non-steel areas.

Early last week U.S. Steel laid off 800 workers (by the union's count) and put 2100 more workers on short-time at its 10,000 man Southworks structural steel plant in Chicago and is now operating only 2 out of 7 blast furnaces at the plant. The layoffs were expected because days before the layoffs were announced, U.S. Steel sent out letters to its suppliers telling them to suspend all further deliveries to Southworks; that the plant would only receive deliveries as they were needed. But on July 21 U.S. Steel announced that it was raising prices on structural steel and tin mill products an average of 6 percent effective Sept. 4. "That's a typical steel industry response," said the Ford Foundation's steel industry analyst. "Raise prices and lay people off. Reduce capacity and try to get a higher price. But Washington is going to clobber them when they come for import relief."

Washington is already doing just that, as a means for keeping the industry in line and helping along the rationalization process. A special OECD steel group has just begun discussions on the world steel situation; however, on July 20 Carter's Special Trade Negotiator Robert Strauss told U.S. Steel companies not to expect any help from the government on the import front. A day later President Carter and CEA head Charles Schultze responded to U.S. Steel's announcement of new price increases with disapproval. Otherwise, officials at the Treasury Department and at Commerce say they expect no government action on the industry's requests for tax breaks or relief from the present environmental regulations. Thus, the government is de facto supporting the triage policy.

There may be some selectivity in this de facto policy, insofar as the consultant at Arthur D. Little who is preparing the environmental impact study for U.S. Steel's projected Lake Erie plant says there has been unusual cooperation between government agencies, both state and federal, and the company and its consultants to accelerate the impact analysis.

In general the Carter Administration appears to be doing everything it can to bankrupt sections of the industry. Carter's coal conversion plan, which is now breezing through Congressional committees and is scheduled to arrive on the floor of the House this week, would have a disastrous effect on the steel industry. According to testimony submitted last spring by the American Boiler Makers Association and others the cost of converting to coal-fired boilers would be enormous and save little energy. Moreover, the use of coal in present

boilers would yield only 40 percent of the energy that oil or natural gas-fueled boilers yield. The only sensible thing would be to phase out old boilers and build modern coal-fired ones for the industry's steam generation needs — but how many steel companies are in the financial position to do that?

Rationalization Already in Effect

Alanwood, the small specialty steel producer in Eastern Pennsylvania, has filed for Chapter 11 bankruptcy. Inside sources say that two-thirds of the company's long-term debt is held by Prudential Life and the other third is held by Newark Life. Because of the miserable market for specialty steel, Alanwood was having trouble keeping up with debt payments, and the creditors threatened to pull the plug. Midvale-Heppenstall, which shut down its Philadelphia plant last year, postponed shutting down its Pittsburgh plant recently when its workers agreed to accept a wage cut. Phoenix, a third small Pennsylvania company, has shut down some of its operations. Bethlehem, the country's second largest company, which is heavily oriented to the capital goods and construction industry, has recently shut down a couple of its structural units. And U.S. Steel has just put workers at its Southworks structural steel unit on indefinite layoff.

An officer at the Commerce Department's iron and steel desk foresees an acceleration of this trend, come the next downturn. Unless there is a pickup in the industry this fall, he predicts widespread closings in the Mahoning Valley, south of Cleveland, where U.S. Steel and Republic plants are located; at Youngstown Sheet and Tube, and at Pittsburgh-Wheeling. "It's not an unhealthy thing...if we build new capacity." There is modernization underway at, for example, various company's Chicago plants, at Jones and Laughlin in Pittsburgh and at U.S. Steel's Alabama and Texas plants. However overall steel capacity is going to shrink.

New Steel Industry Studies

In addition to the New Merrill Lynch study, the Japanese Iron and Steel Exporters Association has answered AISI white paper charges that the industry is receiving special treatment. The Japanese steel industry, said Hiroshi Takano at a Toyko press conference last week, is the most productive, low-cost steel industry in the world because Japanese mills have pioneered the newest steel producing techniques. The big expansion in Japanese steel exports, said Takano, has not been to the U.S. but to the Middle East and Asia. In fact, the percentage of Japanese exports destined for the U.S. has dropped from 52.6 percent in 1968 to 20.1 percent last year. In contrast to the American institute, the JISEA foresees a serious steel shortage by 1980 unless other countries follow Japan's lead.

But as the Merrill Lynch study reveals, only one new medium-sized steel mill has been constructed in the U.S. in the last 15 years, compared to eight giant mills in Japan. Labor productivity is 50 percent higher in Japanese industry.

On modernization of the U.S. industry, Merrill Lynch makes the ludicrous proposal that all "de facto price controls" on steel be removed, allegedly to improve the industry's cash flow and boost capital formation. But under Wall Street credit policies, it would take a price increase on the order of 25 percent to raise sufficient funds for modernization and expansion in the steel industry today due to the inflated cost of capital goods. That sort of price increase, of course, would blow the rest of the economy out of the water.

The Merrill Lynch report also makes it clear that the U.S. industry has been living on borrowed time over the last several years. In 1973 Japan had a 30 percent cost advantage over the U.S. industry, largely because of its more efficient steel capacity. But the two dollar devaluations in the early 1970s and the OPEC price increase put Japan at a great disadvantage. Now the gap is back to 30 percent.

Conference Board Sees Slave Labor As U.S. Future

A report issued last week by the Conference Board, a prominent national businessmen's group, calls for slave labor to increase employment within the context of halting inflation.

SPECIAL REPORT

The report, which consists of the Fall 1976 speeches and panel discussion of the nation's leading Nazi technocratic "nuts and bolts" experts in the fields of manpower and national planning, recommends drastic measures.

Highlighted in the report is structural unemployment

among youth, women, and minorities, with a proposal for shunting them into various forced work programs, with a heavy emphasis on labor productivity.

Typical is the recommendation of Eli Ginzberg, head of the federal National Commission on Manpower Policy. Ginzberg calls for revitalizing the Work Incentive Program (WIN) to employ welfare mothers at far below the minimum wage. "If you can offer them (WIN) jobs," Ginzberg reasoned, "then I want to begin pushing the people to take them."

As for reducing unemployment benefits, Ginzberg, a self-professed admirer of Adolf Hitler's labor policies, stated, "I want to take low-income people, who have been out of work for 15 weeks, and offer them a job at a modest figure ... a figure that would be 50 percent above the average unemployment compensation rates."

Labor productivity came in for repeated attention. Ray Marshall, Secretary of Labor, and another panel participant, was insistent that "workers have to improve their hourly wage rates in order to make up for a lot of inefficiency and unemployment."

Other panel recommendations included Brookings Institution senior fellow Richard Nathan's demand to eliminate youth minimum wage laws on the grounds that "the minimum wage law does contribute to higher unemployment" and Ray Marshall's plea for a low energy economy premised on the fact that "people can earn a substantial amount as small farmers in labor-intensive farming activity."

Sar Levitan, director of the Center for Social Policy Studies, in a fervid national call for the Ford Foundation's scenario for race riots and police state emergency measures for this summer, stresses that, "youth unemployment is ... social dynamite. While we have not had riots for a couple of years, the potential is there."

The panelists writing the Conference Board report intend its recommendations to be the thrust of the Carter Administration's domestic policy. The report's issuance comes at the very moment that the Humphrey-Mondale Fabian forces in Congress have stepped up their call for a spending orgy, blowing up the 1978 federal deficit to a minimum of \$465 billion as their solution to the uncontrolled, accelerating U.S. monetary and basic economic collapse.

To handle the anticipated opposition to the report from conservative businessmen, who make up the large bulk

of the Conference's membership, the report throws out a sop of tax breaks and incentives for business to encourage moderate employment increases. As the report indicates, this sop is actually preparatory to suckering businessmen into agreement with recycling of workers within industry, through partial government funding.

What is most striking about the report is what it leaves out and its glaring thoroughgoing incompetence. The stagnation of the economy through high unemployment rates in basic production, which the report acknowledges, and the pitiful state of basic scientific and technological education, precludes meaningful job apprenticeship or education programs for these youth acquiring skills.

It is most ironic that the report documents the simultaneous growth of the unemployment rate and the Consumer Price Index (CPI) from 1970 through 1976, when unemployment jumped from 4.9 percent to 7.7 percent and the CPI rose from 116.3 to 170.5. Yet the report monumentally fails to note that this trend became more pronounced after the breakdown of the Bretton Woods monetary system in August 1971; and has generally accelerated with each new phase of the crisis for the collapsing dollar. Herein lies the motivating force — and explanation for the process — that has shot up inflation, while simultaneously skyrocketing the unemployment rate.

This last point should underlie the reports' "general consensus ... that the standard fiscal and monetary policies adopted in the past would be unlikely by themselves to bring large-scale reductions in joblessness."

Eastern & Western Europe OPEC Spread Energy Net

Soviet crude oil exports to Western Europe in the first several months of this year have exceeded crude deliveries from the USSR to Eastern Europe for the first time, according to preliminary reports. The shift towards an increasingly significant, although still marginal, role for Soviet oil in the West complements efforts of the British — through British Petroleum and the British North Sea Oil Corporation (BNOC) — and the European independent petroleum companies to break the hold of Rockefeller's Exxon as the dominant market force in Western Europe. In tandem with the Europeans' direct oil-for-technology arrangements with OPEC nations, the Soviet trend boosts Western Europe's ability to resist Carter Administration energy blackmail.

In 1976, when the Soviets exported 110.8 million tons of crude (just over one-fifth total production) already 43.3 percent of this went to the industrialized capitalist countries. Japan bought a thin 2 million tons, with Western Europe on the receiving end of nearly 50 million tons. Soviet oil thus tallied up 8 percent of Western European crude imports. In the case of natural gas, where gas-for-pipeline barter deals between the USSR and Western Europe have been under way for over a decade, 41.5 percent of the 25.8 trillion cubic meters exported by the Soviets in 1976 (only 8 percent of total production) went to the advanced capitalist sector — almost all of it to Western Europe.

OPEC to Eastern Europe

In the past, the prospect of the Soviets selling more and more of their oil to the West has been something to make Zbigniew Brzezinski's eyes light up. The usual prediction — the one found in Radio Free Europe's staff briefing materials for instance — runs approximately as follows: the Soviets have a growing need for convertible currencies. Their big earner is oil. They will sell more oil to the West, and therefore less oil to Eastern Europe and at higher prices. The Eastern Europeans will grow resentful. Eastern Europe can be split from Moscow!

Like most scenarios of its ilk, this one ignores real politics. As the shift is actually occurring, Soviet oil to "the West" — Europe and Japan — is a helping hand to get free of Rockefeller. The attributed Soviet motive of amassing convertible currencies may soon be an anachronism, if transfer-ruble financing takes off internationally. And as for Eastern Europe, its purchases above what the USSR delivers (at below world market prices and contracted for five year periods) are being made from OPEC nations.

For Eastern Europe to turn to OPEC, however, no longer means to surrender to Rockefeller control or leverage. Not at a point when substantial forces among

the OPEC members are not only collaborating in oil-for-technology barter with Europe to Rockefeller's disadvantage, but buying into European nuclear energy companies and financing diverse energy development, including in such non-OPEC locales as Siberia!

Mediterranean Development

The result of the shifting export patterns is a net of energy trade criss-crossing the Mediterranean Sea and anchored on three sides: Western Europe, the socialist sector, and the Middle East. This is the first accomplishment towards two main goals set by the Soviets — not to mention Yugoslavia, Italy, Malta and others — for the Belgrade session of the Conference on Security and Cooperation in Europe (CSCE). These are (1) to bring in the non-European Mediterranean littoral states (including Israel) as full-fledged participants; and (2) to make breakthroughs on "Basket 2," or economic cooperation. The Soviets' first concrete proposal for Basket 2 is convocation of a pan-European (and, implicitly, Mediterranean) conference on energy, at which to plot out not only efficiency modifications in present fossil fuel energy production on the continent, but also the coordination of research, development and investment in the transition to nuclear power economies.

By far the most dramatic development in the last year of East and West European and Arab economic collaboration is the deal between Libya and Italy's FIAT, in which Soviet participation is well known. Other large-scale projects which break new ground include Kuwait's financing of a pipeline which will deliver oil to Yugoslavia, Rumania, and Hungary.

A scan of recent deals and business trips reveals a number of new strands in the energy trade net.

Kuwait has become the most involved in financing Eastern European energy development. Negotiations are reportedly in progress for the Kuwaitis to finance West German machinery sales to the Soviets for Siberian development.

With Rumania, the single Eastern European country which has oil deposits of its own and does not import from the USSR, Kuwaiti collaboration is particularly advanced. The two countries recently signed a far-reaching deal to construct a \$1 billion petrochemical and refining complex at Constanta. The plant is expected to manufacture 17 grades of products. Kuwait will supply 170,000 barrels a day of crude for the complex, which will also draw on Rumania's 300,000 barrels a day oil production.

Last month Iran's Foreign Minister Khalatbari and the director of the National Iranian Oil Company (NIOC) Eqbal each toured Eastern Europe, where Iran has bartered oil for years. Following agreements reached on Khalatbari's visit, Polish crude imports from Iran will

double and Czechoslovakia's will increase. No deal was announced between Iran and the German Democratic Republic (GDR), but the fact that Eqbal was received by the GDR Prime Minister Willi Stoph marks the importance of his visit there. Iranian crude deliveries to Finland, which is closely integrated with the socialist sector and depends on the USSR for its oil, will be raised by 700,000 tons annually.

The Soviet Union has been applying heavy pressure on Iran to sell it one million tons of crude a year. Historically, Soviet fossil fuel imports from Iran have often been re-exported to Western Europe, as USSR crude imports from Iraq are re-exported for barter to India and elsewhere. Now, in the context of mushrooming Soviet-Iranian bilateral trade (it grew 38 percent from 1975 to 1976), the Soviet ambassador in Iran has taken the unusual step of calling a Teheran press conference to urge concluding a new oil sale deal to match Soviet construction of a large hydroelectric plant at the Soviet-Iranian border. Iran is presently suffering a severe electricity shortage.

Off-Shore Technology

The development of off-shore oil capacity for the Soviet Union and Eastern Europe has drawn OPEC as well as British interest. The Kuwaiti-published *Europe and Oil* earlier this year predicted that ongoing British-Soviet trade negotiations as well as a deal with Finland and the

U.S. firm Armco Steel would eventually yield the Soviets badly needed offshore drilling technology.

The Caspian Sea and the Black Sea are promising sites for off-shore development. In the latter case, Rumania is again involved and Bulgaria potentially could be. Turkey also figures into arrangements, as the Soviets have offered to construct a refinery in northeastern Turkey on the Black Sea.

The Rumanians have already begun to fund construction of a refinery north of Ankara, Turkey, which will be partially fed with Iraqi crude through a feeder line from the just-opened Dortyol pipeline. Rumania has also delivered Turkey 20 drilling rigs this year for exploration in eastern Turkey.

According to the June issue of the London-issued *Petroleum Economist*, the Finland-Armco deal will enable the Soviets for the first time to drill in the deeper waters of the Caspian, where there are known large reserves. BNOB is currently negotiating sale of a drilling rig to Bulgaria for deep water drilling in the Black Sea. The package will include expertise for installation of the rig.

The other area with off-shore oil potential for the Soviets is the Sakhalin Island shelf on the Pacific Ocean. Joint exploration of Sakhalin was a feature of Siberian development deals signed between the USSR and Japan last year, and work has already begun. Two geological ships sailed there with Soviet and Japanese experts aboard, in February of this year.

Emergency Senate Action Required

The following statement was released on July 18, 1977, by Lyndon H. LaRouche, Jr., U.S. Labor Party Chairman and Presidential candidate.

It is my certain knowledge that the Carter Administration has the United States on a track leading toward intercontinental thermonuclear war within possibly as short a term as weeks and no longer than months. The most immediate danger is not the war itself, but the combination of institutionalized foreign and domestic programs which would make the commitment to such war irreversible.

The most immediate problem is the fact that the U.S. Congress, as well as the main bodies of the military and intelligence communities, are now operating increasingly in the blind. Traditional essential lines of strategic and related information are now being made increasingly non-operative, to the effect that the Congress and other relevant institutions lack regular channels of digested information through which to correct the massive outpouring of disinformation channelled through the Carter Administration and its factionally-allied institutions.

Various measures must be taken quickly to ensure that the Congress is competently informed on vital issues of national security. The most appropriate formal measures would be the establishment of permanent or semi-permanent investigatory and advisory bodies aiding the Senate's Intelligence and Armed Services Committees.

The leadership of the U.S. Labor Party offers its specialized skills and resources to assist these measures, and offers to aid such Senate bodies in an advisory capacity.

The following specific steps are recommended as variously feasible as stated and as otherwise of heuristic value in suggesting workable alternative approaches.

Intelligence. A bipartisan chairmanship should be made up of a distinguished Republican knowledgeable in military and intelligence matters, plus a distinguished specialist recommended by former Governor Averell Harriman. The investigatory body itself should be heavily weighted with retired general and fleet officers and leading, most qualified retired members of the intelligence community, principally emphasizing the Central Intelligence Agency and Defense Intelligence Agency as backgrounds.

Three points of view should be represented inclusively in such an investigatory body: The viewpoint associated with Governor Harriman, the so-called "Team B" viewpoint, and the viewpoint represented by the USLP. The object of such a composition should be to provide a balanced assessment of the subject alternative to assessments available through the Administration.

Military. A similar advisory body should be created for

the Senate Armed Services Committee, and the work of the two advisory bodies should be aided by exchanges of relevant information.

The most immediate special problem to be faced by the military advisory body is that the NATO and Warsaw Pact commands are operating under totally asymmetrical policies and associated capabilities and orders of battle for thermonuclear war-fighting.

Soviet perception of a conflict between NATO and Warsaw Pact forces begins with a total deployment of intercontinental strategic ABC (atomic-biological-chemical) weapons against the in-depth war-fighting capabilities of a NATO adversary — with emphasis upon USA population and logistical centers, rather than silos which are presumed to have been emptied prior to arrival of Warsaw Pact intercontinental warheads. Warsaw Pact doctrine perceives war-fighting as continuing beyond "maximum deterrent deployment" with ABC "artillery" sanitization of battlefield areas, followed by naval and groundforce deployments.

NATO doctrine takes the opposite view. It presumes an ABC-enriched ground-forces (or naval) confrontation as the initial phase of conflict, escalating by prescribed phases toward the asymptote of "mutually assured destruction."

It is the writer's view, shared by numerous leading NATO military professionals, that from the standpoint of a USA-Soviet adversary presumption, NATO doctrine ensures the crushing defeat of the United States and NATO under war-fighting conditions. Essentially, NATO doctrine and forces' development stops short of the conditions of war-fighting at which Warsaw Pact doctrine begins.

Thus, from a purely military standpoint, NATO forces represent sufficient penalty to preclude any actual or hypothetical attack by Warsaw Pact forces, under all conditions in which NATO forces have not provoked the Warsaw Pact to war by threatening vital strategic interests of the Warsaw Pact nations. However, under conditions, such as those associated with the performance to date by the Carter Administration, in which war is being provoked, NATO is not an effective thermonuclear war-fighting capability at this juncture. Thus, a military strategy and posture — the so-called "aura of power" — adequate to conditions of détente becomes a military doctrine and posture of national suicide under conditions of imminent war-fighting.

The military question confronts the United States with two policy alternatives. (a) As long as it is USA policy that war with the Warsaw Pact perceived adversary is a reasonably large possibility, U.S. strategic policy must be ordered to include capabilities of war-fighting *beyond* so-called "deterrence." (b) The political alternative is that such an adversary condition can be removed, by

either previously established or redefined "détente" policies.

The responsibility of the military advisory committee, with aid of the intelligence advisory committee, must be primarily to competently define these two alternatives on a basis independent of the currently manifest presumptions of the Administration.

The further, subsumed duty of the military advisory committee should include reexamination of the "all-volunteer army" proposition. That critical assessment should not be narrowly defined, but should take into account matters of order of battle and weapons systems within the context of the alternative, traditional modern emphasis on the militia system.

Overall Objectives

With the aid of these two, coordinated advisory task-forces, the Senate as a whole must unify national intelligence and military policies into the form of an overall strategic doctrine. This proposal is neither utopian nor otherwise speculative. This writer and his associates represent a strategic point of view which is itself coherent and which interfaces and overlaps in major areas with traditionalist military and intelligence professionals. By using the Labor Party perception as an agenda-outline, we can bring together the fragmented specific perceptions of other professionals into a coherent set of majority and minority reports, on which basis the Senate would be provided an informed basis for choices.

The problem of providing a common point of reference among various specialist points of view can be established by taking the modern conception of the militia to that purpose.

From such points of historical reference as the use of archery in the Hundred Years War and the evolution of modern infantry from the Swiss Eidgenossenschaft, it has been demonstrated that professional military forces along are effective only in the absence of an adequately developed militia. It is the well-developed militia, centering around the foot-soldier, which represents the combined expression of the in-depth war-fighting capabilities otherwise represented by the technological development and political development of a nation and its population. This principle can not be a lapsed feature of preceding modern history, since the winning of wars means the occupation of populated areas by the armed footsoldier. The technological dimensions of that axiomatic formulation may change, but the principle itself is integral to the essentially political conceptions of all conceivable warfare.

Among otherwise well-matched adversaries in war, the capabilities for developing the potentialities of a militia are the central parameter of war-winning potentials.

By taking the principle of the militia as the common point of reference, all of the technological and political considerations are efficiently tied to this point by obvious connecting threads.

The central point of conceptual weaknesses in thinking of military and intelligence professionals is that their perception of the adversary relationship between the NATO and Warsaw Pact forces is predominantly delimited to derived, secondary features of the problem. This delimitation is more or less inevitable in our nation's established policy concerning the role of the

proscribe the determination of the nation's political strategies and interests by military leaderships, and relegate the military command to pursuing its tasks according to externally-defined definitions of political interests and issues.

For such reasons, the advisory committees should be composed inclusively of *retired* military and intelligence professionals rather than professionals on active duty. We require a comprehensive view of strategy, which combines in a systematic way the determination of the strategic policy-interests of the United States with the military and related implications of the alternative policy-interests being considered. In particular, since 1946-1947, the military and intelligence professionals of the United States have been conditioned by assignment to externally-determined definitions of the nature of the potential adversary-relationship between what are presently NATO and Warsaw Pact forces. These professionals, as an organic community, have been conditioned against considering alternative configurations of policy and associated military postures. What we require is a competent set of military posture evaluations for each of several mootable political strategies. Thus, we require the military and intelligence expertise of leading retired professionals, persons politically free to examine the problem in the broader terms of reference not presently agreeable to professionals on military and intelligence assignments.

By defining the alternative perceptions of United States national and global vital interests, and outlining the matching military strategy and posture for each alternative perception, we must develop a truly informed basis for the advice and consent of the Senate in these matters.

Special Features

It is our indicated information that longstanding "safety valve" channels of communication between NATO and Warsaw Pact forces have been breaking down. In addition to fostering an otherwise-improbable "covert operations bloodbath" between NATO and Warsaw Pact intelligence forces; which has been prevented by these longstanding liaisons, the inadequate exchange between USA and Warsaw Pact military and intelligence professionals contributes to several other sorts of grave danger in the present situation.

If complementary channels of exchange of information can be established between Warsaw Pact sources and well-established anti-Communist conservatives in the USA, we can provide the sort of safety-valve channels which must be eminently politically acceptable to the United States electorate's sensibilities.

At the moment, nothing would be more useful than a hard-boiled cussing-match between Soviet military and related spokesmen and some of our tough, anti-Communist retired generals and so forth. Provided more substantive matters were systematically discussed, apart from the rough language otherwise included, the net result would be greatly enhanced objectivity in thinking and evaluations — avoiding the Rand Corporation and related sorts of propaganda pouring out as plausible distortions of fact in support of the wretched Schlesinger and related doctrines now adopted by the Administration and Brussels NATO command.

The most deadly condition for the United States under circumstances of the present world monetary crisis and

Carter Administration policies is the circumstance in which the CIA, DIA, and Congress were operating "in the blind" in a controlled environment of disinformation managed by Zbigniew Brzezinski et al. Such a condition is profoundly unconstitutional, in that it nullifies in fact the competence of the Senate to perform its assigned duties of advice and consent in these matters.

It is our knowledge that the United States has at its disposal sufficient information to quickly produce a sound evaluation of the strategic situation. The chief

problem on that account is that we lack institutionalized instruments through which such evaluations can be formulated and channelled in the politically credible and efficient way required by the Senate in particular. It is therefore urgent that appropriate institutions of the Senate be established for that purpose, and that this be conducted in accordance with the constitutional prescription of the separation of powers as pertinent to the Senate's specific adversary-function of independent competence on matters of advice and consent.

The Crucial Facts Of The Carrillo Affair

The following statement was released on July 20, 1977, by Lyndon H. LaRouche, Jr., U.S. Labor Party Chairman and Presidential Candidate.

Governments and leading parties in Europe have predominantly adopted a gross miscalculation of the implications of the Soviet denunciation of Spanish Communist Party leader Santiago Carrillo. Those miscalculations are not merely mistaken, but mislead conservative and other spokesmen toward positions which they would regard as significantly contrary to their self-interests if they were properly informed concerning the case.

Although I have no direct knowledge of Soviet decisions beyond those available from the Eastern European press, I have extensive knowledge of the principal facts concerning Carrillo's background, connections and current significance, and can therefore recognize precisely what the Soviets have clearly stated, where other prominent observers plainly have failed to hear exactly what has been said. This is not speculation on my part, as the following crucial facts concerning the Carrillo case should make quite clear to any thoughtful reader of this report.

The key to the Carrillo case is the 1938 establishment of a special unit in the leadership of the Communist Party USA as a cooperative effort of the U.S. State Department, the U.S. Federal Bureau of Investigation and British intelligence services acting principally through the Rockefeller Center-based Colonel William Stephenson. It was largely through this Anglo-American intelligence unit based in the Communist Party USA that the assassination of L.D. Trotsky was coordinated, with aid of other Anglo-American intelligence-controlled elements of the Communist International leadership, most notably the Paris-based Comintern apparatus.

Although long-standing U.S. intelligent agent Lombardo Toledano and others were prominent in the deploying of the Trotsky assassination efforts, immediate direction of the killings involved was provided by Santiago Carrillo, the successful assassination conducted by a personal protégé of Carrillo's, Ramon Mercader. (Mercader is presently a member of the executive committee of the Communist Party of Spain and personal secretary to Carrillo, while a son of Carrillo's is leader of a "Fourth International" Trotskyist section in Spain, and Ernest Mandel and other leaders of the overall "Fourth International" organization have been in overt close cooperation with Carrillo for several years to date.)

Carrillo's role in the Anglo-American intelligence services' assassination of Trotsky is of the highest relevance to current Soviet policy. One important feature of that assassination was an effort by Anglo-American intelligence services to gain credibility with the Stalin leadership for both Carrillo and the U.S. intel-

ligence unit within the leadership of the Communist Party USA.

The Background

The most relevant facts are these.

Carrillo, together with Largo Caballero, was a personal protégé of intelligence operative Alvarez del Vayo. Pushed into a leading position within the Spanish Socialist Party, Carrillo led a "left" split, bringing his group into a fusion with the tiny Communist Party of Spain, and thus securing a leading position in the Communist Party. By systematic elimination of Carrillo's competitors and a stripping-operation against the leading supporters of Carrillo's competitors, he was able to take over the leadership of the party. This was assisted significantly by Anglo-American intelligence agents highly placed within the Paris Comintern apparatus.

This penetration of the Comintern involved two principal categories of persons going-over to the position of formal and de facto agents of British, American and other intelligence services. With the accession of Hitler, and notably during and after 1938, and again following the Hitler-Stalin pact, Communists as well as social-democrats became collaborators with British and other intelligence services on the principle that "only the Western democracies could stop Hitler." Persons familiar with that period, and with the effects of zig-zags in Comintern policy will easily understand this phenomenon. In addition to this class of persons, there was the second class, of a darker character, of which Carrillo's case is eminently representative.

The key to the development of these networks targeting the Soviet leadership was originally the networks associated with Anglo-Dutch intelligence operative Alexander Parvus-Helphand, and such protégés of Parvus as N. Bukharin, Karl Radek, and Riazanov. Bukharin in particular performed successive key roles in the 1920s operations of British and other intelligence networks operations concerning the Soviet leadership and the Comintern. The "Right Opposition" within the Comintern, including Brandler and Thalheimer in Germany and Lovestone in the USA, are one aspect of this process directly associated with the U.S. State Department beginning no later than the 1929 period, and dating back in connections to the networks of Hamilton Fish Armstrong and other American intelligence operatives within the Versailles apparatus. The associates of pragmatists John Dewey were prominent in these State Department-linked operations within and outside the USA, including Mexico. Not accidentally, a number of the prominent figures in the Trotsky assassination, including Lombardo Toledano, Sylvia Ageloff and persons within the Trotskyist organizations were associated with Deweyite Sidney Hook and Hook's European intelligence associates.

These Deweyites and "Right Opposition" forces penetrated both Comintern and Trotskyist circles, together with associates of the networks of Karl Korsch, which overlapped both the Deweyite and Right Opposition networks. The role of Bertrand Russell is a subject in itself.

By 1938 a certain Anglo-American intelligence position had been established by persistent work in both the Trotskyist Communist organizations in the USA, with Deweyites and former Lovestoneites notably featured within the relevant collations. So, during 1938, the perceived potentials were consolidated through Anglo-American intelligence services' cooperation mediated in part by Colonel Stephenson. The unit within the leadership of the Communist Party USA was consolidated under U.S. State Department and Federal Bureau of Investigation coordination from the government side. The Trotsky assassination and several other black operations were conducted to gain the highest degree of credibility for the unit with the Soviet leadership.

In consequence of the hegemonic position of the United States in the post-war period, this nominal "KGB" unit within the Communist Party USA gained extraordinary significance in U.S. intelligence influence operations targeting East bloc parties and governments.

How It Operates

For example, whenever this writer travels outside the United States, the U.S. State Department issues a continuing series of surveillance and "containment" operations instructions to all U.S. Ambassadors in every country except East bloc countries. These instructions include recommended slanders to be circulated, and policy concerning veiled and not-so-veiled threats to governments, parties, financial interests and industrial interests, demanding cooperation in the surveillance, containment and slander campaigns originating from Washington. At the same time that these orders are issued to U.S. ambassadors, an equivalent set of instructions is given to the FBI-controlled "KGB" unit in the leadership of the Communist Party USA. This unit then immediately circulates those packaged slanders and other "evaluations" to the Soviet agencies, which then relay the package to agencies in other East bloc and still other countries.

This FBI-controlled "KGB" unit in the leadership of the Communist Party USA overlaps two other most notable U.S. connections to the Soviet Union. Since approximately 1962-1963, the principal behind-the-scenes channel of negotiations between the Soviet leadership and Manhattan financial interests has been centered around what is known as the "Dartmouth Conference." The two principal U.S. agencies involved in this channel are David Rockefeller of Chase Manhattan Bank and the Trilateral Commission, and the so-called "left CIA," the neo-Fabian octopus of terrorism and environmentalists centered in the Washington, D.C. Institute for Policy Studies. Richard Barnet, a specialist on the diplomatic side of the neo-Fabian apparatus's work, is the complementary figure to David Rockefeller in this activity. On the Soviet side, the key figure is Georgii Arbatov and

the approximately 280-person unit known as the "U.S.-Canadian Academy Institute."

In the overall international networks associated with the FBI-controlled "KGB" unit in the U.S. Communist Party leadership include Santiago Carrillo as the most prominent "pure agent." Although there are defacto Brzezinski agents of the same broader political significance as Carrillo in the leadership of the German Communist Party, French Communist Party and Italian Communist Party, the leadership of those other parties is a mixed bag, whereas Carrillo and his associates in the Spanish Communist Party are purely and simply a gang of murderous thugs, typified by assassin Mercader.

The Soviet Shift

In the aftermath of the Vance and Warnke SALT discussions in Moscow, there has been a qualitative shift in the perceptions of the Soviet leadership, to the included effect of making conscious in those ranks the actual character of the FBI-controlled "KGB" unit in New York City. This Soviet perception is adjusted for diplomatic and related practice by *realpolitik* considerations. The fact that the Soviets permitted the Dartmouth Conference between David Rockefeller and Georgii Arbatov's crew to occur is exemplary of that *realpolitik*. Despite the known character of the channel, the Soviets manifestly do not yet wish to close down that channel of access for discussion with powerful U.S. forces.

However, when Carrillo blatantly advertised himself as a propagandist for Zbigniew Brzezinski, this action enabled the Soviets to focus on the most-vulnerable feature of the overall network, in effect setting up a situation in which right-wing networks, such as those associated with the Opus Dei could consider Carrillo a target of opportunity. Opus Dei networks (which may or may not signify Interpol coordination for such a specific operation) may terminate Carrillo's career at any time, naturally attributing this to the KGB. This is also Carrillo's perception of the nature of his personal peril, according to the exotic dialogue between himself and a French television journalist.

The manner in which the Soviets will deal with the matter exemplified by the leadership of the Communist Party USA will be tempered by their primary concern, to establish economic and political forms of cooperation which prevent an otherwise imminent intercontinental thermonuclear war. On that account, they will tend to maintain the formalities of their channels of communication with David Rockefeller et al.

This requires tightrope walking in the matter, since the Institute for Policy Studies is massively involved in both international terrorist operations and violent and other environmentalist efforts to destabilize European and other governments with which the Soviets have friendly relations. Contributions by DKP members in support of Karl-Heinz Roth and DKP softness on the issue of the Buback assassination, as well as IPS-linked Lotta Continua and other terrorism and mass violence in Italy are powerful pressures for the Soviets to begin dealing with Brzezinski-linked "Communists" in the roughest fashion.

Giscard's Detente Gambit Set To Ruin Schmidt-Andreotti Policy

French President Giscard d'Estaing held a surprise interview with *Newsweek* magazine last week, in which he attacked President Carter for breaking "the code of conduct of detente" in relations with the Soviet Union.

Although the Giscard interview appears to be one of the sharpest Western criticisms of Carter's belligerent anti-Soviet policies to date, the fact of the matter is that Giscard is using this foreign policy gambit in an attempt to establish himself as a fascist strongman. His chief efforts at present are aimed at forcing the French Gaullists to capitulate to a mass-based movement of zero-growth fanatics modeled on the Nazi movement.

From that vantage point, Giscard's announcement in *Newsweek* that he has broken off foreign policy coordination with Washington can mean only one thing: Giscard has embarked on the same Frankenstein path of adventurist, independent foreign policies paved by Hitler.

Giscard showered praise on detente in the interview, an indication that he will now try to play the Soviet Union and the U.S. off against each other to gain international leeway. As an intentional by-product of this game, Giscard may succeed in throwing a monkey wrench into the careful efforts of West German Chancellor Schmidt and Italian Prime Minister Andreotti to finalize a break with the sinking dollar. Schmidt and Andreotti, the actual spokesmen for Europe's detente efforts, are leading the push to create a new international gold-backed monetary system in collaboration with the Soviets.

The recent decision of the Italo-Soviet Chamber of Commerce to include the Soviet transfer-ruble as a credit instrument in a major trade deal demonstrates Schmidt and Andreotti are serious about a break with the dollar. Now the Giscard power play underlines the urgency of bringing these efforts to completion in the next two weeks at the very latest.

Giscard's African Intentions

Giscard's interview provided one unambiguous clue as to what he's up to; he stated his commitment to deploy the French army unilaterally as a police force in Africa. Asked by reporter de Borchgrave what he considers to be at the root of the repeated U.S.-Soviet tensions in Angola, Giscard answered: "When a vacuum is created, as was the case in Angola, (the Soviets) fill it... But when the vacuum was pre-empted by others, the Soviets did not persist."

De Borchgrave then asked Giscard whether when he speaks of "others," he is "referring to the intervention by France and Morocco in Zaire last April?" Giscard answered, "Correct."

French Foreign Minister de Guiringaud is now on a diplomatic tour of West Africa. Moreover, it was revealed July 18 that a week ago France unilaterally sent logistical support to Chad to subdue "rebel forces" allegedly tied to Libya.

Giscard announced his provocative African intentions against the Soviets just as Schmidt concluded a summit meeting with Carter in Washington, where he reportedly presented to Carter West Germany's proposal to give a new impulse to the Mutual and Balanced Force Reduction talks with the Soviets. Schmidt told Carter at that time that Europe was committed to progress at these talks because of the lack of perceptible progress at the Strategic Arms Limitation talks between the two big powers.

Schmidt also indicated that his idea of moving ahead with the Helsinki-related Soviet proposal for a pan-European conference on science and technology found a positive echo in the U.S. President.

After his return to West Germany, the Chancellor was interviewed by Hamburg radio July 17 on the significance of the visit. "The Soviet Union does not believe Carter wishes to pursue detente," he said, adding diplomatically that he himself is more optimistic than the Soviets about Washington's intentions and is certain that Carter will take concrete, positive actions on arms limitations and trade if he hopes to prove his good will.

Given these diplomatic but firm assertions, most of the international press has discounted Schmidt's tongue-in-cheek insistence that West German-U.S. relations have "never been better."

Neutron Bomb

Since Schmidt's return to Bonn, a hot debate has broken out in the West German press on Washington's push to station neutron bombs on West German soil. It is widely feared that if these weapons were stationed in Europe the Soviet Union would be provoked to cancel all current disarmament talks, while the bomb would encourage the "utopians" within NATO to provoke "limited" confrontations against Eastern Europe, guaranteeing a full-scale Soviet thermonuclear counterattack.

In a July 18 interview, Schmidt has demanded that the NATO alliance partners take responsibility for evaluating the "psychological-strategic difficulties" posed by the neutron bomb. The debate has also provoked grumblings from high-level military circles, such as retired General Graf von Baudissen in Hamburg, because of the danger of blurring the distinction between "tactical" and "strategic" nuclear weapons.

As in the United States, however, the neutron bomb issue is also being used to mobilize radical environmentalist and terrorist networks in West Germany. In an interview publicized by the *Baltimore Sun*, the Social Democratic Party's business manager Egon Bahr — a longtime sidekick of party Chairman Willy Brandt— has emotionally described the neutron bomb as “a symbol of perversion of the human mind.”

The Schmidt-Andreotti Policy

Andreotti will arrive in Washington July 26 for a follow-up summit with Carter, and by that time he must be prepared to present Rockefeller with the fait accompli of an emerging new monetary system. This is also the only course by which Giscard can be yanked under control; a major factor motivating France's turn toward fascism is the miserable state of its economy and the threat of a final collapse of the worthless French franc.

On July 19 Andreotti met with Giscard as part of a Mediterranean tour which will also take him to Saudi Arabia.

The results of this meeting demonstrate that Giscard's dramatic shift caught the Italian premier completely off guard. There was an immediate flurry of emergency consultations by Western European chiefs of state. Schmidt flew to Strasbourg the same day for his own meeting with Giscard and he apparently brought up international monetary problems related to the dollar. Schmidt also made a point of announcing that he would consult with British Prime Minister Callaghan by phone that same day, and according to press accounts, he is meeting Andreotti today for a similarly unscheduled consultation.

Italian and French press accounts of Andreotti's meeting with Giscard, meanwhile, are completely contradictory. French sources are asserting that the two heads of

state reached “complete agreement” on everything, while more reliable Italian sources assert that Andreotti immediately distanced himself from the contents of Giscard's attack on Carter.

Andreotti's defense of Carter from Giscard's attack is most revealing of the fear-ridden climate that has descended upon Europe. He is quoted as saying, “We have always been in favor of detente... I don't believe the U.S. is against it,” a flat lie.

Soviet Smokescreen?

For the past week Soviet editorial commentary on Western Europe has accurately noted the unprecedented low-point in Washington's relations with its European allies.

Although the entire U.S. press corps was mobilized last week to print the lie that all outstanding differences between West Germany and the U.S. were resolved at the Schmidt-Carter summit, the Soviets have scorned this claim. The Soviet party daily, *Pravda*, described Schmidt's conflict with Washington this week as going “beyond normal interimperialist rivalries,” while Czechoslovakia's *Rude Pravo* highlighted Schmidt as the leader of “a major industrial power, whose criticisms of Washington are very significant.”

Thus far, however, the Soviets have chosen to lump Giscard's restatements with Western Europe's efforts for detente. The German Democratic Republic's *Stimme der DDR* radio ran the *Newsweek* interview July 20 as its lead international item, following similarly positive coverage on Soviet radio.

The question remains open at this time whether the Soviets have put a diplomatic smokescreen over their relations to France or whether they have failed to take note of Giscard's drive for a fascist coup.

— *Renée Sigerson*

Giscard: Carter 'Broke The Code Of Conduct Of Detente'

The following are excerpts of an interview with French President Giscard d'Estaing by editor Arnaud de Borchgrave, published in the July 25 issue of Newsweek.

Q. Why do you think President Leonid Brezhnev is so angry with President Carter's public approach to diplomacy? Did he tell you whether it was style or substance?

A. It's both. Mr. Brezhnev feels that some of President Carter's decisions have broken what I will call the code of conduct of détente. But beyond style, there is, of course, substance. Brezhnev does not understand the objective sought by breaking the code. The code, for example, calls for noninterference in the other's internal affairs, and you will never find in the Soviet press direct or personal attacks against the leaders of countries that

subscribe to détente. And in the matter of arms limitation, Mr. Brezhnev believes there is a tacit code that implies either a ceiling or a reduction, both limited and balanced. When they saw a proposal that was completely out of phase with these rules of conduct, they understandably wondered why the code had been broken and what the ulterior motive was.

Q. Why do you suppose Mr. Brezhnev is interested only in meeting Mr. Carter to sign a specific agreement, such as SALT II, and not to generally review their respective foreign policies as suggested by Mr. Carter?

A. I believe that Mr. Brezhnev is not interested in an exploratory summit but in a meeting that would confirm a certain orientation in Soviet-American relations. That means the general détente line and the code of conduct as

previously defined. He is not interested in redefining détente....

Q. What are your impressions of Mr. Carter's foreign policy and what worries you about it as you've seen it evolve?

A. I am not here to pass editorial judgment. That's your job. I am most gratified by the excellent relations I have established with President Carter. But what seems clear in Mr. Carter's foreign policy is that he has introduced a fresh ideological dimension. This undoubtedly met certain needs — such as nonproliferation, arms limitation and human rights — just as it met some of my own preoccupations, but it has compromised the process of détente. The question now arises whether or how new ideological themes can be applied without provoking negative reactions....

Q. Do you relate Soviet activities in Africa to Europe's sources of raw materials, and are these activities in your judgment part of a grand strategy?

A. In Africa, I think it is more a matter of targets of opportunity than a grand plan. When a vacuum is created, as was the case in Angola, they fill it. The same thing has just happened in Ethiopia. But when the vacuum was pre-empted by others, the Soviets did not persist. In the Indian Ocean, on the contrary, there is a grand strategy and here, of course, there is a link with their presence in certain parts of eastern Africa.

Q. When you speak of pre-empting a vacuum, you are referring to the intervention by France and Morocco in Zaire last April?

A. Correct.

Q. When you and the Moroccans intervened in Zaire, did you feel that the U.S. and West Europe had abdicated their geopolitical responsibilities in Africa and that somebody had to act?

A. I came to the conclusion that the U.S. and West Europe were absent in Africa at a very crucial moment and that it was necessary to act on our own to preserve the security and territorial integrity of a Western-oriented state — which, by definition, means the protection of Western interests...I have observed that the Soviet

presence in Africa is heavily concentrated in a few countries for reasons that are usually related to political instability. Where you have political stability, they have a low profile....

Q. Yet you have suggested a "Eurafrican" security pact to head off superpower confrontation in Africa and avoid a ruinous arms race for the Africans. Who would protect them?

A. The departure point should be the realization that they have objectives that are very similar to our own. There is an armaments race in Africa today because there is no common security code, as exists, for example, in Europe with détente between the Atlantic alliance and the Warsaw Pact nations. In Africa, the only common security ground was respect for the old colonial frontiers, but even that principle is now being challenged — for example, between Ethiopia and Eritrea and Somalia, or in the Shaba affair in Zaire. So we must urgently think through new security arrangements that African countries would agree to abide by in a solemn declaration such as the one Western and Eastern nations subscribed to at the European Security Conference in Helsinki in 1975. This would have to include respect of borders and nonrecourse to force to settle disputes.

Q. Do you believe that if popular fronts come to power in France and in Italy, with Communists sharing power at the national level, NATO would, in effect, become a U.S.-West German military alliance and that the temptation would grow in Congress to pull U.S. troops out of Europe?

A. It's self-evident that such a situation would lead to a closing of military ranks between West Germany and America. That this situation would lead to Congressional pressures to bring U.S. troops back does not necessarily follow, but it is, of course, a danger. The economic chaos that popular fronts would unleash would also propel West Germany into a position of economic supremacy....

Q. What do you think will be the consequences of the Concorde SST ban in New York, should it become permanent?

A. ...All I can tell you is that our retaliation will be so designed as not to hurt the French economy. I am not brandishing any threats. But no country can accept passively what it regards as a violation of its rights.

French Gov't:

'Topsy With The Perfume Of It's Neutrons'

The following are excerpts of an interview given by French Air Force General (retired) Pierre Gallois to the Paris newspaper Le Quotidien de Paris, July 15. Gen. Gallois, who was Director of Strategic Studies for the French armed forces from 1954 to 1957, is a well-known exponent of traditionalist Gaullist strategic conceptions. In this interview, he refutes the new "correction" (toward adaptation to the U.S. utopians' "tactical nuclear war" schemes) of the traditional French strategy of nuclear deterrence, retailed in particular by French Prime Minister Barre in a recent radio-televised address.

Gen. Gallois: In fact, Mr. Barre reasons in 1977 as one could have done 30 years ago. For instance, he sticks to the concept of "military alliances," of "battle," and, implicitly, of the geographical delimitation of this battle to a "theater of operations": all notions made obsolete by the military stature of the possible aggressor, as is said today, and by the very nature of the new weapons this aggressor possesses.

Q. de P.: So, according to you, atomic weaponry prohibits the repetition of great classic battles in Europe?

Gen. Gallois: It seems obvious to me that the development of new nuclear weapons definitively throws recent military methods back into a totally unrepeatable past.

Take the example of the latest Russian ballistic baptized SS-20, whose 3500 km. range — not enough to reach the United States — ranks it among tactical nuclear weapons (TNW) in the eyes of the Soviets as of the Americans. Instead of deploying them like a super-artillery — which seems to be the role of tactical weapons for the (French) head of state and even, whatever he may have said to the contrary, for General Mery (Chief of Staff of the French armed forces — ed.), since he wants to implant these weapons within conventional divisions — the Soviets want to deploy them east of Moscow. That is to say a location from which they could, on any given Saturday night and by surprise, destroy in a few dozens of minutes all of NATO's arms, airfields, barracks, tank concentrations, the some 100 American locations where tactical nuclear weapons are stored, etc. If, as the Americans assert, the Russians deploy 1200 of such vectors, and if each has three nuclear warheads, you can imagine the extraordinary power of destruction which would fall by surprise on NATO's armaments.

Thus, there would neither be a theater of operations, nor a battle, nor troop movements, but either immediate capitulation, or non-war thanks to the deterrent power of nuclear arms capable of escaping this operation of massive and instantaneous destruction.

Q. de P.: Even if he resorts to concepts which you call obsolete, the Prime Minister opts nonetheless for deterrence, and even goes as far as to apply it to "neighboring and allied territories..."

Gen. Gallois: That's true but, doing so, the Prime

Minister does not escape contradictions. What are they? First, when ten years ago French nuclear ambitions were considerably greater — that is to say when she wanted to deploy 54 missiles on the Albion Plateau, six atomic submarines and over 200 "Pluton" missiles — very few in France (or abroad) believed that this force would be capable of "balancing" the value of the "French stake."

Today, when the projected nuclear force has been cut in two — thanks, by the way, to the President of the Republic — the government assigns it the pretentious mission not only to defend France, but also Western Europe, and even its northern and southern perimeters, as is spelled out in the preamble of the military program bill. This is paradoxical, to say the least.

Another contradiction: at a time when it is clear that almighty America would no longer dare use its formidable strategic arsenal to defend the West European ensemble, now France, with its own arsenal, pretends to pick up the slack and to protect everybody. It is a dangerous ambition for the country, and a laughable one for others.

And even the conception Mr. Barre has of deterrence applied to the sole national territory seems the more singular as it condemns this very same deterrence: the Prime Minister stated that an eventual aggressor could be tempted to "go around" our nuclear deterrent by trying to "gnaw at us" progressively.

But "gnaw" at what? Naturally, at the national territory. But what else do we have to lose in Europe, apart from the national territory? And if it were "gnawed at," would this not be a direct cut into the national flesh? And would this not merit that our nuclear arsenal be directly brought into action? *There* is a singular conception of the role of nuclear deterrence..."

Q. de P.: Certain people are wondering why the Prime Minister did not reject the presence of tactical nuclear weapons within France's foreign intervention forces...

Gen. Gallois: That is in fact my last criticism, and not the least. Does Mr. Barre mean that... over a stake that would not be major... France could call upon its nuclear arsenal? And against whom? Against a country which itself would be equipped with nuclear weapons?... But that would be tantamount to entering an extremely grave conflict for an affair that would not be vital... Or perhaps against a non-nuclear country? Can one imagine France brandishing its nuclear weapons against the naval forces (for instance) of a small state which, egged on by a large adversary, would want to do us harm? When the U.S. itself, during the Vietnam war, did not dare do so?

These are not serious views, and they give me the sentiment that we are dealing with sorcerer's apprentices made tipsy by the perfume of their neutrons. France today gives the image of a certain irresponsibility in the political handling of the weapons she inherited.

Schmidt: N-Bomb, 'Brings Up Psychological-Strategic Problems'

The following interview with Chancellor Helmut Schmidt by Jürgen Lorenz was published in the Kieler Nachrichten, July 19, 1977.

Q. Mr. Chancellor, shortly before your visit to Washington preliminary approval of the neutron bomb was given. Could the introduction of this weapon strengthen NATO's defense capability and along with it Germany's security, or do you share the view of the Social Democratic Party's national business manager Egon Bahr, that this bomb is a symbol of perversion of the human mind, since, when a choice becomes necessary, it is not the man, but rather the machine which seems more important to preserve?

A. The preliminary decisions you are speaking about are solely American decisions, made within the government and the Congress in Washington in connection with the budget legislation. Thus, no military or political decisions have been made which could affect the entire North Atlantic Alliance.

'The Chancellor Worries'

On July 18 the Czechoslovak newspaper Rude Pravo commented on the Schmidt-Carter split:

...even if at the conclusion of the talks both sides expressed their "fundamental agreement on the most important problems," it was nonetheless impossible to cover up the existing fissures in their mutual relations....The standpoint of the Social Democratic government differs from Carter's attitude in its fundamental direction. The Federal Republic believes that American attempts to interfere into the affairs of the socialist states would seriously damage all international relations. This is obviously not any sort of "ideological" dispute. Schmidt and Carter cannot be accused of altering their anti-Communist convictions....but the Chancellor of the Federal Republic of Germany is displaying a greater amount of political realism than is the representative of the USA.

As far as I can see, inside the alliance there have only been preliminary reports on neutron weapons up to now. In the coming period there will certainly occur detailed consultations on this. I myself, however, intend to contribute to putting this issue into the correct objective context. We are dealing here with small nuclear weapons which are designed for the so-called battlefield, or, as we have read in the meantime, with tactical nuclear weapons...this new type of warhead brings up considerable psychological-strategic problems both within our own alliance and also in relation to the Warsaw Pact. This problem will require multilateral discussions within the alliance in order to clear it up. President Carter and I did not speak with each other about this because, given the

present status of information I would consider a position from the Federal German government to be premature.

The stationing of new types of weapons on German soil, whether this concerns conventional or nuclear weapon types, has in the past always been preceded by careful joint discussions. As far as American nuclear weapons were concerned, these discussions were particularly intensive and also occurred directly between Bonn and Washington. Obviously, this would also go ahead in great detail if America were to announce its intention to station this new type of weapon on German territory.

Q. You found a positive echo in President Carter for the idea of not under all circumstances waiting until American-Soviet negotiations on strategic arms limitations (SALT) are successful, before a new push is made at the Vienna conference on troop reductions in Europe (MBFR). Is this idea of using MBFR as a pacemaker for SALT and not vice versa the kernel of your repeatedly advertised initiative to give new impulses to the MBFR negotiations?

A. On this we must distinguish two different matters, Mr. Lorenz. On the one hand, we discussed with President Jimmy Carter concrete proposals which had been jointly worked out in Bonn by Mr. Genscher and Mr. Leber, and whose aim is to get concrete discussions moving at the Vienna MBFR negotiations. After we have the American President's agreement to this in principle, then we can jointly bring this to the other partners of the North Atlantic Alliance and set up discussions there.

A completely different matter is the fact that President Carter, on his own initiative, brought up the question of whether it might not be possible, if the talks between Washington and Moscow on the limitation of strategic nuclear weapons — SALT II — continue to proceed very slowly, to attempt at least to make some clearly perceptible progress at MBFR in Vienna. This would make our desire to continue a policy of détente visible not only with words, but also with deeds.

This question by Carter was similar to my own thoughts, which I formulated by myself and had already discussed in the German delegation with the foreign minister. Indeed, the impression so far of all participants was that it would be senseless to seek progress in Vienna as long as the big powers did not move forward at SALT.

Soviet Press On Schmidt Visit

Izvestia July 17, "And No Agreement..." by A. Grigor'yants:

U.S. President J. Carter's words to his guest Chancellor of the BRD, Helmut Schmidt, that "between us there are no disagreements," have evoked quite a few ironic commentaries from observers. Disagreements, of course, do exist, and very serious disagreements, although the partners in the talks tried to smooth them over or at least to create the external appearance of agreement...

Since coming to power the new Washington Administration has markedly increased the striving of the United States to restore its leading position in the capitalist world at the expense of the interests of its partners and allies...

Another knot of contradictions is the sale of nuclear equipment and technology, as well as nuclear fuel. Washington is trying to get undivided American rule over the world market for atomic power station equipment and nuclear technology, and shuns no methods to crush competitors, especially the BRD...

As we can see, harmony of interest is still a long way off. But our attention is drawn to something else — during the talks in Washington differences appeared which go beyond the bounds of purely interimperialist rivalry and contradictions. At issue here is the concern and alarm which Western Europe is experiencing in connec-

tion with the dangerous “improvisations” in the policy of the Washington Administration — the uproar around “human rights” and the rush to deploy qualitatively new types of strategic weapons. The *New York Post* wrote that Schmidt went to the USA to “ask Carter to dampen his ardor...”

Speaking abroad before the National Press Club, Schmidt resolutely endorsed the policy of détente in Europe. It is difficult to say to what extent Washington is inclined to consider the opinions of its allies in this question so vitally important for the whole world. But one thing cannot be doubted: to the previous, one might say traditional, contradictions between the USA and its western partners have been added qualitatively new ones. They concern the future of the policy of détente, the policy of peace and cooperation in international relations. And this is an extremely remarkable phenomenon.

N-Bomb ‘Perversion Of Human Mind’

The following are excerpts of an official statement by Egon Bahr, Federal Business Manager of the West German Social Democratic Party (SPD), which appeared in Die Welt, July 18.

For some years, we in the German Social Democratic Party have been conducting a discussion on the quality of life. After the economic revival brought us incomparable reforms which have benefited the entire population, the question now arises of the purpose of all this development. Man would become impoverished if this material success were to become the only measure of success in general.

The fact that (with the use of the neutron bomb) industrial plants, streets and communications systems can almost immediately be used “afterwards,” — this is the

idea behind it. The progress represented by this is that it is easier to remove human corpses than the rubble of cities and factories. With his brain, man is making himself into even less than a slave of his machines. When a decision must be made, it is not the man, but the machine which should be saved. The neutron bomb is a symbol of perversion of the human mind.

It makes no difference whether one thinks in terms of Christianity or with maxims of humanist ethics, whether one questions what is worth defending against enemies or thinks about the discussion of the sanctity of human life in connection with abortion reform: With the neutron bomb mankind has removed himself from the center to the edge, since the center is now occupied by material things. The triumph of materialism or human life — which do we want to defend?

Egypt Invades Libya

As Sadat Position Crumbles

Egyptian armed units, including parachutists and tank brigades, made several incursions into Libyan territory July 21 and 22, including a July 22 bombing of the Gamal Abdel Nasser airfield in Tobruk, Libya, approximately 120 kilometers deep into Libyan territory. This, the worst episode in the history of the two countries' strained relations, was accompanied by a demagogic speech in Cairo by Egyptian President Anwar Sadat. In commemoration, ironically, of the twenty-fifth anniversary of the coup which toppled obese dictator Egyptian King Farouk and brought the nationalist Gamal Abdel Nasser into power in 1952, Sadat boasted, "We have taught (Libyan leader) Qaddafi a lesson" for ostensibly having provoked a border incident between the two countries earlier in the week.

Early assessments from Washington indicate that the clashes could rapidly escalate into a major crisis in the northeastern Africa tinderbox. According to one State Department source, "It could be only summer madness.... But remember Sarajevo" — the incident that triggered World War One. The likelihood of such a crisis occurring would expand dramatically if it were discovered authoritatively that Sadat had been "put up to" the attack on oil-rich Libya by either National Security Council head Zbigniew Brzezinski and other U.S.-based sources or by French President Giscard d'Estaing. Early June 21 French national radio reports portrayed the Egyptian attacks as the beginning of an "Anschluss" of Libyan territory by Egypt and noted that an earmark of the Mideast policy of former U.S. Secretary of State Henry Kissinger had been to encourage an Egyptian takeover of Libya. A former U.S. ambassador to the Mideast corroborated that Kissinger had in fact pursued such a policy.

Notably, Jacob Javits, Senator from New York and prime Capitol Hill advocate of a policy of "smashing OPEC," the oil-producers' cartel, was in Egypt last week meeting with Sadat.

Qaddafi — Scapegoat for Sadat

The attacks on Libya occur in the midst of a situation that is rapidly becoming unmanageable for Sadat internally in Egypt. More than one source has intimated

that Sadat is using Qaddafi as a "foreign devil" to get the heat off himself from dissident army and political factions within Egypt. Sadat's susceptibility to such maneuvers can only increase as the pressure on him from the U.S. and Israel to abandon the Palestine Liberation Organization and an independent Palestinian state intensifies; it is common knowledge that Sadat could not survive what would universally be considered a betrayal of fundamental Egyptian foreign policy tenets.

At a meeting of Egypt's ruling Arab Socialist Union 475 member Central Committee last weekend, Sadat was subjected to extremely harsh criticism. When outlining his pro-U.S. policies, he was so heckled that Egyptian state radio had to turn off the microphones of Sadat detractors and turn up the volume on Sadat supporters! A leading ideological follower of Nasser, Kamal Ahmed, charged Sadat with abandoning Nasserism and Egypt's traditional friendship with the Soviet Union and with resurrecting the state security apparatus in order to quash the "popular uprising" of January of this year. These charges reportedly flabbergasted Sadat, who helplessly blurted, "That was no popular uprising. Those were common thieves, just like those who rioted during New York's blackout last week!"

According to an Arab banker in New York, "Sadat was almost openly called an American puppet, and that is unprecedented for Egypt... Things are falling apart all around Sadat," he continued, "this is the worst situation Egypt's been in in 25 years, even worse than after the June 1967 war, when at least there was a feeling of internal order and stability."

The banking source concluded that he expected the army — "the only viable political entity in the country" — to make the "next move" domestically. He estimated that the Libyan incident would be used as a "diversion" by Sadat, since it would enable him to "keep the Begin visit to the U.S., which was a devastating failure to him, off the front pages of the newspapers for 15 days."

Similar reports of internal unrest in Egypt have been featured in the Israeli press. The July 18 *Jerusalem Post's* lead editorial headlined, "Sadat in Trouble," while the previous day's paper's lead item reported the burgeoning of "Communist and Nasserite cells in the Egyptian army."

Soviets Warn Carter:

'War On The Horn Will Be Your Responsibility'

The Soviet Communist Party daily *Pravda* on July 16 issued a warning to the Carter Administration over the American-sponsored destabilization of Ethiopia and Somalia on the Horn of northeast Africa. The article, by *Pravda* columnist Pavel Mezentsev charged the CIA, Carter's Atlanticist allies in Europe and the pro-American factions in Egypt, and Saudi Arabia with "...supporting the internal counter-revolution and instigating the Sudan to begin a military conflict with Ethiopia. They are kindling separatist sentiments in the hope of partitioning the country and thus strangling the Ethiopian revolution."

"This is playing with fire," Mezentsev continued, "and those who are doing it will bear grave responsibility to the peoples of Africa and the whole world."

At present, efforts are being made to lure or coerce Somalia's pro-socialist government into the right-wing alliance being put together under the direction of Anwar Sadat of Egypt and various "moderate" French-speaking African states under the direction of Valery Giscard d'Estaing. Siad Barre has been courted in the hopes of influencing him to kick out Somalia's large number of Soviet technicians, who aid in the country's defense and economic development, in return for Saudi money.

Siad has hitherto rejected the Saudi offers, although he did make a state visit to Saudi Arabia in late June, where he met with King Khaled, Crown Prince Fahd and Foreign Minister Prince Feisal. Siad pointed out to an interviewer last month that if he went the way of Sadat, he would fully expect to end up in the same disastrous economic mess in which Egypt now finds itself in. He is under considerable pressure, however, from backward

Somali nationalist elements, to escalate the guerrilla campaign to reclaim land inhabited by ethnic Somalia in neighboring Ethiopia, a campaign which is on the verge of touching off border clashes and possibly war between the two countries in the near future.

Somali-backed guerrillas last week attacked the Ethiopian town of Dire Dawa in the southern part of the country, threatening Ethiopia's only rail line to the sea.

In continuing attempts to push Siad to the West, British and American newspapers have been reporting the "expulsion" of Soviet advisors. The most scurrilous came from the British *Sunday Telegraph* this week, which claimed "All Russian Advisors Ordered Out of Somalia" in a front page banner-headlined story. Citing "Middle Eastern diplomatic sources," the *Telegraph* claimed that Siad had given the Soviets two months to leave and had made a deal with the Saudis to replace their services. Other reports, citing "diplomatic sources in Nairobi..." — a euphemism for the CIA station chief — have used considerably greater caution, but carried essentially the same story.

The Somali news agency denied the stories categorically July 20 and charged that they were "distributed by certain reactionary organs of the Arab press (and) are baseless and part of a propaganda campaign of rumors developed by imperialist circles against Somalia." The idea that Siad, even were he so inclined, could merely snap his fingers and move Somalia to the right, is ludicrous, according to African sources, who point to a "well entrenched" socialist faction in the army and civil service who would squelch any attempt to bring the Anwar Sadats of Somalia to power.

Begin Tells Vance: 'Stay Home'; Javits Tries Blackmail On Arabs

Israeli Prime Minister Menachem Begin, in two days of talks with the Carter Administration in Washington last week, reportedly stuck to his guns and rerouted the National Security Council drive for war in the Middle East.

According to informed sources, the primary objective of the Begin visit to the United States was to prevent Secretary of State Cyrus Vance from leaving on August 1 on a round of "shuttle diplomacy" a la Henry Kissinger in the Middle East. The Vance mission, to Israel, Egypt, Syria, Jordan, and Saudi Arabia, is meant by Carter and his NSC Director Zbigniew Brzezinski to blackmail the Arab states with the threat of war in order to establish the New York bank's airtight control of both Arab petrodollars and politics.

"Vance and the Council on Foreign Relations don't want peace," sources close to Prime Minister Begin said yesterday. "They want war, and they want to destroy Israel. But Begin knows this and he is trying to stall for time."

In a Washington press conference, however, Begin gave no indication at all that Israel was prepared to initiate a positive program for peace. Begin foolishly paid lip service to the Carter Administration's policy; then urged that the Arab states attend a reconvened Geneva Conference in October. But Begin refused under any circumstances to allow any representatives of the Palestine Liberation Organization to attend the proposed conference, and instead suggested that Israel will pursue bilateral peace accords with the individual Arab states.

Begin's stonewalling and stalling cannot alone block the danger of war in the Middle East. There is absolutely no change that the Arab states, Egypt in particular, will attend a Geneva parley without the presence of the PLO. As a result, Arab and Western diplomats expressed gloom over the situation in the Middle East, and in Beirut the Palestine Liberation Organization warned that a refusal by Carter and Begin to recognize the national rights of the Palestinians would "guarantee a fifth Arab-Israel war."

Carter's Probelm

The Arab's violent denunciations of the Begin-Carter policy have presented the Carter Administration with a profound crisis in its policy for the region.

By no means can Carter afford to identify U.S. policy with the position of the Israeli government. A former State Department official said today that Carter will shortly issue a hastily formulated policy statement that will attempt to differentiate U.S. policy from the hardline positions outlined by Begin during his visit, in a desperate effort to persuade the Arabs not to abandon the last

shreds of confidence in U.S. mediation of the conflict. At the State Department itself, an official noted with humor the optimistic Carter pronouncements the day before about the Geneva conference and said that the U.S. could not hope to convince the Arabs to attend such a meeting without the PLO. "Our policy," he said, "is this: How long can we hold onto the bastards?"

An experienced Middle East analysts in Washington said that Vance, if he does leave for the Middle East on schedule August 1, "will try to calm down the Arabs" and "explain" the results of the Carter-Begin meeting to them.

In the Middle East, the Arabs reacted to the Begin position across-the-board by warning Carter not to attempt to back up the Israeli position. The consensus in Washington is that the Arab states will now move quickly to decide to break with Washington, and Beirut newspapers reported yesterday that Egypt is considering a call for an Arab summit meeting to consider strategy.

The possibility exists, of course, that Begin is acting according to a diabolical gamble. Begin knows that if the U.S. does not obtain from Israel a stated willingness to return all the occupied territories and recognize some form of "bantustan"-style Palestinian "homeland" on the West Bank, then U.S. influence in the Arab world collapses. Further, the so-called moderate Arab regimes, such as Egypt's President Sadat's that have staked their political capital on a U.S.-mediated settlement will be in deep trouble.

Thus, Begin — who in essence is seeking concrete political, military and economic guarantees of Israeli security — is blackmailing Carter by deliberately threatening to wreck the U.S. position in the Arab world, and thereby force the Carter regime to abandon its headlong plunge into a war confrontation over Saudi cash, and instead accept the idea of a real peace.

Javits Wants Arab Blood

The option toward which the Carter Administration is increasingly lurching is the policy outlined in gory detail by Jake Javits, the senator from Chase Manhattan, in a television interview last week. Javits, who just returned from a trip to the Middle East, bluntly demanded that the Arab states drop their commitment to the PLO and return the sovereignty of the occupied West Bank to Jordan's King Hussein.

Javits said that Egypt and Saudi Arabia would agree to this policy because Egypt is weak and economically desperate, and does not have a political basis to continue its support for the PLO. And Saudi Arabia, said Javits, is afraid of a new war that would destabilize the region. Javits is urging that Vance, during his shuttle, press the

Arabs to accept this deal — a deal which, according to informed observers, would be suicide for any Arab leader to accept it.

In return, according to Javits' scenario, Vance should offer to dump the hardline Begin government and install a more "moderate" agent regime led by Yigal Yadin, the fascist general who heads up the Democratic Movement for Change.

Key to this scenario is the physical destruction of the PLO, and the creation of a countergang leadership to Yasser Arafat, the PLO chairman, possibly led by Zuhair Mohsin, an agent of Syrian Military Intelligence who heads the Syrian-backed Saiqa organization within the PLO.

Sadat At Heart Of U.S. Policy Vs. PLO

A well-known Palestinian intellectual, currently living in the U.S., warned this week that efforts by the Carter Administration to destroy the political leadership of the Palestine Liberation Organization and to force the formation of a Jordan-PLO federation on the West Bank, will lead to civil war throughout the Middle East. The source confirmed that Egyptian President Anwar Sadat has been tapped by the Carter Administration to carry out the liquidation of the PLO.

"I don't think federation between Jordan and the PLO is at all possible," stated the Palestinian spokesman in an interview. "I'm not sure that Arafat could make that kind of a move. Confederation is a possibility were Jordan and Palestine two sovereign states, but federation between the PLO and Jordan is unrealistic. If Arafat were to somehow go along with the scheme, then I think without a shadow of a doubt there would be a civil war, confined not just to the Palestinian camps but more widespread, affecting much of the Middle East."

Noting that the Palestinians are disenchanted with Carter's Middle East "peace" formulations and vague, insubstantial calls for a "Palestinian homeland," the source asserted that it is widely recognized that Carter's real intentions are to split and crush the Palestinian movement, and that Sadat has been chosen to carry out this operation. "Sadat is at the core of Carter's plans to liquidate the PLO," affirmed the source.

"Lebanon, following the civil war, is too weak to do anything. Syria is too divided internally to even function right now. The entire solution, in Washington's eyes, to the Palestinian problem must involve Egypt. You must watch very closely what Sadat says about the Middle East, in particular about the Jordanian-PLO link. By carefully watching what Sadat is saying you can tell that he is testing to see how far he can go in undermining the PLO.

"The last time Yasser Arafat flew to Cairo, he went there to tell Sadat not to push the Jordan-PLO federation scheme further, that the likelihood of civil strife inside, and outside, the movement was real. You see, when you

talk of civil war or violence within the PLO and the emergence of a new leadership, you must ask yourself what kind of leadership it would be. It need not be one that the U.S. would like. In my estimation, it is very possible that the National Front — comprised of West Bank communists, Arab leftists, and various Palestinian commando groups including fatah — will gain leverage over those Palestinian moderates who are frustrated and disgusted and want to reach a settlement of the Mideast problem at almost any price. The Soviets would throw a lot of weight behind a PLO organized by the National Front. Arafat can tell this kind of thing to Sadat and I think it carries weight.

"It is obvious that the U.S. is telling Sadat: You give up support for the PLO and we will give you arms and economic support. But, there is a real time factor involved in this, and that is the longer Sadat and the U.S. refrain from launching their onslaught against the PLO, the more difficult it will be to force them to cooperate with the confederation scheme."

PLO, Syria In Accord Over Lebanon

Syria and the Palestine Liberation Organization this week reached an important accord to end the fighting in southern Lebanon. The accord was reached after talks in Damascus between Abu Iyad, the number two man under PLO Chairman Yasser Arafat, and Syrian Foreign Minister Khaddam.

The accord is said to provide for a ceasefire in the south, where Lebanese rightists supported by Israel are battling with Palestinians and their leftist allies, and a mutual troop withdrawal, with security forces comprised of Lebanese troops to enforce the accord.

Abu Iyad yesterday met with the commanders of the Syrian and Lebanese armed forces to discuss implementation of the agreements. After the meeting, the PLO announced a unilateral ceasefire in the south, and appealed to the rightists to join the pact.

However, there are indications that the rightists, led by warlord Camille Chamoun, will reject the peace offer. Reports from southern Lebanon indicate heavy clashes and artillery fire in the south sparked by the right and Israel.

According to Palestinian sources, however, Chamoun is now increasingly isolated within the Lebanese right and has even had clashes with the larger Falangist militia led by Pierre Gemayel. The sources estimate that Chamoun, alone, does not have the power to disrupt an agreement reached by the PLO and Syria.

The PLO said in Beirut that the peace agreement for Lebanon was meant to undercut Israel's ability to use southern Lebanon as a weapon of blackmail against the Arabs by threatening a new war in defense of the extremist Christian right.

Israel Institutes Pre-War Austerity Program

Israeli Finance Minister Simcha Ehrlich last week unveiled the new economic package of the Likud Party government — a formula for unrelenting austerity. The chief feature of the package was the across-the-board 25 percent cutback of government subsidies for most foodstuffs, fuels, and other essential commodities. Correlate features include the imposition of price controls, the relaxation of regulations concerning foreign currency brought into Israel, new taxes on domestic credit, and a reduction in government expenditures, including an unprecedented cut in spending for defense.

ISRAEL

Although the announced measures were drawn up in large part by the former Labour Party government earlier in the year, they also reflect more recent arm-twisting from Wall Street and Carter Administration forces to make Israel slash living standards in return for more "credit."

With the highest foreign debt per capita in the world, Israel either will go the way of debt moratoria and a search for credits outside Wall Street channels or will find the austerity measures to be only the first in a series of autocannibalist raids on the country's economic resources and potential.

This critical reality is underscored by the fact that one of Ehrlich's top advisors is Chicago University's Milton Friedman, the architect of Chile's genocidal economic reforms.

The Bottomless Pit

The immediate danger of the austerity measures is that they will open up a bottomless economic crisis that will force the Israelis into military production as the sole means of motivating the economy and into war as the only way out of a desperate financial crisis. Recent Italian press reports alluded to this danger and urged the European Economic Community to step up EEC-Israeli economic cooperation as a means of ensuring a viable Israeli sense of national economic sovereignty.

Similarly, the German Democratic Republic newspaper *Neues Deutschland* warned earlier this week that the Israeli government would lurch toward war to

"resolve the country's economic crisis." The East Germans have recently been publicizing Israel's excellent industrial and agricultural potential as a contrast to the austerity-driven war push.

As long as Israel does not locate its economic survival on the basis of a nest of deals with the Europeans, the Soviets, and the Arabs in the context of an overall peace, the country remains in the stranglehold of Milton Friedman, the U.S. Agency for International Development, the pro-dollar faction within the EEC, Chase Manhattan, and the International Monetary Fund — all of which joined the Carter Administration's insistence on austerity in return for credits. This Wall Street policy is tantamount to credit strangulation, and stands in stark contrast to the U.S. Labor Party's recent programmatic outline for the Middle East. The Labor Party program calls for granting several billion dollars in credit to Israel to encourage the nation's industrial viability and economic self-confidence.

Making matters painfully tangible, the *London Financial Times* reported July 19 that the heads of leading commercial banks inside and outside Israel are finding the recent austerity package only a beginning that "only goes part way in curing the country's economic ills." According to the *Times*, the future must see more layoffs, higher "productivity," and cutbacks in the civil service.

Destabilization

Finally, the country's economic weakness introduces a wide range of possible destabilization options for the Carter Administration in Israel, geared to breaking the back of the nationalist-industrialist backers of Premier Begin. The Administration will then bring into power a malleable U.S.-run faction headed by former defense minister Shimon Peres and Yigal Yadin, head of the fascist Democratic Movement for Change. Notably, Peres has led the opposition Labour Party's attacks this week on the government's economic policy, and Yadin is being pushed publicly by every prominent member of the Rothchild-"Our Crowd" conduit concerned with Israel. Most recently the Israeli correspondent for the *Economist* magazine, run by "Our Crowd's" Lazard Freres, mooted Yadin as Israel's soon-to-be new premier, coming into power in alliance with the Likud's "shopkeeper" Liberal Party wing.

Indian Gov't Split On Economic Policy

The Bombay stock market, the largest funnel for speculation and black market currency operations into the Indian economy, dropped to its 30-year low two weeks ago when Prime Minister Morarji Desai announced the first major cabinet reshuffle in his three-month old government. Desai removed Industries Minister Brijlal Varma, under attack on charges of incompetence, and replaced him with the fiery trade union militant George Fernandes. Business circles were quick to note that it was Fernandes who, as Communications Minister, consistently lashed out at them for being the chief supporters, endorsers and promoters of ousted Prime Minister Gandhi's state of emergency policies.

Desai's cabinet reshuffle barely kept the lid on the controversies on economic policy that have divided the ruling Janata party, the cabinet and the government. The divisions are centered on economic policy: whether to accept the World Bank sponsored Aid-India Consortium prescription and swallow huge doses of foreign aid for labor-intensive agriculture, or whether to maintain the traditional Indian planning view of concentrating first on the development of state sector heavy industries. Within these two options fall virtually every major debate now taking place, including what the role of multinationals will be and what the role of the private sector itself will be in relation to the state sector development priorities.

The rough breakdown of constantly changing political alliance in this battle is as follows: Janata party chairman Chandra Shekar has allied himself with left-wing and centrist pro-growth tendencies in the party and government, making public his complete opposition repudiating the notions of planning Jawaharlal Nehru pioneered in India, specifically the prominence of the state sector over all private concerns. Opposing Chandra Shekar is a zero-growth "bloc" led by Home Minister Charan Singh, advocating a ruralization policy to progressively move more people in the cities out into the countryside where agro-based labor-intensive jobs will "solve" India's unemployment problem. Singh would open existing industry to multi-national looting. The muscle behind Singh's policies in his own Kulak based Bharatiya Lok Dal and elements of the right-wing Jan Sangh party. Both formally merged into the Janata May 1 but it is well known that they have maintained a separate identity. Singh has bargained for backing with other factions inside the Janata in exchange for the chief ministerships and top state level positions.

Singh's position was assisted generously by the Aid India Consortium at its July 4 meeting. India was awarded \$2.4 billion in assistance on only two conditions: that imports be liberalized generously to "open up the market," and that the government center its develop-

ment policy exclusively on agriculture, draw down on its foreign exchange reserves, and accept huge doses of foreign aid. This strategy buries any notion of self-reliance, upon which the Indian Planning Commission's five-year plans are founded.

What is the Money For?

The fight on economic policy came to a head with the presentation of the annual budget by Finance Minister H.M. Patel. In his address to parliament June 17, Patel essentially kept the ousted Gandhi government's "export-oriented growth policy" but failed to mention the role of the public sector even once in his presentation. Patel also conspicuously avoided mention of land reform heavy industries development, productive employment, or continued expansion of science and technology — all hallmarks of every budget since independence.

The common man who voted the Janata government to power found his hopes shattered. The compulsory deposit scheme, the freezing of wages and bonuses remained intact, as the government pleaded that it does not have the funds to pay back deposits. No provisions were made for price policy, giving a free hand to speculators and grain dealers to artificially create scarcities throughout the country. The reliance on exports to maintain the huge \$4 billion in foreign exchange holdings is to be held up by a continued holding down of domestic consumption.

The missing link in the formal budget presentation was made clear informally by Home Minister Charan Singh, airing his views at a symposium sponsored by the Ford Foundation supported-Gandhi Peace Foundation. Singh's prescription for the economy is as follows: big economic units, for instance textiles, should export production to keep foreign exchange up. Heavy industries growth should be sacrificed to divert resources to cottage industries. An enforced cutoff of the domestic market from anything exportable, thereby maintaining consumption only in marginal low-energy goods.

Desai took sides in this raging debate with the elevation of Singh to a top advisory capacity in the Indian Planning Commission. Singh's protege, Industries Minister Varma, called for repeal of the longstanding restriction on uncontrolled growth of monopolies. Chandra Shekar lashed back: "a national consensus exists on the need to reduce the concentration of economic power and curbing monopolies, two reasons for the increase in disparities in income and distortion of the production pattern in favor of a few wealthy people."

Chandra Shekar's call forced Desai to take sides, purging Varma and bringing in Fernandes. Chandra Shekar and Desai have begun to work together to curb Charan Singh's powers. Desai's personal economic philosophy favors rural works programs but he does not share

Charan Singh's aversion to industrial growth. Echoing Desai's personal preferences, Fernandes, in his maiden speech to parliament enumerated the following five points as his goals: maximize production of consumer goods; optimal utilization of human and natural resources; prevention of concentration of economic power; employment oriented industries; and making industry responsible to social needs. As his stated policies demonstrate, Fernandes' appointment may serve as a stopgap measure against Charan Singh's policies, but in no way provides a real solution to economic problems. Fernandes has proposed basically a World Bank "industries" policy — labor-intensive small industrial growth, albeit in the public sector.

India's largest problem is unemployment an issue the

budget has inadequately addressed. Desai has himself endorsed a food-for-work program, to utilize the overflowing grain reserves as wages to build irrigation and other infrastructure. These projects differ little from the World Bank proposals that India take the "risks" necessary now and reorient her economic perspective around agriculture. A leading Indian daily, *Patriot*, incisively pointed out in an editorial that if India follows an agro-centered path of development in ten years, her heavy industries sector would not be able to produce the goods and services necessary to keep pace with her population. In turn, *Patriot* states, a basic difference of views underlines Chandra Shekar's position and that of Charan Singh. The conditions of the whopping \$2.4 billion are Singh's proposals.

Japan Election Returns Give Both Sides Breathing Space

Japan's ruling Liberal Democratic Party has won a surprise victory in elections for the Upper House of Japan's parliament, retaining 64 of the 65 seats the party had previously held and a razor-thin majority of total Upper House seats. The LDP's showing dashed the hopes of various Atlanticist press pundits, in particular the *New York Times*, which forecast a new era of political chaos and "musical chairs" coalition governments in Japan between a weakened LDP and its various competing "opposition" parties. In the vote the LDP held its ground against both its "left" opponents in both the Japanese Socialist and Communist parties as well as its erstwhile conservative rival, the recently formed New Liberal Club.

Although it will provide Japan's current pro-Wall Street premier Takeo Fukuda some political breathing space, the LDP's victory has also given Fukuda's conservative opponents in the LDP the political stability they badly needed to resist Carter Administration pressure. Japan's fight with the White House revolves around three principal issues: U.S. efforts to force an upvaluation of the yen which would weaken Japan's export oriented economy; Carter's opposition to Japan's development of nuclear energy; and U.S. maneuvering to force Japan into a military alliance with China — Washington's "second front" policy against the Soviet Union.

Japan's conservative opposition has been strongest on the nuclear issue. Before the elections the head of Japan's big business federation, Toshio Doko, called on Japan to ship part of its uranium supplies to the Soviet Union for enrichment, breaking Washington's monopoly over enriched uranium supplies to Japan. Doko made this threat in a front-page interview in the *Japan Economic Journal*, citing West Germany as the model country Japan should follow in its relations with the Soviet Union. Doko noted that West Germany now has 40 percent of its uranium enriched in the USSR and hopes to increase the figure to 47 percent very shortly. Doko also called on Japan and the Soviet Union to link energy questions with Siberian development.

Although the election campaign did not address these key issues directly, the national debate on the yen, nuclear energy and China will act as a check on Fukuda's own willingness to capitulate to Washington.

Fukuda

The Fukuda government has the lowest popular rating of any LDP government in history — about 27 percent approval. Japan's voters did not vote for Fukuda, but for a stable LDP-led government. There is every indication that the business pressure on Fukuda to pursue an anti-Carter policy after the elections will escalate. Japan's press reports that business until now was reluctant to move into an open attack on Fukuda for fear of damaging the LDP's fragile electoral position. That fear has now been greatly lessened.

Nonetheless the vote has given Fukuda some needed short-term political stability. Fukuda and his opponents in big business and the Miki and Nakasone factions inside the party had not expected the LDP to make such a strong showing.

The general press predicted that the LDP would wind up with 60 to 62 seats. The anti-Fukuda group intended to use this outcome to force an LDP cabinet reshuffle, starting first with the ouster of Fukuda's foreign minister Ichiro Hatoyama. With the returns in, Fukuda vowed there will be no cabinet changes.

The Economy

In addition to the nuclear fuel decision Japan will be faced almost immediately with two other major questions — whether to sign an anti-Soviet peace treaty with China and what to do about Japanese-U.S. economic relations. Many circles believe Japan's China policy will depend upon the outcome of U.S. Secretary of State Vance's trip to Peking in August. The more successful Vance is in wooing the Chinese, the more Fukuda's own position in pushing a PRC treaty is thought to be strengthened inside Japanese ruling circles. A Japan-China treaty would virtually wreck any chances of

Japanese-Soviet cooperation on uranium enrichment and Siberian development.

Economic relations with the United States are a more pressing issue. In the past month the yen has appreciated almost 5 percent against the U.S. dollar. The appreciation of the yen is the direct result of pressure from the Carter government, in particular Secretary of the Treasury Blumenthal. Some Japanese are now speculating that Blumenthal's real aim is to drive the yen to 250 to the dollar.

Blumenthal's mad push against Japan has intersected a much wider worldwide run out of the dollar, making the yen particularly vulnerable to speculation. The crisis got so bad last week that according to the Asahi paper the U.S. Federal Reserve in New York actually requested the Japanese central bank to intervene, which the Bank of Japan did to approximately \$50-70 million, to prevent a too rapid dollar slippage.

The entire currency mess has the Japanese press speculating that the U.S. may be preparing for another major "economic shock" analagous to the 1971 end of the Bretton Woods parity system.

Japan's major business circles are trying to reverse the situation in the U.S. by threatening to ignore the Rockefeller business group — the sponsors of Carter and Blumenthal. According to one well informed source after the disastrous U.S.-Japan businessmen meeting in Washington ended in a public disagreement between the two nations over the position of the yen, key leaders of the Japanese delegation, including Fuji bank advisor Iwasa made a visit to Chicago to meet with leading Morgan linked firms there. Reportedly Iwasa found some of the Morgan group firms very excited about joint cooperation with the Japanese and Soviets in developing Siberia's vast reserves, especially oil. Until now the Rockefeller group has successfully blocked all direct U.S. participation in Siberia.

Japanese business leaders have also moved to shore up their ties with the Middle East. MITI vice-minister Masuda recently visited key Arab countries, including a long stay in Saudi Arabia, to show the Arabs that the Japanese government was firm in supporting Japanese-

Middle East economic development. The powerful Mitsubishi group, Japan's major heavy industry producer, is leading the way from the business side to develop Arab ties.

Meanwhile, however, the failure of anti-Rockefeller business groups in the United States to make a strong stand against the Carter government has increased Japan's own sense of economic isolation.

The Left

The Japanese Socialist and Communist parties were the big losers in the elections. The JSP won only 27 of its 32 seats up for reelection; the JCP took just 5 of the 9 seats it previously held. Both the SP and CP once again distinguished themselves for their utter lack of a positive economic program. The JSP actually ran on the traitorous platform of opposing nuclear energy development because it was "unsafe." As a result the JSP continued its longterm downward slide in voter popularity. The party did so badly both its chairman and secretary general have said they will resign, according to the *London Times*. Narita's removal would escalate an already ongoing faction fight between the relatively pro-Soviet "Socialism Association" faction and a gaggle of Fabian and Maoist kooks.

The election results should cause some serious rethinking inside the Communist Party as well. Until now the party has been the virtual fiefdom of its leader Kenji Miyamoto, who was just barely elected to a first term seat in the Upper House. Miyamoto ran on a program of attacking the Soviet Union's stand on the northern islands issue! This "Yellow Communist" campaign was accurately described by the Soviet paper *Pravda* as "more anti-Soviet than anyone else in Japan." By refusing to distinguish the JCP politically from its main competitor for votes in the Opposition parties, the rightwing Buddhist Komei party, the JCP actually helped increase the Komei's seats in the Upper House from 10 to 14. The CP's share of the popular vote also dropped from 10 percent to around 8 percent.

—K. Coogan

Mexican Gov't Tries To Suppress Explosive PLM Testimony On Political Reform

On July 14, the *Partido Laboral Mexicano* (PLM) presented groundbreaking testimony at the official hearings of the Mexican Federal Electoral Commission (CFE) on the government's proposed political reform project. Breaking all the unwritten rules of "gentlemanly" Mexican politics, the PLM identified by name the individuals and organizations involved in the ongoing Carterista drive to destabilize and topple the government of José Lopez Portillo, and called for a complete purge of these individuals from the government in combination with an overall development plan designed to break Mexico away from Rockefeller-IMF monetarist control.

The oral July 14 presentation by PLM executive member Marivilia Carrasco was met with stunned silence, followed by a rash of hysterical denunciations in the press, including the semi-official daily *El Nacional*. Within 48 hours, CFE officials — who admitted acting on direct instructions of Interior Minister Jesus Reyes Heróles — informed the PLM that the CFE would not print the full text of the PLM's official testimony, the only such instance in over ten weeks of hearings. Although the veracity of the PLM's denunciations was not contested, the spokesman justified the government action on the grounds that the PLM testimony contained undocumented accusations against individuals, and thereby violated the Mexican Press Law.

The PLM has advised the CFE that this purely political suppression of the PLM testimony is a dangerous concession to the very Carterista plot denounced by the PLM, and that the PLM would therefore proceed with plans to print the full text of the suppressed testimony on its own. Below, we reprint extensive excerpts of that full testimony, including the portions considered "offensive" by the Interior Ministry.

In a statement released to the press two days ago, PLM leader Carrasco declared that the events surrounding the PLM testimony provided "an irrefutable proof of exactly the central thesis of the PLM presentation: that Mexico finds itself under ruthless attack from a pro-Chile right wing and that the government must implement a strong program of economic expansion to answer it. Any purely political 'deals' with the right wing are suicide, as Allende found out in Chile. From the government attacks against us," Carrasco concluded, "it is clear that the government is making just such a 'deal' with the forces moving for a Chile-style coup...Despite these attacks, we will continue to do everything we can to defend the government from the Carter-inspired monetarist subversion and defend the tradition of the Mexican Revolution."

A massive arm-twisting job has indeed been done against the Mexican government to induce the current attack on the PLM.

The morning of the ground-breaking PLM appearance at the hearings, known pro-fascist spokesman Jose Luis Mejias devoted his entire 1500 word column in *El Universal* to an elaborate and carefully prepared attack on the PLM. Retailing the slander that the PLM is controlled by East Germany — a notorious lie first circulated by Rockefeller-linked U.S. Congressman Larry McDonald — Mejias attempted to implicate the PLM in a physical attack on former Mexican President Luis Echeverria during his tragically famous visit to Mexico's National University (UNAM) in 1975. Mejias further claims that there exists photographic evidence of his allegations — a reference to a doctored photograph which was the key element in the kidnapping and physical torture of two PLM leaders two years ago, at the hands of police agents under the direction of former fascist Interior Minister Mario Moya Palencia — one of the conspirators named in the PLM testimony.

Pressure on the government was intensified July 17 by Kawage Ramia, known spokesman for the Monterrey Group of businessmen — another conspirator named in PLM testimony. In his column in the Mexico City daily *Novedades* Kawage charged the PLM with being funded by "rightwing Illinois Republicans," and criticized Interior Minister Reyes Heróles for allowing such "phantom groups" as the Labor Party to participate in the CFE debates on the political reform.

Once the Carteristas had forcefully defined the Mexican Labor Party as a liability to the government, the Interior Ministry caved in to the pressure. In a front-page editorial July 15, the Interior Ministry-linked daily *El Nacional* falsely accused the Labor Party of using the CFE hearings as "a tribune to attack the government."

The Interior Ministry itself then began to pressure the sane left-wing potential allies of the Labor Party. This was best seen in the attack made on the PLM by Graco Ramirez, secretary General of the Socialist Workers Party (PST) during a press conference also excerpted below. The PST, a mass-based nationalist leftist party, has been one of the PLM's closest potential allies, and informed political observers in Mexico indicate that Graco Ramirez — heavily linked to the Interior Ministry — made these statements without the knowledge or the consent of the PST's executive committee.

The Official PLM Testimony

The Mexican Labor Party enthusiastically supports the process of political reform undertaken by president José Lopez Portillo. Furthermore, we greet the process of discussion to be generated at the Commission Federal Electoral as absolutely necessary to assure that the political reform advances and guarantees our democracy and national sovereignty.

As with any other question before the country, the question of political reform must be seen in the context of the international monetary and political crisis — crisis that is quickly threatening to bring about the Chileanization of the whole third world and most of the advanced sector. A crisis that is quickly bringing the world to the brink of superpower confrontation and war — a crisis of financial capitalism....

It is the Rockefeller family which has personal control of the United States presidency today. James Earl Carter is not the President of the people of the United States of America, he is the stooge of the Trilateral Commission, handpicked, educated and trained by the Commission, then imposed on the American people by fraud. This is the Trilateral Commission founded by David Rockefeller with Zbigniew Brzezinski serving as Executive Secretary....

Mexico and Financial Capital

The present government of President José López Portillo has been faced from the beginning, and in actuality even before assuming power, with brutal pressures coming from the Rockefeller Forces within and without Mexico. The campaign of decapitalization, rumors, terror and every other mode of "destabilization" at the end of the last *sexenio* (Presidential term) was not aimed, as slanderous rumor has it, at preventing now ex-president Echeverría from continuing in power beyond his constitutionally mandated six years in office. Rather, it was aimed at Lopez Portillo and the incoming government, it was aimed at forcing the new government to break with the previous administration's domestic and foreign policies.

Before this massive destabilization and challenge to the new government, president José Lopez Portillo chose to deal with the problem in a different manner than has his predecessor. President Lopez Portillo gave assurances and made conciliatory gestures to the Monterrey group and to Rockefeller financial capital. This was and is the policy of *tregua* (truce).

Nevertheless, it is clear that finance capital is not and will not remain satisfied with the current process. As has been made abundantly clear from Nelson Rockefeller's Commission on Critical Choices (CCC) blueprint of U.S. policy towards Mexico and similar Rockefeller family policy formulation, finance capital's plans are to destroy Mexico and its people. The CCC calls for massive programs of demographic control, (genocide); for Mexico's oil to become U.S. strategic reserves, with the U.S. paying less than international prices for Mexican

oil. Furthermore, it calls for a joint U.S.-Mexican government-to-government commission to decide on and resolve bilateral questions such as oil, immigration and demographic control, in other words the loss of Mexico's sovereignty. Finally, the report notes that there will be violent social explosions that will put in question the government of José Lopez Portillo. Other policy formulations have ranged from calling for the elimination of 30 million Mexicans to stating plans for placing massive numbers of U.S. troops on the U.S.-Mexican border, actually acknowledging the existence of contingency plans for the invasion of Mexico by the U. S. military....

The compelling immediate reason for such treatment is the fact that Mexico "owes" over \$30 billion to the New

El Universal: PLM 'Injured Eche'

The following is a column by Jose Luis Mejias which appeared in El Universal July 15: it accused the PLM of physical assault on ex-President Luis Echeverria.

These Labor Parties, or Committees, act in numerous countries on five continents and their leadership, financing and real objectives are a mystery. It is said that they are a tool of the CIA, but the CIA, always blamed for everything that occurs, is overused. It is said that their master-mind is in East Germany, but there is no proof to confirm that rumor. The fact is that in the U.S. the Labor Party presented a candidate for the president of that country, and right after the elections accused the Democrats of electoral fraud in five states; they brought the charge to court with the aim of recertifying the results in favor of Ford. They also accuse Carter of planning war.

Three Labor Party activists were the ones who threw the stone that injured Echeverría in the forehead during his visit to University City (in 1975)...And there is no doubt of it, since a television cameraman near the corner where 'the dialogue' took place, earned his pay by filming the scene and by chance was able to capture what happened after Echeverría left the meeting and until he got into his automobile. Thus, the deeds of the activists were filmed and their fate sealed. One of them ran behind a stone hedge, indicating the exact place that Echeverría was moving towards surrounded by friends; the other lugged a knapsack filled with stones that the third hurled, following the indications of the one that directed his aim. Enlarging the film, one can easily identify the three Labor Party activists, of whom two were captured while the third fled to South America...

York banks and their allies. While it is usually reported that this makes Mexico entirely vulnerable to the dictates of the New York banks, the fact is that Mexico, if it chooses to, can singlehandedly bring the Bretton Woods system tumbling down by declaring a unilateral debt moratorium: it is for this reason that Carter and Rockefeller have undertaken the most bloodthirsty actions and plans against Mexico— to assure that the debt is paid.

The new government has chosen to make a “truce;” it has taken a more conciliatory attitude toward the U.S. The government has accepted the dictates of the IMF, among which the most damaging are the cut in real wages for the working class and cuts in the budget which have effectively reduced investments in the industrial development of Mexico — the most notorious victim of this being the continued development of the huge steel complex Las Truchas.

Nevertheless, the government has maintained as a priority the necessity for building up the industrial infrastructure of the country, under the slogan of “Alliance for Production,” and has so far maintained a steadfast defense of the nationalized oil. While it may not be at the vanguard of the third world, it has declared itself in favor of a “more just economic order.” It has also continued the previous sexenio’s policy of trying to diversify its trade partners and markets away from a total dependence on the United States.

It is clear that the contradictory policies of the government are an attempt to win time against the massive pressures of finance capital and its internal agents. It is a policy of trying not to confront imperialism and using any time gained in this way to try to guarantee the survival of Mexico and its institutions. Yet this is an illusory strategy. It is clear that Carter-Rockefeller’s offensive is aimed at the very existence of Mexico as a sovereign nation and people. Ceding ground to their offensive will not win time, it will merely allow finance capital to gain better positions from which to carry out its demented policies.

The Political Reform

That the government of president José Lopez Portillo has no intention of being the agent of financial capital and its genocidal plans is in part expressed by the governments strenuously avowed policy of no *endurecimiento*, that is a policy of no repression, a policy which is diametrically opposed to the policy of the Carteristas. Instead the government’s policy has been neither authority without law, nor law without authority. The fact that Mexico exists as a sovereign nation today is nothing but the consequence of the victories that the mass mobilizations of peasants and workers have achieved.

Independence, the wars of reform, the Mexican revolution, the oil expropriation and land reform under Cardenas, as well as the third worldist policy and building of an industrial infrastructure for development and land reform carried out under Echeverria all took place with armed or unarmed mass mobilizations. In all these cases the leader was a heroic capitalist revolutionary leader that wanted Mexico to emerge as a major industrial power. In all cases these forces and

PLM ‘Funded By Chicago Republicans’

The following are excerpts from a column which appeared July 17 in the Mexico City daily Novedades, written by Alfredo Kawage Ramia:

The ghostly Mexican Labor Party was at the Interior Ministry participating in the debate around political reforms. This means that (Interior Minister) Reyes Heróles is open to everything, to listen to the big, the medium and the small. The members of this letterhead-organization are fundamentally financed by the Republican center of the U.S. in Chicago, Illinois, which houses the extreme right-wing of that (Republican) party... (The PLM’s) activities tend to take place mainly in university media in Mexico, Central and South America. It can be anticipated that (the PLM) will fail to become a registered political party, because they will not be able to meet the requirements imposed by the Federal Electoral Law, no matter how liberal or simple they are...

the Mexican people violently clashed with finance capital’s imperialism and its plans to maintain Mexico as a backward fiefdom and provider of raw materials and agricultural exports.

In all cases, although there were partial victories, Mexico was unable to break definitively with the yoke of finance capital’s imperialism. The major flaw which permeated these revolutionary efforts was the lack of revolutionary scientific leadership among workers, peasants and intellectuals which left alone and overwhelmed the heroic capitalist revolutionary leadership of these struggles. Not having hundreds of leaders to educate the pueblo revolucionario, not having these hundreds perhaps thousands, who based their outlook on a global scientific perspective, necessarily led to the struggles being totally subject to the vicissitudes of the strengths and weakness of the *one leader*. In the Twentieth Century, this weakness of the Cardenas and Echeverria regimes in particular led to their not mobilizing to destroy the internal allies of finance capitalists — to their not fully arming the peasantry and completely destroying the landowning structure of the countryside....

In this context, it should be clear what the political reform should and should not be. It should not be the means by which formal electoral games, stultified *pluripartidismo* and parliamentary cretinism are introduced into Mexico. Instead, the political reform should make further progress in carrying out the spirit and the letter of the constitution of the Mexican revolution. It should guarantee the existence and strength of “a representative, democratic, Federal Republic.” as article 40 of the constitution states — with democracy entirely and constitutionally defined by article 3 of our Magna Carta as “Considering Democracy not only as a juridical structure and a political regime, but as a system of life founded on the constant economic, social and cultural improvement of the people.”

Therefore, the political reform must have as its sole consideration the active political participation of the people, a united democracy of the people, in order to defend and safeguard democracy as defined by the constitution. Specifically, the political reform must in every way possible facilitate the widest possible mobilization of the population in order to secure the irrevocable defeat of finance capital imperialism and its internal Mexican agents. This course of action is the only realistic means by which the Mexican constitution, the republic and democracy can be defended.

The Political Reform can not be a caricature in which the government and the Congress seek to strengthen their authority by using the Political Reform as the carrot and stick with which to keep in line troublesome groups and parties. The Political Reform cannot be merely another "wrinkle" added to the political system as it has existed during the last 37 years — a wrinkle that will not change that political system in any fundamental fashion. Nor should the Political Reform start *de novo* — it should proceed on the basis of the lessons learned from successes and failures of the "Apertura Democratica" and the Alianza Popular of the previous sixty years.

Let us be more precise. We support the strengthening of the government — as long as that government is a constitutional and therefore revolutionary government. However, as we have pointed out before, it is illusory to think that in this conjuncture of a severe international crisis of finance capital a Mexican constitutional and revolutionary government can withstand the onslaughts of that very finance capital merely with some sophisticated political maneuverings that will legalize some of the "troublemakers" from both the "left" and the "right." This style of political maneuvering, aimed at *taming* these groups through the process of legalization and parliamentary representation, in a period of severe economic crisis would be suicidal not only for the Political Reform but also for the present government.

We do not merely assert this; the recent events at the UNAM have proven it conclusively. There, troublesome groups of the extreme "right" and "left" vigorously but shamelessly carried out a debastating ambush against the Political Reform. We now turn to analyze these "right" and "left" extremes in order to assure no misunderstanding of this point.

Naming the Names

The simple reason why it would be impossible to "educate," "tame," or "induce" the Partido Comunista Mexicano and its fellow travelers to play a responsible and revolutionary role in the development of the revolution and the country is that these groups and parties are for the most part a controlled operation by the imperialist intelligence agencies. This is no mere assertion on our part; the programs and actions of these groups conclusively prove that in the majority they are led by Rockefeller agents.

This Rockefeller-led operation against Mexico, which tried to pass itself off as "leftist," "socialist," and even "Communist," is controlled by the Institute for Policy Studies (IPS) based in Washington D.C. IPS was founded in 1963 by Rockefeller and allied financial interests as a U.S. version of the Rothschild and British Foreign Office-controlled Fabian Society of the early twentieth

century. In short it is an integral part of the intelligence agencies of the United States and serves the function of a "left-CIA."

IPS from its inception has been heavily funded by Rockefeller and allied financier-controlled foundations. Among its directors and founders is Marcus Raskin, who had been a high level staffer for the National Security Council of the United States — the controlling body for dirty tricks and covert operations throughout the world. Also among its directors and founders is Richard Barnet, a member of the "prestigious" Rockefeller-controlled Council on Foreign Relations along with other notables such as Henry Kissinger, Richard Helms (ex-director of the CIA), Cyrus Vance and Zbigniew Brzezinski.

IPS has functioned since 1963 as an international operation meant to subvert government and genuine leftist groupings; as an operation that has controlled and continues to control major terrorist groupings which have served as destabilization operations internationally.

The Mexican end of the IPS or "left-CIA" covert operations revolve around several key individuals, such as Francisco A. Gomezjara, John Saxe Fernandez and Raul Olmedo Carranza. Through these individuals, the "left-CIA" runs as covert "dirty tricks" operations the Partido Revolucionario de los Trabajadores and most sections of the Partido Comunista Mexicano. It is through these same networks that the "left-CIA" also controls and manipulates such other parties as the Partido Mexicano de los Trabajadores....

Being part of the "left-CIA" these individuals and groups for the most part openly and shamelessly support the totally Rockefeller-controlled Carter Administration; they brandish the "human rights" (or political prisoners) banner against the Mexican government and in that way become an integral part of the pressures being put on the Mexican republic by the government of the United States. Furthermore, a careful look at their program reveals that even though these groups scream at the IMF and its program for Mexico, they call for the same thing. The IMF calls for the limitation of credits for Mexico; these "leftists" call for autarchy. The IMF calls for drastic cuts in public spending, huge cuts in services of all types to the cities; these "leftists" call for ending the horrible alienation of the cities and for decentralizing and getting everybody back to the countryside! The IMF's demands force a cutback on the import of technology and a cutback on all the capital intensive development projects using high technology; these "leftists" rant and rave against technology and capital intensive production. Instead they demand massive slave labor projects with pick and shovel be carried out. The IMF dictates favor finance capital and speculation and are designed to destroy a country's productivity; these "leftists" consider productivity and progress their ENEMY!

...While we could go on and on listing the connections of IPS to Raul Olmedo, and through Raul Olmedo to the PCM and other parties, attention should be drawn to the fact that CENCO — the center which UNAM strikers used as strike headquarters for several days — is directly linked to IPS. The people who run it are nothing but errand boys for Richard Barnet. CENCO, of course, is also intimately connected to IMOP and to Acción

Comunitaria, both projects of that supposedly "reformed" monetarist and ex-head of the Monterrey Group Guajardo Suárez. Naturally, Mr. Guajardo Suárez and his projects are also intimately connected to IPS. It should be remembered that Accion Comunitaria and Guajardo Suárez' other projects recently proposed putting an end to inflation by simply opening up the borders completely to U.S. goods and commodities. That this would mean the end of Mexican industry and destroy any possibility of further industrial development was of no concern to these monetarists.

Lest anyone think that it would take the likes of Sherlock Holmes to ferret out the connections between Guajardo and the PCM, the public has complete access to PCM documents at its last Congress where they point out Guajardo Suárez for special praise as one of the progressives in the bourgeoisie. The public also has access to the fact that in 1976 IMOP published outrageous polls that showed the PCM to be a major party, with huge percentages of the population voting for Campa if the party were legalized....

The UNAM Conflict

The UNAM strike was not a labor conflict, it was not a conflict between the progressive forces and the right and the IMF, it was one of the most massive destabilization operations carried out by the Rockefeller intelligence agencies against the government. A brief review of the situation will make this fact incontrovertible....

The Monterrey Group and its masters have felt the need to destroy the authority and legitimacy of the government as the way to destroy and demoralize that potential base of support for the government that is represented by the nation's workers and peasants. The tactic they devised for this undertaking was to bring about a confrontation between the right-wing, backed by the Monterrey Group, and the supposed "left." Through this confrontation they hope to undermine immensely the authority of the government and to create an untenable situation throughout the country....

This is indeed the scenario that was put into motion during the last few days. There can be no doubt that the leadership of the STUNAM and the PCM are IPS agents, even though there may be many honest and backward or ignorant people in those organizations. There is also no doubt that the demands of the STUNAM had little to do with the development of the country and the defense of democratic institutions from the onslaught of the IMF and finance capital. But even if their demands were taken at face value, the tactics used to try to win them were outrageously incompetent and totally counter-productive, which leaves any honest observer no choice but to point out that the objectives of the STUNAM were not to win demands but to provoke a major destabilization along with its "arch-enemy" Soberón. That there has been a seeming resolution of the conflict with the government's intervention, which has so far avoided the traps set for it by the right and "left," should not lull anyone into thinking that this scenario is being discarded....

We would like to point out that this is not the first time such a tactic has been tried out. History has seen many revolutions and progressive movements destroyed by the "ultras" who mobilize the enraged petty-bourgeoisie, who mobilize the rabble and the mob against the very existence of progressive institutions or revolutions. The

Roman Republic was perhaps the first to succumb to this tactic: the British monetarists of the 18th and 19th centuries used this lesson in their hideous counter-insurgency operations in the colonies and on the European continent.

Was it not the British who, by controlling Marat and Danton, (not the Marat and Danton of the PRI) destroyed the French Revolution through the mobilization of the mob, the famous sans-culottes — were not workers but a rabble? Was it not the British, as Marx amply documents, who let loose Simon Bolivar in South America to destroy the cities and carry out a war of destruction against whatever manufacturing and civilization existed in the Spanish colonies? Those Wars of "Independence" were backed by British supplies, money and men in order to assure control of the new emerging

El Nacional: PLM Testified "In Bad Faith"

The following is a front-page editorial appearing in El Nacional July 16.

In the sessions of the CFE (Federal Electoral Commission) held to learn the points of view of the different political organizations, and the citizenry in general, on the political reform promoted by President Jose Lopez Portillo, testimonies have been presented which indicate either a total ignorance of the purposes of these meetings or a zeal for notoriety on the part of some of the participants.

If the spirit behind the sessions were not of the profoundly political and democratic purpose that CFE president and Interior Minister Jesus Reyes Heróles has given it, the debates would have been undermined to the point of leading to matters totally distant from those being pursued...

There is no doubt that interventions like those of Carlos Sanchez Cardenas of the MAUS (leftist organization - ed.) and Marivilia Carrasco of the PLM distanced themselves from the purposes being pursued with the opening of the forum, seeking instead to turn the forum into a tribune, from which to attack the government, the institutions and even our continent's heroes, a situation that only the prudence of those sponsoring the political reform have been able to overcome.

Nevertheless, the participation of those who are either disoriented or acting out of bad faith, has permitted an effective demonstration of the democratic spirit in which such meetings evolve, the simple act of hearing these people and giving credence to the groups that they say they represent reveals the acceptance of the risks of freedom and democracy and the unwavering desire to know all opinions, however absurd or incongruent they may be, that may emerge around the political reform. For it is undeniable that to obtain positive results it is necessary to accept popular opinion; but that opinion should be clear in conscience and dimension in order to respond truthfully to the problems and concerns of the Mexican people.

countries, in order to assure that these countries would now be totally subjected to British trade and debts. Consider the debts which Bolivar outrageously ran up during the thirteen years of the War of "Independence." This is the same Bolivar who was a gutless wonder unless backed up by British irregulars, the same Bolivar who shamelessly murdered anyone who was for real independence and development in Spanish America.

Graco Ramirez: PLM 'Obeys Imperialist Interest'

The following is an interview with Graco Ramirez, Secretary General of the Mexican Socialist Workers Party, appearing in the Mexico City daily El Dia, July 18:

The appearance of the group called the Mexican Labor Party (PLM) before the Federal Electoral Commission constituted a provocation of North American Imperialism that failed,' declared Graco Ramirez yesterday. Graco said that the so-called PLM expressed truisms that defined and situated their position clearly, for example when they said that 'they enjoy the influence of the 1776 American Revolution.' Graco further stated that the PLM does not represent in the slightest any political current in the Mexican left, but obeys imperialist interests. He further emphasized: And how can one not consider as a provocation a text which calls for the arming of the peasantry to do away with the latifundios and which speaks of the imbecility of the pluralist party system and parliamentary cretinism?

Without the slightest analysis and with an open desire to provoke, the PLM suggests that this regime 'has distanced itself from the peasantry' and further expresses judgements against other left organizations which cannot be accepted, independently of whether there are tactical or strategic differences.

As for example, when they declare that it is impossible "to educate, domesticate, or induce" the Mexican Communist Party and their fellow travelers, because the majority of their leaders belong to an operation controlled by imperialist intelligence agencies.

The secretary general of the PST declared that besides the fact that the so-called PLM demonstrated a total ignorance of Mexican reality in general, they spoke nonetheless of carrying out a "cleansing" of the cabinet supported by "enormous worker and peasant militias" through "massive purges" against the "fascist monetarists of finance capital."

With the text that Marvilia Carrasco read in the name of the sect, they hoped to cause confusion and anger among the delegates and to immediately pose a debate full of provocations. But, unfortunately for them, it was a session in which things went according to their merit and as calculated, and where finally the devil left with its tail between its legs.

Was is not the case that many of our liberals, and liberals throughout Latin America, were paid British agents who though they loudly screamed about liberty and freedom, nevertheless pushed forward "free trade" in a shameless fashion? The same "free trade" that would guarantee the colonial status of the new countries with respect to Britain and her manufactured products and debt? The same "free trade" that would guarantee that the new countries would not copy the model of the American Revolution and seek to advance their own economic development and manufacturing to gain real independence? These "free-traders" show us very clearly that Guajardo Suarez is not a bastard! Guajardo has a very long lineage of monetarist agents which he can call his forerunners and "parents"!

It is blatantly obvious in this context that the PCM and its cohorts were knowing and willing agents in the implementation of the UNAM scenario. Otherwise, they would have taken the appropriate notice of this trap set for them by the right-wing and have devised a counterstrategy for mobilizing the majority on behalf of the industrial and agricultural development of Mexico. They would have set out to organize not only students and teachers but also workers and peasants to safeguard the development of Mexico's energy sources; they would have mobilized them to bring about a moratorium on the foreign debt; they would have organized them to help bring about massive land reform and collectivization. They would have organized them to mobilize against the armies of labor modeled on Hitler's slave labor schemes being organized by fascists within the Government. Within that context and having won major political forces to their side they would have used this mobilization to wrest control of the UNAM away from Mr. Moya and Mr. Soberon. They would have mobilized to wrest control of the UNAM away from these agents of finance capital in order to guarantee that the higher education of the country serve the development and liberation needs of Mexico.

Instead the STUNAM chose very willingly and consciously to seek a head-on confrontation with the very well prepared forces of the rightwing. Need any more be said?

Obviously any attempt to use the Political Reform to bribe these groupings away from acting as provocateurs and agents of finance capital would be a waste of precious time and energy and a dangerous illusion that could have very grave consequences. The PCM and friends do not obey the political dynamics of the Mexican political situation; the PCM and friends do not act according to the dynamics of the international political conjuncture. They take their orders from the left-CIA and carry out a macabre dance of death with the Monterrey Group and its representatives.

The Solution

How then, is the government and the Mexican Revolution to strengthen itself in the process of the Political Reform? It should be clear from the outset that such strengthening cannot be the result of mere political maneuvers, no matter how astute and sophisticated these maneuvers may be. The strength of the government and the Mexican Revolution can only be brought about as the

result of the rapid development and industrialization of the country...

This is no easy task in the midst of a world financial crisis that is rapidly putting the world economy on the verge of total bankruptcy and depression. Nevertheless, unless the Mexican Revolution carries out this type of program it will be crushed by fascist monetarism.

But how? The Mexican Revolution must make a definitive break with imperialist finance capital and its internal allies. The Mexican Revolution has to immediately announce an ambitious program of the development. The Mexican Revolution has to rapidly mobilize the majority behind this massive revolutionary undertaking that will make a powerful industrial nation of Mexico.

It is often stated that if Mexico declared a unilateral debt moratorium, imposed exchange controls, and restructured completely the Banco de Mexico so as to centralize credit and development, Mexico would rapidly face strangulation for lack of credit from international credit markets. While it is understandable that responsible people hold this view, it is nevertheless a completely wrong analysis of the present national and international conjuncture.

Mexico will not declare a debt moratorium because it is irresponsible and simply does not want to pay its debts; Mexico will declare a debt moratorium because the current monetary system is bankrupt and teetering on the edge of the biggest blowout in the history of mankind. This monetary collapse will completely destroy any credit markets abroad tied to the Bretton Woods dollar system.

Mexico will almost certainly face a strangulation of credit if it timidly awaits the collapse. But Mexico can almost guarantee the necessary credits for development and imports of capital goods if it declares a debt moratorium and proceeds, together with the Third World, the Soviet Union, and Europe, to rapidly negotiate into being a new world monetary system based on gold and increased production...

The government cannot stand by and watch the standard of living of the population rapidly deteriorate while monetarists and traitors within the government openly organize fascist armies of labor modelled to the last detail on the Nazis' labor policy. This is a question of life or death that will not await an answer much longer.

The Political Reform, as we have already stated, should serve as the vehicle to mobilize the majority in order to effect a total break with monetarism. Once this policy is carried out, then subversion by the left-CIA and the groups and parties it controls will become a minor problem, since the popular base of all these groups will defect to the revolutionary mobilization. The hardcore agents will either desist in their activities or desperately try terror and sabotage to carry out their assigned role. The law will be easily applied and the necessary security measures taken to guarantee the success of the Revolution.

As for the right-wing and fascist allies of finance capital, they too will desist in their subversion when faced with massive purges from the positions they now control within the state apparatus. These purges will be backed up by huge armed peasants' and workers' militias. Under those circumstances there will be peace, tranquillity and development. Only madmen would dare launch ad-

ventures against such a strong state. Anything but the above measures will guarantee chaos, subversion, violence and the destruction of the Mexican Revolution. Weakness begets assaults, strength commands respect!

The Partido Laboral Mexicano

The Political Reform cannot be carried out in this fashion unless the full participation of the *Partido Laboral Mexicano* is guaranteed; for the PLM is the party of the Mexican Revolution!

The PLM and its fraternal parties, the European Labor Party and the U.S. Labor Party, base themselves on a long humanist tradition that includes as its major influences Ibn Sina the great Arab philosopher, Erasmus of Rotterdam, Benjamin Franklin and Karl Marx.

The PLM's central principles hold that man is a part and product of the universe, that the power of the mind to create scientific knowledge through which societies increase their power over nature and its laws is itself the one and only fundamental principle of all human knowledge.

Therefore it is not accidental that all of the above influences on the PLM in one form or another correctly insisted that it was man's creativity that is fundamental, and that creativity is the basis for progress and advancement of society. This contrasts sharply with the current ideologies fostered by the monetarists, which hold that man is unable to discover new technologies with which to advance society, and that therefore man must become a beast and "return to nature."

Our party holds that the creative capacity in man expressed as labor power in the process of production, reproduction of society and the creation of new technologies, is the only process by which wealth is produced. As opposed to monetarist, beasts and others who insist that nature produces wealth, that land produces rent. This is completely opposed to those Alemanistas and Diaz Ordazistas who think that wealth is produced as the result of speculation in urban fraccionamientos, construction of luxury hotels, and the pilfering of huge amounts of money from the state...

Our party is also profoundly influenced by the American Revolution of 1776, a revolution which was fought against British monetarism and which had as its conscious guiding principles the principles we have stated above. An industrial capitalist revolution which until the late 1820s was fully committed to these principles and to the spreading of the "American System" of republics throughout the world. A revolution with which the likes of Franklin and Hamilton sought to destroy monetarism and for all and to make science, technology and labor power the basis for progress, as opposed to the British system of looting and destruction of the colonies. A revolution that profoundly influenced Mexican revolutionaries for two centuries. Yet this revolution was defeated by traitors and the British in the 1820s, and was to be revived only briefly during Abraham Lincoln's term in power.

What does all this have to do with the Mexican Revolution? The Mexican Revolution was influenced immensely by the great social and political struggles of the 19th century in Mexico. It was in particular greatly influenced by the struggles of the great Benito Juarez — Benito

Juarez who declared war against monetarism and British imperialism by declaring a debt moratorium, the same Juarez who along with Lincoln in the United States successfully fought off the attempts of the Rothschilds and the British to destroy the United States of America through the Civil War and to subjugate Mexico to an obscene and decadent monarchy!

The Whigs and Lincoln in the United States ultimately lost the battle to treason and monetarism just as Benito Juarez and his followers also lost the battle to monetarism in the person to the odious dictator Porfirio Diaz, the stooge of European and U.S. monetarism...

The *Partido Laboral Mexicano* considers itself the party of the Mexican Revolution because it takes off from the anti-monetarist struggles that have been fought by the Mexican people. Moreover, the PLM is the party of the Mexican Revolution because it consciously has taken the lessons of the American Revolution, Marx and the traditions of humanism and is the only party that through its program and scientific ideas is in a position to be able to contribute the program for the consummation of a completely victorious Mexican Revolution.

It is not accidental that the worst enemies of the Mexican Revolution have, and no doubt will continue, to

use every means at their disposal to try to destroy and prevent the PLM from participating in the Political Reform. It is important to mention here that Mario Moya Palencia, through the newspaper of which he is now editor, has carried out a systematic campaign to try to pressure the Commission Federal Electoral to forbid the PLM to appear in these *audiencias*. This campaign went so far that *El Sol* gleefully announced that the CFE presentations had ended, only to be rudely reminded by the Secretaria de Gobernacion that they had not and that the PLM was the next scheduled party to appear.

These are but the most above board and mild attacks on the PLM and the Political Reform. One can now safely say that the next few weeks and months will see a massive and determined effort by the rightwing and its friends the left-CIA to attempt to destroy the PLM and the Political Reform.

The PLM, by proclaiming that it must be part of the Political Reform, is not asking for special favors. The PLM is not asking to be "given" its *registro*. What the PLM wants is for the CFE and the government to steadfastly assure that neither the PLM nor other honest parties suffer from harassment and operations by the rightwing and the left-CIA that would violate the Constitutional right of the PLM to act as a political party...

Rocky Moves To Bust Up 'Whig Alliance'

With Left-Right Deployment Against Teamsters

Political forces associated with Rockefeller financial interests, with the backing of other Wall Street factions, this week made direct and coordinated moves to break up the emerging "Whig" labor-industry alliance through a "left-right" deployment to destroy that alliance's centerpiece — the International Brotherhood of Teamsters.

Former Rockefeller in-law Senator Charles Percy (R-Ill) has taken charge of one side of this attack, leading a chorus of Wall Street operatives in Congress in a call for the jailing of top Teamster officials for corruption and mismanagement of pension monies. The Senate Permanent Investigations Subcommittee, which opened hearings on the government investigation of the Central States Pensions fund, and Subcommittee of the House Ways and Means Committee, are slated to serve as a key public forum for these calls for Teamster blood. According to press reports, government investigators, under the prodding of Percy and similar congressional hatchetmen, will soon expand their "investigations" into other aspects of the IBT's vast operations, including its health and welfare fund.

According to sources here, this congressional attack is to be supplemented by a more "high profile" deployment of the FBI-controlled PROD countergang within the union. This deployment is to feature a series of "anti-leadership" demonstrations at locals earmarked by PROD for takeover, including locals in the St. Louis-Cape Girardo, Mo. area.

While this attack on the Teamsters by "left networks" is underway, intelligence operative Mike Parkhurst of "Overdrive" magazine is making a concerted effort to draw leading conservatives into the fight to bust the Teamsters. Terrorist Parkhurst, who in 1973-74 attempted to provoke a bloodbath on the nation's interstate highway system between his "independent truckers," the National Guard, and Teamster drivers as part of the National Security Council's "Operation Chaos" plan to impose a domestic U.S. police state, is now representing himself as the "defender of the free enterprise system." He has reportedly suckered such Whig spokesmen as Senators Schmitt (R-NM), McClure (R-Id) and Helms (R-NC), and Rep. Jack Kemp (R-NY) to back legislation that would partially deregulate the trucking industry and bust the Teamsters' national master freight contract.

There are some signs that certain Whigs are pulling out of this attack on the Teamsters — especially after briefings by U.S. Labor Party officials on the scope of the current operation. Rep. Kemp's office has stated that the congressman will now definitely not be speaking at this weekend's Overdrive Convention, as Parkhurst's group

had announced.

But it remains to be seen whether and how soon key Whig forces around the country will realize that not attacking the Teamsters is not enough. The Teamsters must be defended — as the center of the fight against the Carter Administration and its policies to turn the U.S. into a fascist "backwater."

"When Will They Be Indicted?"

The opening hearings two days ago of the Senate Permanent Investigations Subcommittee had all makings of a classic "witchhunt." The "victim" — the IBT — was tried, convicted, and crucified — all in absentia.

Percy began the hearing by saying that he was not satisfied with the progress of Labor Department-Justice Department-Internal Revenue Service investigation of Teamsters' \$1.4 billion Central States Pension Fund. When will there be indictments of Teamster officials? Percy asked repeatedly. "When will someone go to jail?" Named as candidates for long jail sentences were Cleveland-based Teamster leaders Jackie and William Presser, the two most outspoken critics among the Teamster leadership of the government attack on the union.

Labor Department officials, including labor secretary Ray Marshall, told Percy and fellow hatchetmen, Senators Nunn (D-Ga), Jackson (D-Wa), and Javits (R-NY) that their investigations were proceeding apace and that they had "hard evidence" of pension money being loaned to mob figures. Both Percy and Nunn immediately requested to know why there had been no indictments yet. They were told that they should ask the Justice Department officials who would be testifying later in the week.

Percy had keynoted the other theme of the hearings in his opening remarks when he fully endorsed recommendations by the Rockefeller-controlled 20th Century Fund that would enable the New York banks to loot, almost at will, over \$35 billion in union pension monies. Labor Secretary Marshall, effectively seconded this statement when he announced that the Teamsters Central States Fund was now in "good hands" and its current management could provide a "model" for other funds.

What Marshall was referring to, according to information revealed at the hearings, is the fact that the New York banks have already effectively seized the Central States Fund. And investment group headed by the Rockefeller-controlled Equitable Life Insurance Society and including Felix Rohatyn's Lazard Freres

investment house now controls all the Fund's assets.

A spokesman for Lazard Freres said in New York today that they were just "tickled pink" that "they had finally gotten their hands on the Teamsters' pension money..."

Now, according to Labor Department spokesmen, Equitable will play the major role in determining which Teamsters go to jail. The insurance company is presently conducting a full audit of the Fund's investments which will serve as the basis for actual indictments. Percy, who has charged that as much as half the Fund's investments are now worthless, urged that this process "take place as fast as possible."

Field Marshall Parkhurst

As the witchhunt continues here in Washington, Mike Parkhurst is preparing for this weekend's Overdrive Convention.

Speaking from the same "command center" in Overdrive's Los Angeles office in which he orchestrated violent confrontations with Teamsters and the National Guard in 1974, Parkhurst told an interviewer of his current "strategy":

This is the "year of decision and action" for independent truckers, he stated. "We cannot rely on congressional committees to go after the Teamsters union and its corruption...we must bust the Team-

Percy Beats The Drums

Below are excerpts from Sen. Percy's opening statement to the Senate Permanent Investigation Subcommittee July 18 charging the Teamsters with squandering its members' pension funds.

The next day in the hearings, Percy yelled at Justice Department officials that he was "damned impatient with the pace of their investigation... You've been investigating the Teamsters for 17 years and you haven't put people in jail.... If you don't, then we will have to do it ourselves like we did with the McClellan Committee in the 1950s."

The Justice Department revealed that it has no less than 12 separate investigative teams of the Organized Crime Strike Force going after the Teamsters.

It might well be wondered whether there are, in fact, no Teamster crimes to be found.

Today's hearing is intended to publicly air, for the first time, the findings and results of an almost two-year federal investigation into the operations of the Teamsters Central States, Southeast, and Southwest Areas Pension Fund....

Today we want to inquire into the current fiscal integrity of the Fund and its assets, in view of what appears to have been, over a period of years, a pattern of mismanagement, cronyism, and faulty judgment on the part of former Fund trustees.

We have learned of millions of dollars of bad investments in Las Vegas gambling casinos, a Florida dog track, Ohio and Pennsylvania race tracks, and a Connecticut jai-alai center. Millions have also been invested in a luxurious California resort frequented by Teamsters officials, and a failing Chicago hotel whose construction was financed by a bank which had a Fund trustee serving on its Board of Directors. Millions were loaned to a firm which allegedly gave at least one trustee a gift of substantial stock....

There is concern on the part of some federal officials that the Fund may have lost between \$500 million and \$700 million — perhaps as much as one-

half of the Fund's assets — because of these bad investments....

Why did this occur? I believe the answer lies in consummate arrogance on the one hand, and excessive secrecy on the other. It is an arrogance borne of too little attention by the former trustees to their obligations to the rank and file. And it is a secrecy that appears deliberately intended to conceal their reckless investment decisions.

For years, rank and file union members have inquired, "what about my pension?" Our best source of information has been an alert press which has investigated and uncovered Fund abuses that jeopardize individual pension rights.

Although the Labor Department has briefed Committees of the Congress, these briefings have either been in executive session or in public hearings of little use to the Fund beneficiaries because of the guarded nature of the testimony. It was for that reason that this Subcommittee decided upon today's public session. Had we not asked, in all probability the pension fund door would remain tightly shut. As noted, the former trustees were far too secretive. For the Department of Labor to decline publicly to discuss their negotiations as to the Fund would only compound the problem. Surely, any matter that so vitally and directly affects a half-million Teamsters deserves to be out in the open. And, since there are some nine million Americans who depend on 17,000 union fringe benefit plans with total assets of \$35 billion, they too have a profound interest in the federal government's actions in this area.

The Twentieth Century Fund, in a March 1977 study of the management of union pension fund assets, urged certain changes which this Subcommittee should examine with a view toward recommending remedial legislation. These include a requirement that third-party trustees be appointed to prevent domination by union trustees and that management trustees of union funds are given incentives so as to become more actively involved in making sound investment decisions — that they truly be watchdogs instead of puppydogs....

sters union wide open by busting their control over the trucking industry through the 'master freight' monopoly...."

He stated that his bill, the so-called Overdrive bill (HR 2443), would open the door to deregulation of the trucking industry. It (the bill) would be an incentive for "disunionization". Conservatives Kemp and Helms, he said, are "hooked on what we're doing...it's radical free "disunionization" and "end the tribute" that the independent truckers must pay to the "mob-controlled operators and their Teamster buddies." Conservatives Kemp and Helms, he said, are "hooked on what we're doing...it's radical free enterprise capitalism." The conservatives, Parkhurst said, "see themselves helping the little guy make it against the big, corrupt Teamsters....They hate that union — at least when we remind

them that there is a lot there to hate...."

But Parkhurst has no faith that the legislative process will provide a "remedy for our troubles." "I've got a lot of angry people out there," said Parkhurst, who has published editorials in Overdrive supporting the 1973 CIA-run Chilean truckers strike. "I've been playing it by the rules for three years now. If we don't get our way by the fall or early winter, I will have to take our guns out of the holsters. We could have the worst shutdown ever...." He reported that such a shutdown would be timed to coincide with an expected nationwide coal miners strike, and would almost certainly "bring out the troops...."

Asked whether his "conservative allies" would support such actions, Field Marshal Parkhurst replied, "I guess that's where they get off....Myself, I don't see anything so sacred about the Constitution...."

D.C. Columnist Airs USLP Charges Against FEC

The following broadcast was made by syndicated columnist and radio and television political commentator Jeffrey St. John, on his Washington, D.C. NBC-TV show.

At the Federal Election Commission on K. Street, sitting in a storeroom, are eleven cardboard boxes crammed with 200,000 cards and letters. Those letters denouncing President Carter's "instant voter registration" proposals, were originally sent to the FEC from the White House. Why the White House sent them to the FEC no one knows. Some in this town, including yours truly, suspect that the reason the FEC has not destroyed those 200,000 cards and letters, is that the federal election fuzz are going to use those names as part of a political enemies list.

Now, that would be an unwarranted and outrageous suspicion were it not for recent FEC investigations of political groups critical of the Carter White House. On the right, we have the Liberty Lobby and the Libertarian Party; on the left, the U.S. Labor Party. The Labor Party people maintain that the FEC, with the help of the FBI directed by Attorney General Bell are out to get them. The evidence they present is not conclusive, but persuasive, that the FEC is engaging a campaign of political harassment to silence their criticism of the Crater Administration.

For example, FEC investigators barge in unannounced and even badger their campaign contributors. The Labor Party people also maintain that the Carter White House is turning the Federal Election Commission into its own "political plumbers unit." We checked out this set of charges with sources elsewhere, familiar with the FEC, and what we did discover, is that indeed, the White House seems intent on making the FEC totally subservient to the White House and the Democratic Party.

Perhaps the Republicans should begin looking closer at the Federal Election Commission and at its potential for becoming Mr. Carter's personal political gestapo. And they should do it before Congress passes on his package of so-called campaign election reforms. They might begin by asking the chairman of the FEC why the White House sent to him those 200,000 postcards and letters opposing Mr. Carter's election fraud proposals, and just what do they plan to do with them?

FEC Tampering With Mails

The following United Press International (UPI) wire was released from Washington, D.C., July 13.

If you are one of the 114,000 people who wrote to President Carter opposing universal voter registration, your cards and letters have been shipped off to a federal agency that has nothing to do with the issue...all 21 boxes of the cards and letters have been sent to the Federal Election Commission. The FEC doesn't have anything to do with any kind of voter registration, let alone the Car-

ter proposal which...probably won't be passed by Congress this year. The letters were to President Carter opposing his universal registration plan... (description of the plan)...It would allow someone to register on election day by showing up at the polls with a driver's license or other identification. The White House said it was not planning to answer the letters. It sent them to the FEC for informational purposes. It didn't explain why the letters weren't sent to Vice-President Mondale, whose staff drew up the bill, or to Congressional leaders who are considering the legislation. The FEC's responsibility is as a policing unit of spending by Congressional and presidential contenders and handing out federal funds for presidential campaigns under the Campaign Reform Act. The FEC doesn't know what to do with all the letters. They're just sitting there in the Public Information Office. One official said: "We couldn't answer them if we dropped everything and took the rest of the year. There's not much we could say anyway. We have no position on universal voter registration....It's not our job. It doesn't come under our jurisdiction."

The cards and letters have a similar message, suggesting an organized writing campaign. There are indications the campaign was organized by the Republican National Committee or the Republican Senate and Campaign Committee.

A White House spokesman says: "In a purely scientific way, the FEC has an interest in what kind of response is being made....It was put there for information, but we don't expect them to answer them. We're not going to answer them," the spokesman said. "We're just going to keep them. I don't know what else we can do."

The following is an editorial in the Savannah Morning News July 16, entitled "Right to Write:"

The right of a citizen to petition elected officials is an important feature of our system...

But what if officials refuse to listen? Democracy would no doubt suffer as a consequence. Such thoughts come to mind as we reflect on the decision of the White House to ignore a large volume of mail.

The letters, totaling 114,000 were sent in opposition to the Administration's universal voter registration plan. These could have been routed to President Carter, Vice President Mondale, or congressional leaders who are now considering the plan. They went instead to the Federal Election Commission, an agency that has nothing to do with registration.

This to us seems a calculated slap at citizens who oppose the voting plan. One White House spokesman dismissed the letters as "propaganda mail by an organized group."

We are not sure what group the spokesman is referring to, but he should keep in mind...The Administration is the Administration of everyone and not just those who agree with it on every point.