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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE —

"The environmentalists murder again" charges U.S. Labor Party chairman Lyndon H. LaRouche, writing on the bloody **kidnapping** of a **West German industrialist** this week...and gives some of the **known names** and **networks** who run **European terrorism**...Will this latest outrage be the **"last straw"** that forces European leaders into **total war** against the Wall Street and British **investment bankers** who stand behind **international terror**, asks LaRouche? ...in our **International Report**...

* * *

Plus, a **country-by-country** survey tells how **Europe** is **reacting**...including **West German press** warnings that it may be **"too late"** for terrorist sympathizers like Social Democratic leader **Willy Brandt**...details on the strengths and weaknesses of the **French crackdown** on **terror training camps**...and the **"rent-a-crowd"** thuggery in Britain that is **threatening** the government there with a possible **"military solution."** ...all in this week's **International Report**.

* * *

"The breaking of the President" is the theme in Washington... With **Lance's departure** a foregone conclusion, the **real**

brawl is over **what man...and what economic program...will replace Carter** when he follows **Lance** into obscurity... This week's **National Report** gives the lowdown on the scramble behind **"Lancegate"** and **"Koreagate"** ...will **"Fritzgate"** or **"Gritsgate"** be next?...

* * *

And, alongside the scandal headlines, the **backlash** against the **Carter-Mondale energy** policy is **breaking into print** in a big way...Our **National Report** runs down some of the **highlights**...and also includes a statement by the U.S. Labor Party's **LaRouche** on the **qualities of leadership** demanded now to **prevent economic catastrophe**...

* * *

France is backing up **West Germany's** resolve to nix **hyperinflationary bailout** of the **International Monetary Fund** and its friends ...an **exclusive report** describes how those same banking circles are **secretly** preparing **legislation** that will set up a **dictatorial "energy corporation"** in the Northeastern U.S., part of energy czar **Schlesinger's** plans for **complete control** of the country's **industry and energy supplies**...see **Economics**...also, continued coverage of the **economic warfare** being waged against the **East bloc** nations ...why the **East's response** signals **autarkic** preparations for **war**...

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NEWS ROUNDUP

This week's **Energy** survey shows **two sides** of the **fight** over the **nuclear fast-breeder**...Japan has **compromised** with the **Carter-Mondale** group on a **slowdown** of its development of this crucial technology...but **France** is **defying** the U.S. Administration by **going ahead** with plans for international fission **fuel reprocessing**, including a **deal** with **Japan**...

* * *

Soviet hardliners are **calling the shots** on **SALT**...and **Vance** and **Kissinger** are taking it **on the chin**...**Angry members** of the **U.S. military** are giving the **"utopians"** hell, too...see **Military Strategy**.

The **exposé** of the **Buckley family's** history of treachery continues with **Part IV**...in **Counterintelligence**...how they **maneuvered support** for the **Kennedy Administration's** policies... helped **destroy** the **1964 Goldwater campaign**...what sort of **piggery** is their touted **"New Right"**?...

* * *

Our **Middle East** report leads off with a **bombshell**...news that **European efforts** for a **Middle East peace**...in spite of the **Carter-Mondale war scenario**...are **linking up** with Texas conservative **John Connally** and his

political allies...a combination that could mean **tremendous pressure**...**domestic** and **international**... against the **White House warmongers**...Plus **full reports** on the **Mideast picture** this week.

* * *

The **Anglo-American** proposals for **Rhodesia** spell nothing but **war**...says our **Africa** section...while **everyone** from South Africa to the **Patriotic Front** tries to **forestall race war** in the region...

* * *

Extensive excerpts from an insightful analysis of the **battle over development policy** in **India**...see **Asia**...and a **detailed map** of **who's fronting for whom** in **Japan's** factional fight over the same issue...

* * *

Mexican President Lopez Portillo **hits back** at his **U.S.-supported enemies**...in a **speech** excerpted in this week's **Latin American** section...meanwhile **Peru** waits to see if its **deal** with **New York's Citibank**...**against** **New York's Chase Manhattan**... is **going to work** for either **Peru** or the **bankers**...

'Environmentalists' Murder Again

The following statement was issued Sept. 5 by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman and presidential candidate.

With today's wounding and kidnapping of West German employers' association chief Martin Schleyer, and machine-gun murders of four of Schleyer's guards, the desperate forces behind the international environmentalism and terrorism networks have strained West Germany's toleration beyond threshold.

In this atmosphere, all leading Western European circles will read the Labor Day address of the aged AFL-CIO president George Meany as Meany's capitulation to the forces behind international environmentalist and terrorist forces. Today's murders and kidnapping will also strain relations between the British government and continental European leaders to the utmost, since British intelligence agencies' major complicity with such terrorist networks as those of the "Baader Meinhof" gang is well known.

According to spokesmen for top intelligence circles of Western European governments, it is not only well known but well documented in their files that terrorism and environmentalism in Western Europe are primarily products of certain British intelligence networks, with primary policy control exerted by a group of allied financiers in Manhattan and London, with complicity from certain Swiss financial circles. It is also well documented that key contaminated elements within the Socialist International politically allied to the Club of Rome and other zero-growth-pushing institutions are of the utmost political relevance in the terrorist movement and its environmentalist allies.

For example, the Labor Party's security sections, working in collaboration with other leading anti-terrorist organizations, have pinpointed networks of camps and safe-houses through which Maoists, existentialists, Situationists, Provos and similar aberrant youth are processed through programs of group-sex, sodomy, and drugs, to distill from among those larger numbers a smaller core trained in weapons and explosives operations. Numbers of the camps used for this purpose are part of the same network of Boy Scout camps set up under Lord Baden-Powell. Although the group-sex, environmentalism, sodomy and drugs camps in France tend to be located in the Pyrenees area, the training camps for weapons use tend to be located in Eastern France, near the Swiss and Italian borders, while a network of safe-houses for terrorist deployments is centered in the French-speaking canton of Switzerland, with Lausanne a key base-point for these operations. The World Council of Churches, linked to the USA's National

Council of Churches, is established as a notable element in these operations.

The key elements in the terrorist and environmentalist networks are agreed by all qualified agencies to center around the following well known institutions and their allies. The international financial and political networks of Lazard Freres, Chase Manhattan Bank, Exxon Corporation, Robert McNamara's World Bank, corrupt elements of the Socialist International, and the "Sufi" networks associated with the IMF's Witteveen. These interface the sections of British intelligence pushing "national separatist" projects and the IRA Provos, plus the "left CIA" networks grouped around the above-surface "mother" organization, the Washington, D.C.-based Institute for Policy Studies.

These forces recognize that environmentalism and terrorism are black operations in the British tradition; the use of such black operations as a complement to *regular* military warfare is an instrument of the policies of forces associated with Lazard Freres and Chase Manhattan. In short, those forces regard Lazard Freres and Chase Manhattan as having in fact declared war against much of the human race, and regard the terrorist and environmentalist black operations as acts of warfare by those financier and political factions responsible for those crimes.

The use of terrorist and environmentalist crimes against the United States and other nations represents acts of war against those nations by the supranational forces involved, and hence establishes that those who collaborate with the crimes of the terrorists and environmentalists, are traitors to the United States and other nations according to the strict language of the U.S. Constitution.

That has been the case in fact. However, because of the powerful influence of the backers of the *New York Times*, *Washington Post*, *Paris Le Monde*, Italy's *L'Espresso*, and the involvement of those forces in the Carter-Mondale government, forces in the Carter-Mondale government, forces within the United States and other governments have strained themselves to the utmost in the effort to turn a blind eye to the facts otherwise known to them concerning the backers of terrorism and environmentalism. At a certain point, such toleration can no longer be sustained. The escalation of the terrorism in Europe, together with correlated developments, is pushing continental governments to an open break with the Jenkins-Healey-Owen forces of the current British government, and a bitter attitude toward elements of the present U.S. government. The Schleyer affair could well be the crime that pushes the situation above the threshold.

The Schleyer Kidnapping

The brutal kidnapping of Dr. Hanns-Martin Schleyer, one of West Germany's leading industrial figures, took place in the evening of Sept. 5, as Schleyer's well-guarded motorcade was traveling in the vicinity of Cologne. According to eyewitness reports, the motorcade suddenly had to halt when an automobile blocked the road; a Volkswagen bus containing an undetermined number of gunmen then pulled alongside and opened fire with submachine guns, immediately killing four police guards. Precisely what happened after that is shrouded in mystery and details have been nonexistent since the West German authorities enforced a strict blackout on all relevant information.

Even though there is some contrary evidence, the general assumption is still that Schleyer is alive and being held somewhere in the country. Late on Sept. 7, the Federal Criminal Bureau (BKA) announced that the kidnappers had finally communicated their demands: 11 terrorists now in the Stammheim prison near Stuttgart are to be released, given large sums of money and granted free transport to a foreign country of their choice, accompanied by a United Nations representative and Martin Niemöller, a Protestant pastor known to sympathize with terrorists. In response, the government has demanded that the kidnappers produce evidence that Schleyer is still alive, but 24 hours later the kidnappers have remained silent.

West Germany's Chancellor Helmut Schmidt has meanwhile called together a series of top consultations. First, a "great crisis staff," including industrialists and members of the opposition parties, met for two hours Sept. 6; the next day Schmidt met separately with 15 top industrialists, including Otto Wolff von Amerongen, head of the German Association of Industry and Chambers of Commerce and another prime terrorist target. In addition, West German Interior Minister Werner Maihofer has formed a "deployment office" which will coordinate the efforts of the BKA, the Federal Office for the

Protection of the Constitution, and state and local police.

Two persons suspected of aiding the kidnappers were picked up shortly following the attack. Though their names have not been released, one of them reportedly purchased the kidnappers' weapons in Switzerland. As a security precaution the Hesse state authorities have rounded up 156 persons in the Frankfurt am Main area known to work with, or openly sympathize with terrorist networks.

Most press accounts identify the kidnappers as members of the so-called "Siegfried Haag group" of the Baader-Meinhof terrorist gang — the same group believed responsible for the murder of the leading banker Jürgen Ponto five weeks ago. But there are scattered hints that the "hit" was actually carried out by a completely different group. The *Süddeutsche Zeitung*, a Munich daily paper, has pointed out the fact that none of the jailed terrorists listed in the kidnappers' demands are members of the Siegfried Haag group, while a Czechoslovakian television broadcast speculated that a "right-wing" group may have done it in order to prolong the "vicious circle" of "neo-nazi" versus "anti-fascist" terrorism.

As the accompanying press survey documents, public opinion is overwhelmingly in favor of an immediate crackdown on the extensive above-ground networks of terrorist sympathizers, epitomized by British agents Peter von Oertzen and Baader-Meinhof lawyer and terrorist fugitive Klaus Croissant. Social Democratic Party Chairman Willy Brandt has rightly been singled out as the country's highest-ranking terrorist against the West German government.

Following the Schleyer kidnapping, Brandt appealed to all sympathizers to immediately break contact with terrorists "before it's too late," or else risk being labeled "fascist" in spite of their "anti-fascist" veneers. The Hamburg daily *Die Welt* ironically commented that it's already much "too late," since Brandt himself has

Schmidt: 'The State Will Respond'

West German Chancellor Helmut Schmidt strongly condemned the terrorist kidnapping of West German employers association chief Hanns-Martin Schleyer in a nationally televised speech Sept. 5. Excerpts from Schmidt's speech appear below.

"The news of the murder attempt on Schleyer has struck me just as deeply as the news of the murder of (leading West German Banker Jürgen) Ponto and (West German Federal Prosecutor Siegfried) Buback. The new four victims are only the latest in a chain of blind-rage terror which has not yet come to an end...

"The aim of this terror wave is to undermine the trust of the citizen in his state, but the state will respond to this with the necessary rigor.

"The police, which have pursued the previous

crimes and this one, too, with all force, have the unconditional support of the state and my personal backing.

"In the ceremony at the Buback funeral, I appealed to the relatively small minority, who are the so-called sympathizers. I am sure that the real guilty ones might now be listening to my speech and they might feel a hidden triumph. But they must know that terrorism cannot win, because it has the will of the whole people against it.

"Those who still try to find excuses for terrorism isolate themselves from the community of citizens.

"All citizens who have even the slightest hint which could explain the crime of kidnapping must give this to the police. It is the moral duty of all citizens to support the police by all means.

"This is a brutal provocation against all of us and we are called upon to assist our state organs."

always cultivated relations with this very layer. In a recent letter to Schmidt, Brandt warned against an alleged neo-fascist resurgence in West Germany. The now-celebrated letter was in fact the keystone of the belief structure that "industrial capitalism is fascism" and "industrialists and capitalists are class enemies" now in use by British and American intelligence networks to deploy terrorists to murder West Germany's leading industrial spokesmen.

Dr. Hanns-Martin Schleyer became West Germany's most powerful industrial representative last year when he became head of the German Federation of Industry. He has meanwhile retained his post as chairman of the German Federation of Employers, which coordinates negotiations with most of the country's big trade unions. Over the years he has generally become associated with a hard-nosed stance against trade union wage demands, but his more quiet coordination of overall industrial policy is probably much more significant.

Jürgen Ponto was murdered just before a scheduled trip to Brazil for top-level consultations; circumstances are similar with Schleyer, who was expected to address the Swedish Industrial Association in Stockholm. According to a spokesman of that organization interviewed by *New Solidarity International Press Service*, Schleyer intended to speak about energy, monetary, and industrial policy, and would have called upon Sweden to join France and West Germany in making Luxemburg a major center of the European capital market. (Many European bankers believe that a Luxemburg gold market can play an important role in broader moves to replace the present dollar-based monetary system.) Schleyer was also scheduled to visit the United States this month.

* * *

W. German Press Identifies "Centrally Coordinated" Terror, British Control

Conservative Herz-Eichenroede, a leading correspondent of West Germany's daily *Die Welt*, summed up the estimation of numerous Bonn observers of the present terrorist threat in a column Sept. 7. "The times when terrorists could be called mis-led youths are gone," he writes, "... they are coordinated through a central commando apparatus."

The key question, of course, is *who* is behind this ap-

paratus. In a number of leaks, primarily from conservative and right-wing commentators, West German leaders have signalled that they are fully aware of the British-controlled networks behind the terrorist wave in their country. Prominent among these leaks are:

Sept. 8: The *Bayernkurier* publishes an attack on "respectable" politicians who have a known history of supporting ultra-leftist ideology used by the terrorists to justify their actions. The paper cites Social Democratic Party Chairman Willy Brandt, the London Institute for Strategic Studies and Fabian think-tanks, and certain "liberal" Christian Democrats as examples of such political layers. The *Bayernkurier* also publishes excerpts from a 1936 book by Willy Brandt and entitled *Confessions*, in which Willy Brandt (then a journalist) justifies anarchism during the Spanish Civil War. Brandt noted in that piece that "when bankers refuse to give in, they were assisted to do so," i.e., assassinated. Finally, the paper reminds that Brandt began his career as a radical in the Sozialistische Arbeiter Partei (SAP — a well documented, British-financed intelligence operation...ed.).

Sept. 8: *Die Welt* correspondent Neander comments on a just issued appeal from Willy Brandt that liberal sympathizers rethink their support for terrorist ideology. Neander emphatically tells Brandt, "it is too late" for such a change of heart. "The job done by others to portray the terrorists as martyrs has already gone too far," and even if the sympathizers such as prominent literati Heinrich Böll, were to suddenly alter their support for terrorism, "they no longer have any excuses, no matter what they write." Neander then marks the date at which the first prominent respectable support was issued for terrorist ideology: an article in *Die Zeit* supporting Baader-Meinhof member Gudrun Ensslin during her Frankfurt trial.

Sept. 7: Several West German papers observe that the country's security agencies have been attacked by foreign secret services for their inability to infiltrate terrorist organizations. *Die Welt* points out that these criticisms are coming from "Anglo-Saxon sources."

A number of reputed international journals have thrown support behind the West German government, and denied the allegation that West Germany is a "fascist" country. For example, the Israeli trade union newspaper *Davor* is reported by *Die Welt* as saying: "Terrorism subverts democracy... Despite the past of Germany... we all want to see democracy survive there."

Terror Expert: BRD Terror Will Definitely Continue

This interview with a prominent university professor and self-proclaimed "expert analyst of trends in terror" was made available to the Executive Intelligence Review shortly after the Sept. 5 kidnapping of West German industrialist Hanns-Martin Schleyer.

The professor discussed his qualifications as an expert on terrorism, citing both his participation in a number of conferences on terrorism and his extensive contact with the European university strata which often functions as the support networks to protect terrorists in Europe. In the excerpts of the interview below, the professor describes the terrorists as "radical" and "socialist," the standard line currently used by terrorist controllers to legitimize terrorist activity as "antifascist resistance."

Q: Do you have a new evaluation of the Baader-Meinhof group and West Germany's ability to handle terrorism, following the kidnapping of Schleyer?

A: Yes. It is clear that the Baader-Meinhof group is more highly organized and considerably larger than had previously been recognized by the Germans. The West German government believed that they had contained the situation and had arrested most of the terrorists. They even told the public that the Baader-Meinhof terrorism couldn't happen. It is now clear that they don't know who all of the people in this organization are or the extent of their activity. They have, in short, made a major mistake. These are highly trained intelligent individuals who are capable of organizing, planning, know how to get weapons and materials necessary for fulfilling their objectives. They obviously have access to foreign funds, and definitely have training programs outside the country.

Q: What are their overall objectives and goals?

A: The organization is devoted to radicalism and socialism, which is reflective of the outlook of the younger generation in the country today. I think their long-term objective is to bring about a change of government in Germany, or a change in social political attitudes more reflective of their socialist outlook. They can be compared to the Spartacist revolutionaries in the 1920s, who used the same violent terrorist tactics to bring down the government. Once this younger generation comes into power there are going to be major changes, more socialization of industry and services. You have to look at the German political spectrum from its own frame of reference, which developed out of the turn of the century period; what would be considered a liberal here in the U.S. would probably be looked on as very conservative in Germany.

Q: Where do you see the Baader-Meinhof terrorism moving in the future; are there any clear trends in their activity?

A: Well, it is definitely going to continue. It looks like they are moving toward the targeting of industrialists, banks and prominent individuals, very much like the developments of terrorist organizations in Brazil several years ago, where the terrorists began kidnapping and actually executing major industrial figures from foreign countries if their demands were not met. I think this is going to be a major threat to all prominent industrial figures and banking officials in Germany at this time.

Andreotti - Communist Party Collaboration Target Of Terrorist 'Hot Autumn'

On Sept. 5, the executive of the Italian Communist Party (PCI) issued a sharply worded warning that forces among the extreme left and certain (Fabian) networks among Christian Democrats and the trade unions were moving to provoke a "violent autumn" of unprecedented proportions this year. The warning followed on the heels of a series of provocations launched by hundreds of fascist "autonomisti" youth at the annual PCI-organized *Unita* festivals in Milan and Trieste, as well as provocative announcements by Fabian trade-union leaders of their intention to mobilize the mass of 650,000 unemployed Italian youth this fall as the battering ram to topple the alliance between the PCI and the Andreotti government.

The agreement between the PCI and Andreotti has become the prime target for those Wall Street and London investment houses typified by Lazard Frères and represented in Italy by Enrico Cuccia, president of the giant Mediobanca. This Cuccia-Lazard circle, with its historic control of "left extremist," Socialist Party, and

Christian Democratic networks, is deploying to collapse the Andreotti cabinet or maneuver it into a controlled environment by some time this fall. The leading tactic employed — as throughout the rest of Western Europe — is terrorism and social disruption.

While the Milan daily *Corriere della Sera* has taken to accusing the PCI of "paranoia" for construing everything as an attack on the party, the general secretary of the Italian Socialist Party (PSI) and the vice-president of the ruling Christian Democratic Party (DC) have both begun to denounce the DC-PCI governmental alliance. Last week, the vice-president of the DC (and leader of that party's "Base" faction, founded by Cuccia), Giovanni Galloni, reversed his former position and issued a scathing polemic against the PCI as a party biding its time to stab the DC in the back. The following week, Galloni was echoed by PSI general secretary Bettino Craxi, who, in much the same terms, warned in the pages of *Le Monde* against the PCI's "Machiavellian" intentions. The consummation of the DC-PCI

alliance in the so-called "historic compromise," Craxi threatened, would be met with the fullest resistance and denunciation by the Socialists.

With the DC "Fabian" wing, typified by Galloni, attempting together with the PSI leadership to isolate the PCI and Prime Minister Andreotti politically, a campaign is being organized by the most notorious corporatist in the trade-union movement, Giorgio Benvenuto of the national UIL confederation, to mobilize the mass of 650,000 unemployed Italian youth against the joint PCI-government economic program.

On Sept. 6, Benvenuto announced his campaign for a nationwide anti-unemployment drive aimed directly against the legislation worked out by the government in conjunction with the Communists to deal with the problem. A counter-statement was immediately issued by PCI Central Committee member Cervetti, warning that the "autonomisti" will be used in this youth mobilization to generate a "hot autumn." Already, the "autonomisti" have been deployed into the PCI's *Unita* festivals, attacking PCI members by the hundreds in Trieste and Milan. Benvenuto's campaign to exploit the rage of Italy's unemployed youth is expected to take off with a bang later this month, when a repeat of the Bologna riots of earlier this year is scheduled to take place in the very heart of PCI-controlled territory.

The full gamut of the fascist extraparliamentary left in Italy, from the Lotta Continua Maoists to the luridly fascist "Indians," is scheduled to hold mass demonstrations in the "Red City" of Bologna for a period of three days beginning Sept. 22 as a sign of protest against the "sell-out" PCI. When riots were staged at the city university earlier this year, armored cars were brought in by the local PCI government to deal with the thousands of Maoists and provocateurs shipped into the city by the trainload. The riots were then quickly subdued when Bologna's workers collaborated with the police. This time around, the Bologna riots are planned as only the first step in a campaign; the momentum is to be picked up and carried by the dregs of the trade-union movement through the offices of Giorgio Benvenuto. The daily *Repubblica*, controlled by Cuccia's ally Giovanni Agnelli of FIAT, has already published the first three installments in a series of articles by the notorious City of London flunkey Giorgio Bocca (a Socialist fellow-traveller) designed to give the "autonomisti" provocateurs the cover of legitimacy. Characterizing the "autonomisti" as "impoverished and tough Leninists," Bocca urges their cooperation with the trade unions in order to "solve" the problem of youth unemployment — by generating terrorism and chaos throughout the country.

French Steps Toward Terrorist Crackdown

The government of France has recently undertaken a crackdown on terrorist networks and training grounds located on French soil. In large part, the crackdown is a feature of the French thrust for economic cooperation with West Germany, and has included a belated effort to locate terrorist figure Klaus Croissant, wanted in West Germany and living in France in recent months. It has also included raids on the psychiatric clinics and "agricultural communes" operated as terrorist-selection centers on French and contiguous territory by Interpol and coordinating British-based and other intelligence networks.

But to date, the French government has been impeded in its current crackdown by evident infiltration and contamination of government offices and police forces by the same, identified intelligence networks associated with the international banking operations of the Chase Manhattan and Lazard Frères groups.

Nevertheless, and French crackdown is real, and coincides with other indications that European governments may soon take the action required to stop terrorism for good. Its first salvo was fired in mid-August, with the publication of exposés in the conservative southern paper, *Le Méridional*, targeting a number of "agricultural communes" concentrated in the southeast of France as obvious terrorist training centers. With connections and support from the Club of Rome's Sisco Mansholt, Swiss banking, and the United Nations' "Food and Agricultural Organization," communes in France's Ardeche Department such as that of Forcalquier, and others in France, Switzerland, and Austria named by *Le Méridional*, were the source of the Corsican

and Basque "autonomist" terrorist movements which are controlled by agencies resident in London and associated with the British crown.

On Sept. 1, the "liberal" daily *Le Monde* protested that the communes, as "experiments" in returning to nature, were threatened by "rumors" such as those circulated by *Le Méridional*. Nevertheless, the French government this week issued an arrest warrant for one Pierre Conty, founder of a "commune" in the Ardèche region which functions as part of the overall network of training grounds. An all-out mobilization of available police forces from Lyon, Grenoble, and Montpellier is underway in the area to find Conty, whose fingerprints were found on a pair of glasses in an automobile used to carry out an Aug. 25 hold-up of the Crédit Agricole (agricultural credit bank) in Villefort, in which one policeman and two passers-by were killed. Another member of the commune is also wanted as a witness in the killings.

This week the government also decided to suspend state funding for a clinic at the Saint-Anne psychiatric hospital known as Etienne Roussel. This clinic, which will shut down as a result, is roughly the French equivalent of the Lincoln Detoxification clinic in New York, where drug addicts have been brainwashed and turned into the police-killers of the Black Liberation Army. Saint-Anne was itself started shortly before World War II by Jacques Lacan, a "psychologist" who trained many of France's leading Maoists at the Ecole Normale Supérieure in time to play a role in the May 1968 uprising against De Gaulle.

Lacan, who has taught at Saint-Anne for four years,

was in charge of a series of conferences on psychology at the Ecole Pratique des Hautes Etudes (EPHE) in 1963. The EPHE is now well known in France as a unit connected to the Washington, D.C. Institute for Policy Studies. There, ecologists, "autonomists," and other social "libertarian" movements have been created.

Aside from maintaining a well-publicized friendship with terrorist supporter Jean-Paul Sartre, Lacan is the director of the psychology collective at Editions Le Seuil (a known CIA publishing house), and is a specialist in Chomskyan linguistics, which is used to create belief structures for terrorists.

Despite its crackdown, the French government is holding back from ruthlessly pursuing a course to eliminate the terrorists entirely. For several months, Klaus Croissant, a lawyer for the Baader-Meinhof terrorists in West Germany and one of the controlling figures in international terrorism, has been living in France, even seeking political asylum there. Only now, after the

kidnapping of West German industrialist leader Schleyer, and the issuing of an international arrest warrant for Croissant, has any effort been made to determine his whereabouts. Croissant was, in fact, allowed to be interviewed somewhere in France secretly on Sept. 7 by journalists working for Antenne No. 2, a state-controlled television station. The French conservative press, particularly *France-Soir* and *L'Aurore* have vehemently protested over this "red carpet treatment" being accorded Croissant by French television while he is a wanted man.

The French government is impeded not only by probable active sabotage on some level by elements in the Finance, Justice, and Interior Ministries, but also by its own refusal to go after the network of controllers and supporters of the terrorists, those like *Le Monde*, *Le Matin*, *Le Nouvel Observateur*, and Lacan, Sartre, et al., who apologize for terrorism as a "legitimate sociological phenomenon."

Britain Besieged By Left-Right Violence

"Rent-a-crowd" street thugs and other lowlife have been ferried around Britain in recent weeks to instigate race riots, trade-union rebellions, and terrorist incidents as well as to create a phony antifascist hullabaloo, fostering a debate about possible military intervention to keep the peace.

The purpose of these stage-managed confrontations — run out of Britain's Transnational Institute (European arm of the Washington-based Institute for Policy Studies), the London Institute for Race Relations, and networks associated with former Interior Minister Roy Jenkins — is to undermine the political base of British Prime Minister James Callaghan and force him to comply with New York pressure for Schachtian-modeled hyperinflationary economic policies.

Most recently, rank and file delegates to the annual Trades Union Congress (TUC) staged an unexpected rebellion against Callahan's long-term economic strategy by threatening to overturn pledges by their leaders to preserve the remnants of the "social contract" between the Government and the labor movement. Egged on by left-wing agitators and "right to work" demonstrators — including many of the same groups responsible for other recent incidents of political violence — the delegates nearly threw out the 12-month rule (mandatory gap of one year between pay settlements) which they had agreed upon previously. Although the final vote went in the government's favor — after a personal appeal by Callaghan to the TUC delegates — the so-called "radicals" have made clear their intent to sow disruption in trade-union ranks and organize against the government's economic policies.

A similar pattern emerges in the widely publicized industrial dispute over the right of trade unions to organize at the privately owned Greenwich film processing factory. Here, demonstrators recruited by the NATO-run Socialist Workers Party and the extreme right-wing National Association for Freedom (NAFF) have been out in force all summer to incite clashes with

police.

Another hotspot has been ignited with the announcement of President Carter's much-touted initiative to solve the Northern Ireland conflict. The deliberately vague and ambiguous Carter statement has had the effect of setting political groups and factions within them at each others' throats over the "meaning" of the Carter plan. Already one moderate political group has splintered into warring factions and has warned that their fall-back position might be to "stand aside and hand over to the men of violence." Splits and fissures have also emerged in the leadership of the terrorist Irish Republican Army. At the same time, security authorities have discovered a highly suspicious "hit list" which contains the names of terrorist controllers such as Roy Jenkins and Enoch Powell as well as plans for bomb attacks on British cities.

Callaghan's retreat from war against these easily identifiable nests of terrorists has spawned discussion in the press on the advisability of using troops to maintain public order if the "civil power" cannot cope with the mounting level of violence. Prominent former intelligence agent Lord Chalfont has attacked Callaghan in the pages of the *London Times* for "weak political leadership" in a society where "the rule of law is everyday being challenged."

Institute for the Study of Conflict director Brian Crozier and his board of counterinsurgency experts are advocating a "paramilitary third force" should police be unable to handle the new wave of terrorism.

Crozier is also among the chief backers of Tory leader Margaret Thatcher, who is being groomed for Callaghan's position. Thatcher is now on a nine-day tour of the U.S., which includes meetings with David Rockefeller and Henry Kissinger. Thatcher will also meet with nearly every member of the Carter Cabinet as well as National Security Council boss Zbigniew Brzezinski, Andrew Young, New York Senator Daniel Moynahan.

Conservatives Push Back Against Mondale Option

Inside sources in Washington, D.C. are giving Jimmy Carter no more than a month until he finds himself back in Plains, Ga. with his financially troubled friend and budget director, Burt Lance. Last Sunday's public call by the Americans for Democratic Action for Lance's dismissal, a barely disguised demand for Carter's own resignation, was followed up throughout the week with a parade of new charges by congressmen and federal officials on Lance's political and financial shenanigans.

Most interesting, however, is the fact that the loudest voices raised in the call for Lance's ouster are those of close associates of Vice President Walter "Fritz" Mondale. The arrival on the scene this week of Mondale protégé Secretary of Agriculture Bob Bergland and Mondale-allied Senators Abe Ribicoff and Charles Percy demanding Lance's dumping opened up a new line of questioning in the escalating scandal. Is Lancegate being used to boot Carter from the White House and replace him with the Lazard Freres and City of London-backed Mondale as the next step in David Rockefeller's drive for a fascist U.S. economy?

Over the past weeks, the U.S. Labor Party has identified this gameplan as the bankrupt bankers' "Mondale Option" for saving the U.S. dollar through deindustrialization and slave labor. Worse still than a Carter presidency, a Mondale White House would serve as lower

Manhattan's stepping stone to domestic fascism, the USLP has warned, and no effort should be spared to insure that Mondale is bounced from executive office *before* Carter is impeached or forced into resignation.

Conservative opposition to the Carter Administration in the U.S. Congress got a taste of what's in store for them under the Mondale Option this week. Mondale and his cohorts revved up the Koreagate scandal, announcing the indictment of Korean businessmen Tongsun Park and naming a number of U.S. political figures for probable future indictment. In addition, the friends of Lazard Freres have targeted John Connally, a foremost mediator between U.S. industrialists and their counterparts in the Mideast, for immediate neutralization, if not political destruction.

Congressional backlash to the implications of Carter's no-growth, no-industry energy package is the most significant indication thus far that U.S. conservative opposition to the Administration will jettison Carter, Mondale and the Administration's fascist policies — all in one package. The Senate this week vetoed a bid for forced conversion of industrial plants to coal fueling, a major plank in the deindustrialization program, and a major fight is expected in the Senate where the House and Senate versions of the entire energy package must now be resolved.

'Lancegate' Escalates To Calls For Carter's Ouster

The commencement earlier this week of several Congressional investigations into the continuing saga of Bert Lance's financial troubles together with the intensity of the Eastern Establishment media onslaught against the beleaguered OMB director and his Presidential protector, indicate that both Jimmy and Bert could find themselves out of office before the end of September—leaving the Presidency in the hands of Lazard Freres-puppet Walter "Queen Fritz" Mondale.

The newest round in the "Mondale Option" scenario unfolded last Sunday when Carter was advised publicly to fire Lance by the Americans for Democratic Action (ADA)—a political mafioso unit created in the late 1940s by networks connected to Hubert Humphrey and Joe Rauh of the Institute for Policy Studies' labor infiltrating unit, and whose first student director was Humphrey's protege, Mondale. The call was a barely disguised demand for Carter's own resignation, since according to inside sources, Carter has confided to his closest asso-

ciates that if Lance is forced to resign, he himself will not survive in office much longer.

The ADA salvo was followed immediately by a slew of charges of complicity in his budget director's financial shenanigans. In what the media characterized as "the most explosive charge yet levelled" during the Lance affair, Acting Comptroller of the Currency Robert Bloom, in testimony before the House banking subcommittee on financial institutions, Sept. 6, accused Carter of deliberately withholding information concerning Lance's money troubles from the Senate Government Affairs Committee which confirmed Lance in January.

Only hours later, Comptroller of the Currency John Heimann turned over to the Justice Department, the IRS, and the Federal Elections Unit (FEU) for possible criminal prosecution, a report concerning Lance's alleged misuse of a plane owned by his National Bank of Georgia for political purposes. In reporting on Heimann's action, the Sept. 7 *Washington Post* quoted

one unnamed senator that "almost every one you ever heard of around the White House" is implicated by the report.

Clearly, Carter is an intended victim: just two weeks ago, the White House was forced to concede that Carter had flown on Lance's plane during campaign tours, but had "overlooked" reporting this on campaign financial statements.

Adding to the barrage against the Lance-Carter twosome, the Senate Government Affairs Committee voted Tuesday to conduct a full-scale investigation into the entire Lance affair, complete with subpoena power. The two co-chairmen of the committee, Senators Ribicoff (D-Conn) and Percy (R-Ill), announced Wednesday that they will also broaden investigations into the conduct of all federal agencies involved in holding back evidence from the Committee at the time of Lance's nomination. Foremost on the list are the Comptroller's Office and the FBI.

Ribicoff and Percy—who on Labor Day briefed Carter on what they called "new, serious allegations of illegality" against Lance and urged him to fire the OMB head at once—have also vowed to pursue full-scale hearings into the Lance case even if the budget director leaves office, a move which can only be interpreted as targeting Carter.

Thus far Carter has stood adamantly behind his budget chief, insisting that he be given his "day in court." This unexpected stubbornness has prompted the Lazard Freres crew into rushing their drive to get Lance out of office, fearing that Carter and Lance may actually fight back in some way. These fears were augmented when White House press secretary Jody Powell told the press Sept. 7 that Carter, who had met with the Black Congressional Caucus to discuss minority unemployment earlier, still had serious reservations about the inflationary, make-work aspects of the Humphrey-Hawkins slave labor bill, which is one of the foremost proposals of the Mondale-Lazard Freres faction.

Signalling other troubles ahead for the Mondale sup-

porters, Comptroller of the Currency John Heimann encountered some rough sailing when he appeared before the Government Affairs Committee Sept. 8. Under angry questioning from Senators Nunn (D-Ga) and Sasser (D-Tenn), Heimann was forced to concede that Lance has been guilty of no illegalities, and that press coverage of the OMB head's troubles has been generally unfair. Nunn then read into the record a Department of Justice memo, never reported in the major media, which essentially clears Lance of the charges against him.

Today, Evans and Novak devote their syndicated column to reporting on the widespread sentiment in the Senate that Lance is victim of a witchhunt, and note that most members of the Senate Government Affairs Committee were "unimpressed" with Heimann's anti-Lance testimony yesterday.

The Lazard Freres crew does not want Lance to have his "day in court." Ribicoff unsuccessfully attempted to postpone Lance's appearance before their Government Affairs committee indefinitely, Clark Clifford—an agent of the New York investment houses who has insinuated himself into the position of Lance's counsel—succeeded only in putting off Lance's appearance before the committee until Sept. 15.

However, with one orchestrated voice, the *New York Times*, *Washington Post* and *New York Daily News* all editorially demanded Lance's immediate resignation September 8. The *Washington Post* claimed that since nothing Lance could say could possibly clear him, he should get out of office right now. To Carter, the paper issued a pointed warning as to his own fate: "It keeps getting worse and worse for Carter...but Carter is very stubborn. He's suffering a great erosion...will he be able to see the truth?"

On Sept. 9, James Wechsler, editorial page editor of the *New York Post* and a Kuhn, Loeb spokesman, lit into Carter with a vengeance not seen since the final days of the Nixon Watergate: "Now it is the President himself who is hourly being more deeply entrapped in 'the tangled web' despite clear, clanging warning signals..."

Who's Kissinger Now?

Some people may wonder why the Grand Old Party is spending the festivities around the Lance scandal in the Washington backrooms. The answer to that question is in two words: Henry Kissinger.

Nelson Rockefeller protégé Kissinger and his political backers have duped a significant number of mainstream Republicans into the belief that the Lance affair will allow for greater Republican input into the White House and — "if they play their cards right" — open the way for the GOP to win the presidency in 1980. One Washington source close to the Republican National Committee proclaimed that top Republicans around the country, with the notable exception of Ronald Reagan, consider Henry Kissinger the party's "number one foreign policy asset."

The irony is that while these Republicans are lying low, waiting for the gate receipts to roll in, the

same Mondale-for-President crowd which is conducting Lancegate has begun to fill the national press with nasty leaks on Dr. K's and Rocky's dirty past, giving the lie to illusions that "Republican input" in the White House would increase with Lance and Carter out of the way.

Meanwhile, Henry Kissinger himself has guaranteed himself an office and a paycheck by stepping into Zbigniew Brzezinski's old shoes. Dr. Kissinger has just accepted a position on the executive committee of David Rockefeller's Trilateral Commission — the supranational fascist body which created Jimmy Carter and whose "former" members number 13 top members of the current Administration, including Carter and Fritz Mondale himself. This is the Republicans' "top foreign policy asset"?

his public opinion polls are slipping...The earlier view that Carter was motivated by tenacious friendship is even being replaced by dark rumors that he is Lance's captive... Has Carter succumbed to some paranoid theory of persecution? Is he determined at any cost to give Lance a final public show before lowering the curtain?... The irrationalities of politics did not vanish when Richard Nixon left Washington...."

Of course, the Lower Manhattan press is complement-

ing its attacks on Carter with a blitz of favorable coverage of their intended President, Walter Mondale. In the most blatant case thus far, the Sept. 7 *Washington Post* waxed effusive over Mondale, complimenting Carter for his wisdom in bringing Mondale and his protege, Hamilton Jordan, into the making and execution of foreign policy.

—Kathy Murphy

Koreagate Witchhunt In Congress Set To Begin With Park Indictment

A 36-count felony indictment served against Korean businessman Tongsun Park has begun a sweeping witch-hunt against the U.S. Congress.

The indictment of Park, handed up by the U.S. District Court grand jury Aug. 26 and announced Sept. 6, is aimed at returning Park to the U.S. for the ostensible purpose of facing criminal charges of conspiracy, bribery, mail fraud, illegal campaign contributions, failure to register as a foreign agent, and other charges. The real reason for Park's return, according to the game plan concocted by the investment-bank controllers of Vice-President Walter Mondale, is to use the Korean's testimony before the House Ethics and International Relations committees to frame up largely conservative and constitutionalist congressmen on acceptance of bribery charges.

Pressures for Park's return have flowed largely from the *Washington Post* — the official mouthpiece of the Lazard Frères investment bank, which first broke the "Koreagate" scandal over a year ago. In near-daily editorials and news articles, the *Post* has reported the ins and outs of this engineered scandal, leaking congressional targets and generating hostility toward South Korea. At the same time, seasoned Watergater Leon Jaworski, the recently appointed special counsel to the House Ethics Committee which will lead the congressional witchhunt, has been plotting with associates of Vice-President Mondale on ways to intensify Koreagate. Jaworski, who takes orders from the terrorist-connected J.M. Kaplan Fund, recently paid a 20-minute call on Secretary of State Cyrus Vance — a close Mondale associate — to work out ways to pressure Park and the South Korean government into complying with the indictment.

"Just the First"

The indictment lists, but does not formally indict, about 30 leading U.S. politicians, mainly present and former congressmen. "This is just the first indictment," Attorney General Griffin Bell commented when asked why no Congressmen were indicted. One former member of Congress, Richard T. Hanna of California, was identified as an unindicted co-conspirator, and several present and former Representatives and Senators were listed as the recipients of campaign

contributions.

The bulk of the congressmen named are conservative, like Sen. Harry Byrd (Ind.-Va.) or industry-labor-linked, like former Senator Stuart Symington (D.-Mo.). A clear demonstration of the anti-conservative thrust of the scandal is the naming of Louisiana Governor Edwin W. Edwards as the major beneficiary of Park's largesse.

Edwards, a conservative Democrat with close ties to independent oil producers, has been a strong critic of the Carter Administration's no-growth energy policies.

Jaworski and his Fabian accomplice Rep. Donald Fraser (D.-Minn.), a front man for Mondale who heads up a House investigation parallel to that of Jaworski's Ethics Committee, are doing everything in their power to pressure the South Koreans into extraditing Park. One of their primary tactics, the threat of cutting off economic and military aid to South Korea, fizzled this week. An amendment by Rep. Bruce F. Caputo (R.-N.Y.) to cut off Food for Peace assistance was rejected, although by an unexpectedly close 205-to-181 vote, while a similar amendment by Rep. Andrew Jacobs (D.-Ind.) to cut all South Korean aid, including military aid, was rejected by an overwhelming 268 to 120.

Many Congressmen, as admitted by Rep. Richardson Preyer (D.-N.C.), voted yes only "to make it appear that they were innocent of any connection with the Koreans."

Not only have the Mondale crew's intimidation efforts failed in Congress; they have failed more dramatically vis-à-vis South Korea. Thus far, Seoul government officials have refused to cooperate with the Lazard Frères faction on any terms. In a message released by the South Korean embassy Sept. 7, it was flatly denied that Park had ever been appointed a government agent; the statement denied that "what he did or did not do was done with the foreknowledge, approval or cooperation of the government of the Republic of Korea."

In a story now running in major press outlets, it is reported that U.S. government officials who met this week with Korean president Park raised two separate subjects: "human rights" and the extradition of Tongsun Park. When the U.S. officials recommended forcibly placing the businessman on a plane, however, the Korean president declared the idea a violation of "human rights."

Backlash To Carter's Energy Package Spurs Senate Action

The actions on Carter's energy package taken in the U.S. Senate on Sept. 9 indicate that the pressures brought by U.S. industrial interests are having a strong effect. The Senate voted down Sen. Kennedy's (D, Mass.) bill demanding that oil companies divest themselves of their interests in coal and uranium. At the same time, the Senate voted up a coal conversion amendment that effectively prevents any ban on industrial plants burning oil and gas. Without those parts there can be no forced conversion of industrial plants to coal burning — one of the key elements of Carter's anti-energy program.

Two conservative Senators' offices have expressed optimism that the Administration's energy plan will not get through the Senate, and a major fight is expected when Congress tries to reconcile the House and Senate versions of the package.

Industrial interests are beginning their most intensive mobilization in recent history to lobby Congress on behalf of energy development, revival of the steel industry and industrial expansion. The Independent Petroleum Association of America plans a major lobbying effort during the second and third weeks in September, and numerous power companies and steel-town mayors are already in Washington, as are Oklahoma's Gov. David Boren and three other governors who bypassed the Governors' Conference in Detroit to make the trip.

Simultaneously the U.S. Chamber of Commerce has been lobbying at the White House against the Labor policy correlate to President Carter's energy program, the Humphrey-Hawkins Bill.

The actions taken in the Senate on the first part of Carter's energy program to be considered there reflect this national groundswell of opposition and indicate development of the kind of political climate which would make possible the establishment of real solutions to the nation's energy needs.

The Senate unfortunately passed the Administration's bill for coal conversion sponsored by Sen. Henry Jackson (D-Wash.), which is a softer version than the one that passed in the House. The Senate rejected aspects of compulsory conversion that would have made the bill vastly more stringent.

The Senate rejected, 71 to 14, a proposal by Sen. J. John Heinz (R, Pa.) that would have forced the estimated 500 power plants in the U.S. that are capable of burning coal but presently do not do so to stop burning oil and natural gas. The Senate also voted down, 71 to 12, another Heinz amendment that would have prohibited any utilities company from using natural gas after 1985. An amendment sponsored by Sen. Edward Kennedy (D-Mass.) that would have prohibited large oil and gas companies from purchasing coal and uranium reserves was killed by a vote of 62 to 30.

The Jackson bill, which was voted up 74-8 on Sept. 8, prohibits all new power plants and new major fuel

burning installations from burning oil and natural gas, and prohibits existing facilities from using oil and natural gas as their primary fuel after 1990.

The bill says that any new plant using over 300 million BTUs per hour will have to use energy sources other than gas or oil. The *Baltimore Sun* claims that all but the largest industrial users will be unaffected by this restriction. An amendment to the bill sponsored by Sen. Jacob Javits (R, N.Y.) which will create a \$10 billion loan and loan guarantee system for financing conversion and air pollution devices was also passed.

Despite the passage of this unfavorable bill, Capitol Hill sources informed EIR that major points in Carter's energy package are in "deep trouble." For example, the sources said, the utility rate reform section will not even make it out of committee. Sources close to Sen. Russell Long (D, La.), Chairman of the Senate Finance Committee said that Long privately hopes to cut the wellhead crude oil tax from Carter's package and is pushing to postpone a Senate vote on major portions of the package until next year.

While the way is becoming clear for implementing a program for industrial and economic expansion, some Whig forces in the Senate are pouring their efforts into natural gas deregulation, a dangerous side-track, and a policy which will collapse the living standards of American citizens.

Backlash Press Grid

Milwaukee Sentinel, *Sept. 7 editorial*, "The Breeder Reactor a Power Priority":

And while wrangling over details of the complex project (President Carter's energy package — ed.) and public agonizing over the dangers of delay will get much attention, the key to the nation's energy security in the future obviously seems to be in a related matter involving the breeder reactor.

The breeder reactor — an atomic energy plant that can produce more fuel than it consumes — has the potential of providing energy insurance for the nation for centuries or until such sophisticated power sources as solar power and fusion can be developed for economic and wide-spread use...

...As for making a bomb from weapons grade materials produced by a breeder, this is potentially so dangerous even assuming knowledge of how to make a bomb, that it might be easier to steal an existing nuclear explosive device...

...And it is nonsense to say that we can show the way in restraint in breeder use if we are less advanced than other countries in developing the breeder...

...The case of the necessity of the breeder reactor within the context of projected energy requirements is almost undeniable. Coal, our most abundant fossil fuel, is now being counted on to bear the brunt of our energy

needs, but even if the industry meets its production target by the year 2000, it will still take care of less than half of our total energy demand and only 40 percent of our electricity...

The issue does not involve a simple matter of shutting down and then starting up the Clinch River Project if we need it, as the Administration suggests. Time is critical if the breeder is to be kept open as a true energy option.

Under the present schedule, the Clinch River Project would lead to construction and operation of commercial reactors until the late 1990s. Shutting down the Clinch River Project for as little as 5 years could delay this timetable by a dozen years.

Congress should challenge the Presidential position on the breeder...

Pittsburgh Post Gazette, Sept. 7 letter to the editor from the Three Rivers Coalition for Science and Industry, "Key to Full Employment is Not Makework":

There is no necessity for the virtual shut-down of the steel industry which in turn would trigger 45,000 layoffs in the Pennsylvania and Ohio area alone. Instead, the Three Rivers Coalition for Science and Industry recommends the following program to insure utilizing the full productive capacity of this nation: replacement not rationalization. Instead of scrapping American industry, particularly steel, and selling plants and equipment at bargain basement rates to pay off back debts, outstanding debts of the industry have got to be frozen and credit made available for replacement of outmoded plants and equipment...

Carter's energy program, Naderism, and conservatism all do not meet the needs of the 19th century much less the needs of an expanding economy. The demonstration fast breeder project at Clinch River must be expanded. Fusion power, the energy resource of the future, must be developed. Three Rivers Coalition for Science and Industry is right now organizing to insure that industrialists, trade unionists, scientists, engineers, and politicians can join ranks around a program designed to put this country back on its feet as the scientific and economic powerhouse that the Founding Fathers intended.

Fortune Magazine, Sept. issue, "Why the Breeder Reactor is Inevitable," by Tom Alexander.

Unfortunately, President Carter's bugle call to the "moral equivalent of war" comes out in wavering bleats. Not only has the Administration failed to make very clear what it intends to do with any time it gets, it seems bent on squandering some of the time it has. Everybody knows that you don't begin *real* wars by defusing the most effective weapons in your arsenal, yet that is what the new government policy on nuclear energy amounts to.

From all the evidence we have — and that evidence only gets stronger year by year — the energy source that is simultaneously the cheapest, safest, and most environmentally benign of all is the nuclear-fission reaction.

...Many utility executives are disenchanted with Clinch River. But even though they may get all their money back if the government decides to scrub it entirely,

utility-industry spokesmen say they'd like to see Clinch River go ahead to completion. They reason that since fast breeders are inevitable, carrying on with Clinch River would at least prevent any further erosion and dispersion of this country's painfully and expensively accumulated array of talent and techniques. Already, much of the money being spent in the fast breeder programs goes into reinventing solutions to problems that were worked out — and then forgotten — years ago...

The fast breeder program obviously calls for a long-range commitment on the part of the U.S. Our present policy, which assumes we will need the breeder eventually, has the effect of making "the long run" longer still...

Can Cucumbers Explode?

The following excerpts are taken from an interview with Professor Peter Beckmann, professor of electrical engineering at the University of Colorado, and Dr. Bernard L. Cohen, professor of physics and chemical and petroleum engineering at the University of Pittsburgh, which was printed in the Washington Post as an advertisement for Dresser Industries on September 7. Dresser Industries, Inc. is a leading supplier of engineered products and technical services to energy and natural resource industries around the world.

Q: Gentlemen, Ralph Nader claims that nuclear power is not safe. He says it is also unnecessary if Americans will cut their energy demand enough. Just how safe is nuclear power?

Beckmann: Compared to other forms of large scale energy conversion, nuclear power is the safest. It is the safest not just in *some* aspects but in *all* aspects, including terrorism and sabotage, and certainly including power plant operations, accidents and waste disposal... We have 66 nuclear reactors now licensed to operate in the U.S. Last year they generated almost 10 percent of our electricity. There has not been a single reactor-related fatality in the generation of commercial power anywhere in the United States. On the other hand, between 20 and 100 lives are lost each year for every 1000 megawatts of electricity generated by burning fossil fuels.

Q: What are the chances that a nuclear plant will blow up?

Beckmann: The idea that a nuclear plant can blow up like an atomic bomb is just preposterous. It is physically impossible. Not highly improbable, but utterly impossible. An explosive nuclear chain reaction is no more likely with the type of uranium used as power plant fuel than would be with pickled cucumbers...

Q: The fact that plutonium is used to make bombs seems to be the whole point of President Carter's non-proliferation program.

Cohen: Banning the use of plutonium for producing electricity will not rid the world of nuclear weapons. Nuclear bombs are already in the arsenals of six nations, and may soon be available to others, whether we have nuclear power plants or not. In fact, nuclear power plants are a very poor source of plutonium for weapons. The important thing is the *prevent* an all-out nuclear

war. Who is more likely to start such a war — a dictator of a small country dropping a hurriedly constructed, poor quality nuclear weapon on one of its neighbors, or major nations in an energy-hungry world fighting over the few remaining petroleum resources?

Q: What about terrorists' use of plutonium?

Bechmann: Many people may have read that a student designed a nuclear bomb with information obtained from the library. But designing one and making one that works

are two different things. It's extremely difficult, and would be more so for terrorists, even if they were well organized and financed. France, India and China had none of the problems a subversive group would have, and yet it took them thousands of man-years and cost them millions of dollars to produce a workable weapon. Besides, I can think of more ominous ways terrorists can intimidate a population without risking their lives stealing or handling plutonium. It would be much easier to steal a ready-made weapon. So far, this has been prevented without making America a police state.

LaRouche: Distinguished Soldier Leads New Fight

The following statement was issued on Sept. 6 by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman and presidential candidate.

This week, a distinguished soldier, Colonel Thomas McCrary, will begin a tour of selected locations in the nation. The principal objective of this tour, which will be co-sponsored by the Labor Party, will be to bring together forces of labor and other concerned citizens for the purpose of launching an effective fight against the deepening depression and the evils accompanying this present economic catastrophe.

The past weekend's pathetically small turnout for Labor Day rallies called to support Humphrey-Hawkins-type slave-labor legislation illustrates the deep resentment of the Carter-Mondale "energy" and pick-and-shovel packages throughout the labor movement. Similar moods prevail among farmers, industrialists and dedicated professionals. Despite the attempt of media such as the Washington Post and New York Times to steamroller support for the presidential ambitions of Vice-President Walter F. Mondale, the overwhelming majority of the population is manifestly waiting for a sign of adequately supported alternative leadership to move in the directions Colonel McCrary will be proposing.

Despite the fearful vacillation in the top ranks of major parties, trade unions and other established institutions, the majority of the nation's citizens have a deeply-engrained moral commitment to the principles of technological progress on which the United States was founded and through which its peculiar achievements as a world economic power were effected. The panic-stricken attack on the U.S. Labor Party in the Washington Post of Aug. 6, and the desperate off-the-script remarks of the aging George Meany in his Labor Day address reflect a fearful recognition among Vice-President Mondale's admirers of the growing influence of the idea of a pro-technology labor-industry-farmer alliance.

The overwhelming potential for reactivating the American System as the solution to the present depression exists. That potential wants to be activated by evidence of forward motion from among the ranks of the presently ill-represented majority. The objective of this tour is to begin that essential catalyzing political motion in several key centers.

Colonel McCrary's Role

The fact that, since leaving active duty, Colonel McCrary has been an active, recognized conservative leader is of special importance in his present efforts. For too long, the humanist forces in the United States have been self-defeated by the widespread tendency of each fragment of those humanist forces to allow itself to be driven into hiding in this or that defensive ideological foxhole of the "right" or "left." It is urgent that humanist leaders representing the forces formerly hiding in each of these foxholes call their close associates forth, and thus bring together the forces wanted to win.

The United States has been too long corrupted by the unprincipled doctrine of the "political consensus," a consensus which has too often proven itself to be a distasteful mixture of democratic-republican perceptions stirred into the same pot with assorted nonsense and downright evil.

Our nation was founded by the collaborators of Benjamin Franklin, humanists who organized and fought the American Revolution and established the republic to bring forth on this continent a nation dedicated to technological progress against the oppressive backwardness which the British monarchy attempted to impose upon us. That fight was staged for technological progress, not merely out of desire for increased material wealth, but because a society which cultivates and employs the creative powers of the individual human mind is the only kind of society in which the citizen is given the right and power to distinguish himself from the lower beasts.

Within that principle of the American System, there can be differences of proposed policy concerning the best approach to the tasks of human progress, but there can be no tolerable consensus between that principle and the forces of zero growth and similar doctrines, who would drive mankind back toward the beast-like primitive condition of our earliest ancestors. There can be no consensus between the principles appropriate to human society and those "environmentalist" and slave-labor doctrines better suited to a troop of baboons.

The collaboration between Colonel McCrary and the U.S. Labor Party is a signal to a majority of Americans to come out of the divisive ideological foxholes into which we have divided our forces to the advantage of our common enemies.

Apart from his standing as a leader in the eyes of a important segment of the population, Colonel McCrary has demonstrated personal qualifications of extraordinary value in the tasks before us. The layman thinks of the professional soldier as an individual inclined to regimentation. Colonel McCrary's political history has been one of a fight against regimentation. He possesses a different soldierly quality, the quality of leadership on which the great Niccolo Machiavelli and the great Clausewitz laid special stress, the quality Clausewitz defined by the German word "Entschlossenheit," the ability to combine creative insight with practice.

The problem of leadership in politics is that on the one side we suffer those defective men and women who are all bullheaded action without creative reflection, and, on the other side, those contemplative parodies of academic professors whose busy mouths are notably disconnected from the movements of their hands and feet. The task of leadership is to think the overall problems through, to develop workable solutions to those problems, and to mobilize forces to act on those solutions. That quality, which is the indispensable qualification of the commander in warfare, is also the indispensable quality of leadership in a functioning democratic republic.

The United States has suffered too often from Presidents and other leaders who were chosen by their parties because of their lack of independent leadership qualifications, the "hollow men" of the "party con-

sensus." What is wanted is leaders who are committed men of principle, men governed by known principles which regulate their judgment and whose principled judgments govern the movements of their hands and feet.

It is an array of leaders in depth who typify such personal character who are needed at this moment of crisis, men who can be trusted because they are not "men of the consensus," not empty political bags into which an unprincipled combination of wheelers-and-dealers pour prepackaged "consensus" gobble-degook. The too-silent majority of citizens can be rallied in their own interest only by men and women who demonstrate those qualities of principled leadership.

This is a time of crisis. It is not a time for "strong men" of the sort Mondale's supporters wish him to be, not a time for dictators who would wreck the constitutional process in the pursuit of regimes of hyperinflationary austerity, of gutting our industries, cutting back our food production, and herding the unemployed into Nazi-modeled slave-labor programs. It is a time for *good* men and women, men and women of principle, and with the courage and creative mental abilities to lead according to the governance of those principles.

It is therefore urgent not only to deploy recognized leaders who will rally forces in behalf of urgent national interests, but to deploy those leaders who typify the qualities of leadership needed throughout this struggle to restore our nation to its proper humanist purposes.

British Bubble To Burst, Pound Collapse Near

Despite the euphoria on London's stock and bond markets this week—bringing the stock market close to its all-time peak of five years ago and gilt-edged Treasury securities to their best level since November 1972—market insiders are privately counting the days until this bubble bursts and the ground is cut out from under the momentarily buoyant pound sterling. According to Sept. 8 commentary by *Guardian* columnist Hamish McRae, “some private calculations by a major New York bank indicate that sterling is already overvalued on grounds of industrial competitiveness.”

The obvious question, raised by McRae among others, is how long can British equities continue to rise when British industrial production is barely running above 1970 levels, having fallen almost 7 percent since the beginning of this year.

Moreover, the deflationary process presently underway in the world economy as a whole—as evidenced by the sharp production cutbacks in West Germany, France, Italy, and Japan during the second quarter—rules out any possibility of an “export-led” British industrial recovery.

Since April, the decline of industrial demand has triggered a 25 percent drop in world commodity prices, a certain harbinger of the depression to come. A burgeoning world oil “glut” has forced Kuwait to offer a ten cent discount to purchasers of its heavy crude oil. Last week, the OECD economics staff reported that the overall annual inflation rate of the 20 industrial nations had fallen to 4.8 percent, or about half the rise in the year from July 1976 to July 1977.

A Sept. 10 *Financial Times* feature “Depressing Times for the Commodity Markets” noted that copper has fallen from a high of 900 pounds per ton earlier this year to 680, zinc fell from 435 pounds to 295, coffee from 4,200 pounds to 2,300, to cite some of the most dramatic cases.

The Commodity market plunge, the *Financial Times* correctly concludes, will result in a huge jump in the current account payments deficit of Third World countries and a declining ability to service their massive debts. Britain and other already depressed industrial countries will be hit by cutbacks in capital goods orders from the Third World, leading into a self-reinforcing deflationary collapse.

Citibank's economics department expects the pound sterling to deteriorate sharply “within the next six months, unless the Fed goes berserk, which you can never rule out.” Should U.S. Federal Reserve chief Arthur Burns attempt to hyperinflate the U.S. economy out of the depression, then all bets are off since the U.S. dollar will fall faster than everything else!

Capital Inflows Reverses

The huge \$10 billion inflow of foreign capital into Britain this year has been almost entirely speculative and short-term in nature, based on the gradual slashing of the Minimum Lending Rate from a high of 15 percent to 6.5 percent as of Friday, Sept. 9. Investors rushed into British gilts to take advantage of their super-high yields before interest rates dropped further, and they bought British equities on the belief that continually falling rates would provide the basis for a rise in stock prices. But as McRae notes, this process cannot go on forever — at some point, British rates will fall so low that gilts will no longer offer an attractive investment when compared to Britain's relatively higher inflation rates; and shrinking corporate earnings due to the decline of industrial production will wipe out any momentary advantages to speculators playing the British stock market. At this crucial turning-point — and insiders expect it to come soon — a panicky capital flight will set in and the pound sterling's strength will evaporate as swiftly and as drastically as it came.

Indeed, according to a New York brokerage house study released in early August, the *real rate of return* on British equities and long-term gilts, when inflation and exchange risks are taken into account, was then already at -8.7 and -1.09 percent respectively. (This same study concluded that long-term German and Swiss bonds were the only investment left on international markets which still offered any certainty of a positive real rate of return.)

All such technical considerations aside, the central reason why the pound sterling is bound to collapse shortly is the crumbling of the real industrial base upon which all paper instruments ultimately draw their income. During the first quarter of 1977, fixed capital expenditures in Britain fell 7.2 percent below the previous year. According to Morgan Guaranty's World Financial Markets newsletter, the failure to maintain the technological level of British industry through fixed investment is crippling the ability of British capital goods producers to maintain their exports markets. Moreover, British industry, due to Commonwealth traditions, is particularly dependent on the Third World sector as a source of orders, and the commodity price collapse will force a drastic curtailment in Third World imports. According to Morgan, Britain's non-oil trade balance (not taking into account the benefits of North Sea oil) was already in deficit by \$300 million during the first half of 1977 — a sharp deterioration from the \$700 million surplus of last year.

Meanwhile the September 9 *Journal of Commerce* reports that Britain's “invisible” trade surplus is

eroding as well, since the rate-war between international banks has bitten heavily into the British banks' profit-margins on their eurodollar operations.

*Clearing Banks Push
for Overseas Sterling Lending*

Despite the pound's growing vulnerability, the "traditionalist" London clearing house banks, such as Lloyds and Standard and Chartered, are campaigning for the removal of capital controls to allow the expansion of overseas sterling lending for industrial projects, particularly in the Third World. According to Lloyd's Bank, the "talk on the street" is that the Bank of England will remove the controls on capital export, at least partially, by mid-September. Citibank, which is tied to Lloyd's through their joint ownership of the merchant bank Grindlay-Brandt's, is also enthusiastic about the idea of overseas sterling lending as a means to British recovery. One Citibank economist commented: "They should have free trade in capital as well as goods. It's good for long-

term real growth. Right now, their access to trade is shut-off... (Removal of capital controls) should have no major effect on sterling exchange rates."

Lloyd's Bank has recently participated in the largest loan syndication ever for Mexico, totaling \$1.2 billion, which was specifically designated for investments in steel, oil, and nuclear and hydroelectric projects—not for balance of payments deficit (i.e., debt service) financing. (Other banks participating included Deutsche Bank, Bank of America, and Morgan.) A similar loan to Argentina for "industrial expansion" will be signed by Lloyd's and Bank of America in London shortly. A Lloyd's spokesman at a Mexican press conference earlier this year made clear that the bank is eager to provide more funds for Latin America in sterling.

As it stands now, the sudden unraveling of the pound sterling is likely to throw all such well-intentioned—but decidedly inadequate schemes—to the winds.

— Alice Roth

Lazard Freres' ENCONO Will Destroy Northeast Industry

A piece of legislation now being circulated secretly in circles close to Lazard Freres' general partner Felix Rohatyn will give that banking group and allied financial interests a fascist form of direct control over all industry and energy supplies in the northeastern United States.

Sources report that within six weeks members of Congress and legislatures of nine northeastern states will simultaneously receive enabling legislation to create the \$32 billion Energy Corporation of the Northeast (ENCONO) to fund "energy investment" and "conservation" programs. Planning documents obtained by this newservice show that the ENCONO scheme, god-fathered by Rohatyn with the support of Walter Mondale, will become part of Energy Czar James Schlesinger's development of a national energy dictatorship and slave labor plans.

British Subversion

For nearly 200 years British-linked monetarist interests, of which Lazard is now the current leading representative, have been waging a war of subversion to destroy the American republic. The Rohatyn plan, backed by fellow British agent, Mondale, gives these saboteurs a chance to finish the job. Our founding fathers wrote the U.S. Constitution to foster industrial progress and created a federal republic to accomplish that end. The Rohatyn plan is explicitly committed to a policy of deindustrialization and "regionalism."

One planning document discussing the problems of the region, concludes that the energy corporation must foster policies that "encourage and support non-energy intensive industries" and wherever possible, use of "labor-intensive methods." Another document describes the Corporation creating "a European Economic Community-type formation for the Northeast;" Rohatyn's planners envisage "a new war between the states" of the Northeast and the Sunbelt over dwindling energy supplies. "It may not be bloody, like the last one," said one source close to Rohatyn, in a reference to the Civil War — the last British effort to Balkanize the U.S. — "But we're going to have to fight. With the Corporation, we can do a lot of credible threatening to force concessions."

Walter Rostow, the former Kennedy Administration Vietnam War planner and now a professor at the University of Texas, is trying to sell the idea of forming similar corporations to other sections of the country. Rostow, who describes himself and Rohatyn as "twin crusaders," has already made sales pitches to Midwest, South and Southwestern governors.

Beyond The Constitution

The Corporation, to be chartered by the Congress and the various state legislatures, would sit outside the *effective* control of either; its policies and investments would be controlled only by a board of directors dominated by Lazard and its allies and flunkies in in-

dustry and politics, like New York's Gov. Hugh Carey, and fellow members of the Conference of Northeast Governors (CONEG), the proposal's nominal sponsor. And while its planning documents specify that it is not a "regional government," its broad powers and effective freedom from control by constitutional authority make it *more powerful* than what has previously been discussed as "regional government." In breadth of conception and stated investment policy, ENCONO powers would exceed those of Rohatyn's Municipal Assistance Corporation (MAC) which imposed austerity only on New York City, of the Tennessee Valley Authority ("We are not a power company," says ENCONO's planning documents, referring to the TVA), and of even Hjalmar Schacht's "Mefo" Corporation, which funded Nazi Germany's rearmament.

How Lazard Gains

Investment banks like Lazard Freres and Lehman Brothers have been able to influence corporate policy because of their position as marketers of corporate securities. In return for syndicating corporate offerings, these banks ask that a company carry out this or that investment policy, rationalization programs, etc. to make offerings "more attractive." In addition the investment banks, through their own holdings of corporate equity, are occasionally able to place a management specialist on key boards of directors.

Lazard and its cohorts have pushed policies that would "free" corporate funds from relatively "low yield" investments, such as modernization of plant and equipment, in favor of "quick buck" speculation in currency markets.

The planned northeast "Energy" Corporation offers Lazard a new kind of power. Through the purchase of long-term energy supply contracts from producers — which will include several investment bank-owned power companies — they will have critical bargaining power with corporations who are reluctant to go along with the Carter energy policy, in specific, its coal conversion plans. Reluctant customers "can be left out of supply arrangements."

As the legislation specifies, the Corporation will be able to demand equity for its investment in energy projects. For example, if a steel company wants money to install pollution controls on its plant, the Corporation will get an equity position which it can use to "protect its investment."

A study done for the planners of the Corporation concluded, "equity positions, however small, provide windows on industry which are worthwhile not only for their informational (i.e., monitoring — ed.) value but also as a vehicle through which the government can make *its* (their emphasis — ed.) priorities an element of private sector decision-making." And while the legislation contains several references to turning over the

“projects” to private enterprise after a start up period the time it takes before the particular project begins to bring in money there is no talk of when or if the Corporation would yield its power to lobby within corporations to “protect its investment.”

Aides to Governor Carey specified that these extraordinary powers over the private sector would be used to “bring the stragglers into line” behind the Mondale-Carter energy program.

“The Corporation”

The cited planning documents repeatedly refer to ENCONO as “the Corporation.” ENCONO is not a corporation in the normal business usage of the term and has nothing to do with “free enterprise.” By “corporation,” Rohatyn and his co-thinkers mean “corporation” in the fascist sense, the tradition of Mussolini’s corporations or Schacht’s *Mefo Corporation*.

The “Corporation” is to be controlled, according to legislation drafted by the Lazard-linked Ted Sorensen, of Weiss, Rifkin, and Garrison lawfirm, by a Board of Directors consisting of five members appointed by the President of the U.S. with Senate consent, one member appointed by the Governor of each participating state, and two members selected by “private shareholders.”

Sources close to Rohatyn report that they have *already* received word that such appointees by the Federal government and the state will be “people who we (Rohatyn) want.” “We’re not expecting any trouble from the Fed or the states, said an aide to Carey. “After all they know who is setting this up.” As for “the private directors,” they are expected to come from the investment bank or commercial bank allies of Lazard since they are the only people with sufficient capital to “buy in” on a piece of the action. In other words, Rohatyn and Lazard run the show. Rohatyn is reported to be now considering having himself appointed to the Board and made its chairman.

Funding

The board will have broad powers to allocate the resources of the Corporation. It will raise its “start up” capital from contributions from member states to the tune of \$1 per citizen (i.e., New York with 16 million people will contribute \$16 million, etc.) and the purchase of capital stock by “financial institutions and “private investors.” “Let’s be honest,” said a Rohatyn aide, “we are talking about major contributions from certain New York banks and maybe the OPEC countries. We’d like to eventually see several billion in capital stock of the Corporation.”

Once three states ante up, and their legislatures pass on its enabling act, the corporation is in business. And as long as it is in business, no one can withdraw without losing his full investment.

The Corporation will then raise additional funds by issuing Federally-guaranteed securities, according to a 15:1 ratio based on the amount of capital contributions. Thus for each \$100 million in contributions, the Corporation can rely on full faith in the credit of the U.S. Treasury to back up \$1.5 billion in its interest-bearing notes or bonds.

“We look to about \$2.4 billion in ‘contributions,’ ” the

Rohatyn aide said. “And \$32 billion that we will have to play around with.”

Fascist Program

This money will go to any number of “energy-related projects or programs.” Among those listed in the proposed legislation are: production facilities for coal, hydro or solar energy; transportation and distribution facilities; the purchase of long-term contracts for the region’s energy users to assure a stable market for energy producers; new technological development programs for energy, specifically coal gassification, wind, solar, wood, and cogeneration (use of heat from electrical generation processes for space-heating, etc.); production and promotion of conservation materials for industry; funding of coal conversion, etc. for industry; creation of industry, in the inner city, that would produce “energy conservation”-related materials; production of new power plants.

Written in the legislation are provisions for review by individual Governors and the Secretary of the Treasury of the Corporation’s projects and sops to “free enterprise” conservatives about how the projects have to eventually produce revenue and they should only be funded if no other sources of funds are available. These too were described by a Rohatyn aide as “cosmetic appeasements” to the bill’s opponents.

“The Board can and will do damn well what it pleases with the money and no one is really going to stop it,” said the aide to Carey. As for being the lender of last resort, the Corporation will likely become the lender of first, last and only resort, the aide pointed out. The whole idea is to reduce the lending requirements of other institutions and “to take the risks that noone else would take,” the aide said. “We will have fifty per cent of the cost available (note: the Corporation can only contribute up to fifty per cent of the cost of any one project unless its board waives the requirement) but those who want it, are going to have to pay the price. Our money will be used as a prod to get people to see the advantages of the Carter energy program....”

Design For Slave Labor

The ENCONO planners are quite explicit about the major thrust of their so-called development schemes. In several interviews, they have boasted that theirs is the only plan that actually understands how to build low skill, labor intensive jobs into the private sector of the economy. This, they report, would make use of “the vast untapped resources in the decaying ghettos” and represents a commitment to something “beyond continuous public sector employment programs for unemployed blacks and Latins.”

The energy industry and its potential “to generate millions of jobs in the private sector” is the key to the policy.

Rohatyn himself has talked of moving energy related industry into the ghetto and employing “poor people” with minimum additional skill training in labor-intensive jobs. Various investment scenarios done up for ENCONO spell out this policy more concretely. ENCONO, says one study, should make a major use of heat generated from the production of electricity by burning coal, using steam

turbines, etc. Small co-generation electrical plants would be built with ENCONO capital; the plants would supply both electricity and heat for an industry park and low income housing for its workers built in the immediate vicinity of the plant. The "ideal" location for such parks, which are in turn to be based on energy-related industry and create low skill jobs, would be "inner city ghettos," with the South Bronx — perhaps the worst slum in the entire nation — targeted as a "good place to get this off the ground." ENCONO would also fund the housing and plant investment to get things started.

Projected onto a regional scale, thousands of co-generation plants, which are reportedly too small to be economical for a normal utility to even consider building, would produce power and heat for thousands of "industrial parks" and have the potential to create "millions of jobs." As a byproduct, the ENCONO planners gloat, "we will have created new 'work communities'" which give "us (Rohatyn's co-thinkers —ed.) the chance to really put blacks and Latins to work..."

Other projected ENCONO "investments" in coal production would create the possibilities for mass relocation of urban poor to "development sites" outside the city. This the planners report, would save tens of millions in current costs of the financially strapped inner city."

"We are talking about an urban policy when we talk of ENCONO," one aid to Gov. Carey said. "There is no way that energy and urban considerations can be separated. We had better learn to make them complimentary..."

Regional Warfare And The Coal Development Swindle

The legislation allows for the Corporation to invest to secure energy supplies outside the region. Commercial banking interests presently control a majority of the coal now in the earth — i.e., own the land that it is under. Under present Corporation plans, ENCONO would buy up some of this land in West Virginia for use in the northeast. One proposal calls for the relocation of thousands of unemployed from the northeast's cities to work in such a project.

This type of scheme satisfies all the fascist planners in the Lazard-Mondale camp — it provides a slave labor development site that would involve labor intensive jobs; it gives a nice fat payoff for the land to banks that own it. In the end the coal development site would be turned over to coal companies at a pretty profit.

"They (the ENCONO people) seem to be goddamn

carpetbaggers," said one West Virginia official. They're going to come in here and steal our coal and dump us with the cost of providing services for the welfare recipients they will ship in to do the labor."

"All's fair in love and war," said the Carey aide. "This is war. If they (other areas of the country) want to protect themselves, I suggest that they form their own regional corporations."

The Sky's The Limit

Rohatyn and his co-thinkers feel that the ENCONO scheme and related plans for a national urban development bank have unlimited possibilities — that they can endlessly recycle debt and securities and pump out more debt.

Their "wizardry" is nothing new. Nazi Finance Minister Hjalmar Schacht tried to fund German rearmament through a similar debt recycling swindle, his Mefo Corporation. A front organization "owned" by the five armament producers, the Mefo Corporation, issued bills of credit to the armaments producers and since these bills were commercial bills they were rediscountable at Schacht's Reichsbank. As is the case with ENCONO's Treasury-guaranteed bonds, they add to the national debt.

As in the case of Mefo bills, the austerity imposed to back up the ENCONO investments will produce a total collapse of the economy. Rohatyn's management of the New York City debt through his MAC operation which has left the nation's largest metropolis on the verge of total social collapse shows where Lazard's policies will take the entire northeast.

Still Time To Stop It

Rohatyn is not concerned about the obvious unconstitutionality of his scheme.

"People are always talking about Felix's ideas being a little un-American or unconstitutional," said a Rohatyn-operative working out of Gov. Carey's Albany office. "Maybe they are, but maybe we ought to stretch the Constitution a little so that we can get them under it."

Rohatyn's organizers are attempting to allay people's fears of his "behemoth" by citing parts of the legislation that indicate that it can always be repealed by the Federal government if it proves unworkable. We remind people that the March, 1933 Enabling Act that gave Hitler dictatorial powers had provision that it too could be repealed at any time by the Reichstag. It never was.

— L. Wolfe

The Dilemma Of East Bloc Debt: Military Solution Or New World Monetary Order—Part II

The last issue of *Executive Intelligence Review* documented how the New York-based investment houses, headed by Lazard Freres, are using the issue of the \$50 billion East bloc debt to launch a political offensive to control the economies of the Council on Mutual Economic Assistance (CMEA) countries through credit-issuance blackmail. A thorough analysis of those economies' debt structure proves that within the confines of the dollar system, the socialist states have indeed no other economic choice than either self-imposed austerity or NATO-controlled exploitation to pay back the money they have borrowed.

This is not to say that the East bloc economies are not viable; on the contrary, their rate of development is presently higher than that of the Western nations. Their problem is that they cannot find outlets for the potential exports that they generate with their capital goods investments because of the world economic crisis — a crisis which increasingly contracts their markets in Western Europe.

The only real solution to this dilemma is located within a new world economic monetary order backed by a gold-pegged transferable ruble and based on credit-for-

development issuance, opening up new, broad markets for capital-intensive production.

If this transformation is not accomplished, the dollar system, based on debt repayment at the expense of trade and production, offers no economic alternative. The Soviets are well aware of this, and one of their alternatives is not economics; it is a *military* build-up to nuclearly defend their national interests — if provoked. This latter option was expressed in the deliberate choices of their 1976-1980 Five-Year Plan.

Debt Dilemma

According to conservative estimates, the East European debt to the West reached around \$46 billion at the end of 1976, and should now be around \$50 billion. These figures include neither the \$8-10 billion debt of Yugoslavia, nor the \$1-billion-plus interest-free "swing" credit facility granted by West Germany to East Germany for "intra-German trade." Table 1 shows a country-by-country breakdown, reflecting the increasing growth of the debt of rapidly developing economies which need an ever-increasing amount of funds for industrial equipment.

Table 1

East European Debt To The West (conservative estimates)

(billions of U.S. \$)

	end 1970	end 1974	end 1975	end 1976 (estimates)	mid-1977 (NSIPS estimates)
Bulgaria	n.a.	1.7	2.4	2.8	n.a.
Czechoslovakia	n.a.	1.1	1.5	2.1	2.5
DDR	n.a.	3.6	4.9	5.8 ⁽¹⁾	6.5
Hungary	n.a.	2.3	3.2	3.5	4.0
Poland	n.a.	4.9	7.8	10.4	12.0
Rumania	n.a.	2.4	2.8	2.8	n.a.
USSR	2.5	5.9	11.4	14.4	16.0
TOTAL	8.3	21.9	34.0	41.8	n.a.
Comecon Banks	0.0	2.1	2.8	3.5	n.a.
Overall Total	8.3	24.0	36.8	45.3	n.a.

Note: (1) In the case of the DDR, about \$1 billion should be added, representing interest-free "swing" facility credits from West Germany for "intra-German" trade

Sources: 1970, 1974, 1975 based on data provided by Chase Manhattan Bank, 1976 based on estimates of Chase Manhattan and Morgan's *World Financial Markets*

The figures for the real growth of CMEA members' external debt between 1973 and 1976 are the following: 229 percent for Poland; 97 percent for East Germany; 86 percent for Hungary; and a very high 105 percent for the Soviet Union.

In terms of percentages of net year-end debt principal to hard currency annual export levels — the best available numbers to measure debt-burden — the situation of the CMEA countries appears quite gloomy. The high ratios of Hungary, East Germany and especially Poland and Bulgaria, stand out. Bulgaria's 340 percent, Poland's 270 percent and East Germany's 230 percent are comparable — and are compared, notably by New York bankers pushing the debt-scare — to the ratios of the most heavily indebted lesser-developed countries (LDCs), such as Chile's 310 percent, Turkey's 260 percent or Peru's 260 percent.

It is from such figures that Senator Javits, among others, "deduce" that "IMF discipline" should be extended to East bloc countries, and Fund missions sent to Warsaw, Budapest and Sofia to "prescribe stabilization plans" — in other words production and service cuts to pay the debt.

Although debt maturity terms are very difficult to know due to the lack of public information, it is widely understood that the CMEA's total payments deficit reached \$12 billion in 1975 and \$10 billion in 1976. But the figures are again moving up in 1977, and one source indicates that "this year, the East bloc has to find \$12.8 billion to repay its foreign debts," of which the Soviet Union is said to owe \$5-6 billion. About one-fourth of the sector's total debt is therefore to be repaid in 1977.

Such an unfavorable debt-maturity structure is aggravated by the fact that in the next two to three years, relatively old, 8-10 years official export credits to Eastern Europe will come due at the same time as shorter-term Eurocurrency credits incurred a few year later by the same countries. The convergence of the two currents will over-inflate the debt burden, and require further indebtedness to pay back the old debt — an operation otherwise known as "roll over" by bankers dealing with Third World countries. But some East Bloc countries, such as Poland, are already running into problems to get new additional medium-term credits. They are therefore compelled, as shown by figures made available by U.S. and Western European banks, to rely more and more heavily on short-term bank credit, which in turn further aggravates the debt maturity question and triggers a vicious circle.

The CMEA members are perfectly aware of the nature of their debt dilemma, but still hope against hope that a few rectifications will help them to keep things together.

Debt Gimmicks

Their first tactical effort is to pull together all their resources to avoid the disrupting case-by-case approach that Chase Manhattan and the New York investment houses have attempted to use to isolate Poland, widely known to be the weakest link of the chain both economically and politically.

This common strategy is first reflected on the Eurocurrency markets (see Table 3), where Poland has limited its indebtedness to near zero in January-July 1977

Table 2

Eastern Europe — % Ratio Of Net Year-End Debt Principal To Hard Currency Annual Export Levels

	1974	1975	1976*
Bulgaria	210	320	340
Czechoslovakia	40	70	100
DDR	140	200	230
Hungary	130	180	200
Poland	140	210	270
Rumania	100	130	120
USSR	30	110	n.a.
TOTAL	90	150	n.a.

* preliminary estimate

Note: This is still a rough measure of Eastern Europe's debt ratios due to the lack of published information, but it permits at least certain appropriate comparisons.

Source: Chase Manhattan Bank, *East-West Markets*

(contrary to the preceding years), while the other, relatively less vulnerable CMEA countries have increased their indebtedness proportionally to Poland's decrease.

At the other end of their debt structure, the East bloc countries are trying to diversify their sources of finance, mainly by establishing direct links with oil-exporting nations, according to the July 22, 1977 *Journal of Commerce*.

It is in relation with these two developments that the CMEA countries are expanding the use of the transferable ruble. First, they have decided to progressively work out all exchange operations within the CMEA itself in transferable ruble accounts instead of remaining at

Table 3

Eurocurrency Bank Credits To Eastern Europe (registered) (millions of U.S. \$)

	Total CMEA	Poland	USSR	Other Countries
1974	1238	509	100	629
1975	2597	475	650	1472
1976	2503	525	283	1696
1/76—7/76	1849	416	250	1183
1/77—7/77	1685	19	234	1432

Source: Morgan Guaranty, *World Financial Markets*, July 1977

the gross level of bilateral arrangements. Second, they have opened transferable ruble accounts to third parties, mainly leading Third World countries and oil-producing states. Algeria, Mexico and Kuwait are known to be part of these arrangements. It is also widely understood in the Swiss banking community that "conservative" Arab states are discreetly "purchasing" T-rubles through relevant Zürich-based intermediaries in preparation for a mammoth expansion of OPEC-East bloc trade.

But all these operations, whatever their positive aspects, are still "diplomatically" launched within the framework of the dollar-denominated system. As such, they, at best, help the East bloc to gain some precious time, but they are economically doomed to fail if they are not publicly linked to a political offer to OPEC countries and such European countries as France and West Germany to join a gold-based monetary system backed up by a gold-pegged T-ruble. Soviet "realpolitiking" in this area can only lead toward self-imposed austerity. This is already happening now, notably in Poland.

Self-imposed Austerity

The burden of the debt has already induced austerity measures in the East bloc, but the New York banks should not be too happy about it. If, on one side, the Soviets are committed to pay and to avoid immediate open tensions, then, on the other hand, they are orienting all their economic forces toward the development of their military capability to be in the best position to confront their enemies in a future stage of *absolute tension*. More precisely, the only reason why they are "irrationally" accepting an economic setback is because of a "rational" — in military terms — strategy, a short-term war winning build-up.

All the ongoing five-year plans of the CMEA countries reflect in one way or another acceptance of certain economic restrictions imposed on the population. The current Soviet Five-Year Plan (1976-1980) is not based on "creative," long-term investment, as were the preceding ones, but on short or medium-term "payback" investments in equipment of already existing capacities.

"The investment policy of the Soviets...is now based on more modest investments, but capable of bearing fruit in a shorter period of time," comments the authoritative official French publication, *Courrier des Pays de l'Est*, which characterizes the new Soviet choices as "Malthusian if compared to the past." The planned rate of growth of the Soviet economy for the 1976-1980 period is a mere 26 percent, as against 40 percent planned in the 1971-1975 period. Leonid Brezhnev, in his key opening speech to the Supreme Soviet reported in *Izvestiya*, Oct. 26, 1976 urged primary investment in the reorganization of already existing firms — "where productive capacities can be developed without creating new constructions and investment costs can be reduced."

Worse, moves to conserve energy have been promulgated throughout the Soviet Union. The campaign "resembles jawboning," according to Chase Manhattan's *East-West Markets* (March 7, 1977), with large poster displays and exhortations to turn off unneeded lights and idle equipment in factories. "But a new layer of energy-use guidelines for various industries will set ceilings on the number of kilowatt-hours or equivalent

used in different types of production, and energy consumption will have greater weight in calculating plant efficiency," comments the Chase publication.

This campaign is, of course, used by Chase and Lazard forces for psychological warfare purposes, similarly to the CIA report which predicts that the Soviet oil production will not reach the officially planned 640 million tons, but will stagnate at around 550 million tons. There is nonetheless a key element of truth in it, which is a relative vulnerability of the Soviet bloc in terms of present energy production.

Firstly, without major Western credits, the Soviets would not be able to meet their energy goals. The relatively reliable Petroleum Industry Research Foundation estimates that the Soviets will achieve an approximate production capacity of only about 600 million tons.

Secondly, even if they reach their goal of 640 million tons, the Soviets will have hard currency problems within a dollar system. They currently produce about 520 million tons; about 140 million tons is exported — half to the CMEA, half to the dollar zone. Those oil exports to the West represent \$6.5 billion, and cover 45 percent of the total Soviet imports. With 640 million tons produced in 1980, their developing economy will need about 500 million tons and only 140 million tons will be available for exports, the same amount as today! To maintain the 45 percent coverage of Western imports, not only will the Soviets have to export less to the CMEA and more to the West, but they will have to reduce the rate of growth of their total imports. In turn, the CMEA countries will have to import more dollar-denominated oil to replace the quantities withdrawn by the Soviets, which will mean cuts on their part in other imports.

This explains in part why the CMEA, despite its advanced nuclear program, had to launch an energy-saving drive. In brutal terms, the Soviets are faced with the following dilemma within the dollar system: triage the CMEA energy supplies, or triage their own imports. Their current plan is a stop-gap, to do a little of each.

Furthermore, all the East bloc nations are engaged in official export drive and import-cut plans to pay their debts. For example, Poland's plan projects an 80 percent increase in total export volume from 1975 to 1980, with no increase in imports! At the beginning of the year, Polish officials announced an all-out offensive to rationalize and restrict imports. But everybody "suspects the realism" (as put by *Foreign Affairs*) of such a plan. It can only

Table 4

Banks' Claims on Eastern Europe

(billions of U.S. \$)

	Total Eastern Europe	USSR
All Banks	29.20	10.35
U.S. Banks	4.29	1.51
Non-U.S. Banks*	24.91	8.84

* over 90% West European

Source: Morgan Guaranty. *World Financial Markets*, July 1977

succeed within the framework of an unprecedented commodity boom. Several of Poland's main manufacturing exports to the West are "import sensitive" (clothing, furniture), and expansion of other manufactured exports cannot amount to much in the medium term, so the prospects to 1980 depend heavily on coal, copper and sulphur. Domestic coal rationing was introduced in November 1976, but only a very large increase in the price of copper would offer any hope that Poland might be able to meet its dollar-debt repayment schedule at the end of the present decade.

This coheres with the \$350 million loan that Chase Manhattan is pulling together for the Polish copper industry. The Chase scenario is to enforce Poland's debt payment with a coming copper-boom hoax, having the development of the Polish copper production under top-down control. Hence the fact that Chase's top East bloc expert publicly declared that "our basis for going ahead with the loan has been total control on outflows and inflows of funds: year by year, on-site control on expenditure of the loan and guaranteed repayments tied to copper exports to the West."

Such a miserable submission to Wall Street terms, a direct offense to the national sovereignty of their nation, has been accepted by the Poles not without afterthoughts. But in the meantime, they are not taking the appropriate measures to solve their dilemma. They are as a result very badly hit and vulnerable to political destabilization.

The country has not recovered from the 1974-76 crop failures and slaughter of livestock herds. Thus, Communist Party General Secretary Gierek had to reorient

the ongoing five-year plan toward production of consumption goods and food supplies traded off against industrial investments, upon which zero growth has been imposed until 1980! This de facto incorporates Poland within the dollar system.

Hungary is somewhat engaged in a similar turn, and projects a 60 percent rise in the volume of exports to non-socialist countries and only a 40 percent rise in imports from them over this five-year plan. The Hungarians imposed zero growth on their imports from the non-ruble area in 1976, and are engaged in a "selective credit policy" which discards long-term infrastructural investments and pushes investments in equipment and existing installations "which will increase productivity and expand export potential."

Soviet imports from Western countries are already declining: they only reached \$3.38 billion for the second quarter of 1977 as against \$4.08 billion for the second quarter of 1976.

It is easy to figure out that these policies are not economically viable. Simple arithmetic shows that at current rates of East bloc gold sales and invisible earnings (allowing for the rising interest burden of the debt) the continuing rapid growth of CMEA debt could be avoided only an inachievable turnaround in East European trade balances. Richard Portes correctly states in *Foreign Affairs* that "If the flows of 1976 remained unchanged through 1980, the debt would be approaching \$90 billion by the end of that year. Alternatively, if imports and invisibles stayed constant at 1976 levels, then merely in order for the debt to level off by end-1980, the USSR would have to increase its hard currency exports by over

Table 5

Official Export Credits To Eastern Europe

(end 1975 percentage distribution by lending country)

	BULGARIA	CZECHOSLOVAKIA	DDR	HUNGARY	POLAND	RUMANANIA	USSR
U.S.	0	0	0	0	2.0	4.2	4.6
FRANCE	41.8	17.2	19.7	16.6	20.7	16.3	32.7
W. GERMANY	15.3	26.7	46.3	20.7	9.9	26.9	29.7
ITALY	9.8	6.6	1.8	16.6	5.1	11.0	11.0
BRITAIN	7.1	7.8	3.8	29.0	28.1	16.6	6.9
JAPAN	10.5	6.1	2.9	0.4	6.6	12.7	8.4
AUSTRIA	2.8	21.1	14.7	2.9	11.6	2.8	3.0
OTHER	12.7	14.5	10.8	13.8	16.0	9.5	3.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EEC SHARE	74.0	58.3	71.6	82.9	63.8	70.8	80.3

Note: Export credits are government-guaranteed commitments on signed contracts, negotiated by such institutions as COFACE, ECGD and Hermes.

Source: *East Europe's Debt To The West: Interdependence Is A Two-Way Street*, by Richard Portes, in the July 1977 issue of *Foreign Affairs*.

10 percent per annum, Poland by over 20 percent per annum, and the rest of Eastern Europe by about 8 percent per annum; the resulting stable debt levels would be about \$27 billion, \$20 billion, and \$23 billion respectively. Since it seems certain that Eastern Europe's net hard currency imports of raw materials and fuel will have to rise, any stabilization in the medium term would require both sharply reduced imports of Western capital goods and sharply increased exports of manufactures to the West." In other words, this "stabilization" would require both economic suicide—cuts in much needed supplies—and increased exports to *collapsing* Western economies.

East bloc officials are no idiots, and know this situation very well. In private conversations or in their economic reports, they either implicitly or explicitly say that any "realistic" projected accumulation of the debt could not be financed without "excessively straining the present monetary system." Dr. Janos Fekete, deputy chairman of Hungary's National Bank, bluntly told various Western sources that he sees the West entering another recession.

Is it not, therefore, ridiculous to think that the official strategy of Fekete's Hungary and other Eastern economies is based on debt repayment through an export drive? Moreover, the East bloc nations intend to cut their imports from nations to whom they want to export more. How is the West German economy going to absorb more East bloc products if its exports toward the East bloc have fallen by about 12 percent in volume (8.6 percent in Deutschmarks) between January-June 1977 and the equivalent period of 1976?

The developments in the East, therefore, only make sense as part of a military-political operation.

Actual Soviet Policy

The actual Soviet policy is not based on an economic analysis, but on a military strategy. What is, in fact, happening is that all the economies of the East bloc are being aligned in support of the Soviet military build-up, independently or even opposed to their short-term or medium-term self-interests. Two key developments underscore that fact:

*The Soviet turn toward "profitable" investments is of a different nature from that of other East bloc countries. While Hungary or Poland have "reoriented" their plans toward exports and consumption goods, the 1976-1980 Soviet plan is committed to the short-term expansion of existing industrial resources and development of agricultural self-sufficiency. Besides, two related sectors are strongly pushed: nuclear energy and general research and development (the latter with new emphasis on short-term or medium-term applications). For the first time since the end of World War II, less emphasis is put on "fundamental research," a clear sign of a decision to use all the available technology ("consolidation of the economy instead of quality of life or long-term investment," says the *Courrier des Pays de l'Est* in its own way) in a near future date to confront the enemy.

*The economically incomprehensible moves toward import-restrictions and energy conservation can only be understood as a preparation for a new period of relative bloc autarchy—i.e., war preparation. Behind the much

touted export drive is Soviet import-cutting, not to repay the debt—as silly New York bankers would still believe—but to prepare the military defense of their self-interests threatened by those same New York bankers!

The only sane alternative for the Soviets is a full *war-avoidance* strategy: the immediate pull-out of the doomed dollar system and construction of a pro-development bloc involving Eastern and Western Europe together with the Arab World and leading Third World nations. A positive element in that urgently required development is the fact that most of the Soviet debt is held by West European bankers (Table 4) or government agencies (Table 5). Arrangements should be therefore immediately made on a multilateral basis "from the Atlantic to the Urals," following the lines defined by U.S. Labor Party chairman Lyndon H. LaRouche's International Development Bank proposal. There is no other way out than nuclear war.

— Louis Carrière

Chase: Move For Control Of Polish Funds

The following interview with a senior Chase Manhattan official was made available to EIR.

Q: Is the London *Financial Times* report on Chase Manhattan's \$350 million loan to the Polish copper industry correct?

A: Yes, they have been talking to our people in Europe. What is significant in our new loan is that it involves a consortium of big banks. There are some precedents, I mean project loans with similar conditionality to East bloc countries. But up to now it only involved a single bank and small project loans. *Now, we have obtained total control over inflows and outflows of funds linked to a \$1 billion project.* Our basis for going ahead with the loan has been precisely this: year-by-year, on-site control on expenditure of the loan and guaranteed repayments through all income generated by copper exports to the West.

Q: What is your opinion of Poland's foreign debt?

A: Poland is a special case; the prospects are not bad after 1982, but there is a big problem before that, a gap to be filled. There is a problem of "bridging," it is like a LDC country.

Q: Do you think that the International Monetary Fund should step in, as suggested by Senator Javits in his Aug. 29 speech before the Senate Banking Committee's subcommittee on international finance?

A: There is no immediate possibility of imposing an IMF intervention, it is not a practical answer. If some people push for it, it could be useful in the process of negotiation. But it is just not feasible at this point. It is otherwise pretty clear that there will be a financial problem next year. We expect some type of informal rescheduling. We expect the Soviet Union to step in and help the Poles.

Q: Do you mean help them to pay you?

A: Yes, I mean to pay their creditors. Besides, the two billion deutschemark credit from the West German Dresdner Bank to Poland allows some indirect rescheduling. Sure, it is tied to machinery exports, but arrangements are being made. Poland's privately-held debt will be backed up by West German credit.

Q: What, then, are your problems?

A: Look, we have two main problems. First, there are two tiers of banks. On one side, very large banks, with very knowledgeable people, oriented toward project lending. But on the other side, we have a second tier of small banks which entered the market in 1974 to issue short-term credit because of high returns. These people are not knowledgeable, they are easily frightened. They have no long-term commitment. I am referring to California, Texan, Pittsburgh and Chicago banks. They are very volatile. Up to now they have followed the lead of larger banks. But if one breaks — I mean one of these small banks — the whole second tier can follow. And as a whole, these banks are important. If they stop issuing credit to Eastern Europe, we would have a bad situation.

On top of this, we have our second problem. Project loans are guaranteed by related exports, but if there is no recovery in Western Europe, the CMEA members will not be able to increase their exports. Everybody could be squeezed.

Q: Don't you believe the Soviets are thinking of solving these problems within the confines of a new monetary system? I am referring to transferable ruble proposals.

A: The Hungarians understand quite well all the advantages of such an operation, but the Soviets are over-cautious. There will be more convertibility within the CMEA itself. On that issue, the Soviets will reconsider their position and support CMEA transferability, because they are now aware of the advantages of surpluses in their current accounts with other Eastern nations. But they won't move on an broader scale. With such countries as Algeria, Mexico, Venezuela or Kuwait, they prefer to move on a bilateral basis. Besides, there is competition within Eastern European countries vis-à-vis the Third World and OPEC markets. Sure, they will strongly reorient their exports toward OPEC, export their technical expertise. They have been very disappointed with Western European markets.

But the Soviets are not able to see all the advantages of a multilateral approach. They probably think it is too risky. They do not understand all the potential advantages of a multilateral approach based on a transferable ruble. The Soviets have no strong leadership now, they have no more builders. Therefore they follow their short-term interest, and will not go further.

France, BRD Act To Save European Industry

West German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing have greatly increased cooperation between their two countries on nuclear power, an issue of prime importance for the fate of Europe's industry. France is publicly aligning with Schmidt's policies of rapid development of nuclear energy sources, and is backing Schmidt's resistance to Carter administration dictates on reflation and energy conservation that would kill European industry. These agreements have also opened new vistas in the aerospace sector.

The improvement in Franco-German relations occurred after a telephone conversation between Schmidt and Giscard last week. The French president has since sent a special emissary to Bonn "to deepen the discussion." Both countries have big plans for the future nuclear industry in Spain. During Spanish Prime Minister Suarez's recent visit to France, Giscard recommended that Spain stop buying nuclear power plants from the United States, and instead cooperate with both France and West Germany. Spain has already shown much willingness to comply with such a policy, especially in the context of its prospective membership in the European Economic Community (EEC).

France's backing of Schmidt on the inflation question could not have come at a more opportune time. Schmidt will meet this week with British Prime Minister James Callaghan, and the latter is expected to repeat his recent call for West Germany to prop up the U.S. dollar by implementing reflationary monetary and fiscal policies.

The French newspapers *Le Monde* and *Les Echos* have praised Schmidt's "policy of no global boost" and have called the programs of President Carter, Callaghan and West German Atlanticist Willy Brandt "delusions."

Contrary to the broad hints being circulated in the American press, Schmidt has made no signs of significantly altering his policies, and in a recent television interview said that his country "is not in bad shape because of its strict anti-inflationary policy, which we will stick to."

Arab Aerospace Industry?

Last week, a huge \$1.5 billion deal was signed between France, West Germany and a number of Arab states, according to the financial daily *Les Echos*. The arrangements will rapidly coalesce a full-scale Arab armaments and aerospace industry, and vastly develop the Middle East's industrial infrastructure. The deal was arranged in the course of a recent visit by French Defense Minister Bourges to West Germany and a French visit by Egyptian President Sadat; it will include the sale of 26 French Mirage jets to Saudi Arabia (to be handed over to Egypt) and cooperation on the assembly of 200 Twin Alpha jets, which are a joint French-West German product.

West Germany is prohibited by constitutional law from delivering armaments to any designated "crisis area," but in the case of this deal it is expected to get around the regulation by only delivering components to France or elsewhere. Moreover, since such an Arab aerospace

industry would severely curtail dangerous U.S. influence in the Mideast, third countries are likely to acquiesce in West Germany's participation.

West Germany's cooperation with the most important such third country — the Soviet Union — has seen a marked improvement since the shameful "Potsdam incident" three weeks ago. At that time, the Soviets had soured relations with important industry-linked Christian Democratic leaders — Social Democrat Schmidt's crucial allies in the fight against the IMF — by refusing to allow them to travel to an historic site at Potsdam, East Germany. But since then, the East Germans in particular have gone out of their way to smooth relations. At the current international trade fair in Leipzig, for example, East German party chief Erich Honnecker went out of his way to visit all the booths run by West Germany's chemical corporations, and East German trade minister Soelle explained that his country's new thrust in economic cooperation is "to provide a sane basis for security and stability within Europe." Christian Democratic Union chairman Helmut Kohl was prominently escorted on a tour through the East German capital, Berlin.

The reasons for the shift in the Soviet Union's own attitude toward West Germany were recently laid out by Heinz Lathe, Moscow correspondent of the *Kieler Nachrichten*, a paper close to the Christian Democratic industrialist-politician Gerhard Stoltenberg. Although the Soviets have suffered difficulties in such areas as the Mideast and Africa, "it is only in Europe that prospects

for stable relations are opening up." This gives special importance to the upcoming visit of Soviet party leader Brezhnev to Bonn, and "these talks are planned to proceed on the Brezhnev-Giscard model."

Through planned announcements and leaks, the Bonn government is letting it be known that it expects positive results from the planned November visit of Soviet President Brezhnev to West Germany. At a Bundestag SPD fraction meeting Sept. 6, Schmidt said West Germany's relations with both the Soviet Union and the East bloc would be improved as a result of the Brezhnev visit. Schmidt also referred to a period earlier in the summer when European relations with the Soviet Union threatened to erupt into a "cold war" atmosphere. "Now this has been averted," the Chancellor concluded.

Schmidt's remarks followed a major turnaround in West Germany's lagging East-West trade last week when the largest trade deal ever between West Germany and the Soviet Union was announced at Moscow's "Chemicals 77" trade fair. The deal will involve \$4 billion in trade and will be one of the treaty arrangements that the West Germans hope to have ready for signing by the time of Brezhnev's visit.

Still further collaboration is in the works. West German "Internal German" trade minister Egon Franke recently travelled to Moscow, then stopped in South Korea and offered to act as an expert advisor on improving treaty relations between North and South Korea. West German trade attaché Rohwedder has also just travelled to the Soviet Union and East Germany.

Japan On Short End Of A-Plant Compromise

Japanese and U.S. negotiators have reached a "compromise" agreement on Japan's controversial Tokai nuclear reprocessing plant which will permit the plant to open and operate as planned, while postponing the issue dividing the two countries: Japan's commitment to develop fast breeder nuclear technology.

According to the terms of the agreement, scheduled to be ratified in Washington next week, the U.S. will allow the Tokai plant to operate on a trial basis for two years, reprocessing uranium from Japan's existing light water reactors. In exchange, Japan has agreed to postpone its ambitious efforts to develop plutonium breeder technology for commercial use and will not build a plant needed to convert the nitrate products from Tokai into oxide products for nuclear fuel. During the trial period, Japan must carry out a "major effort" to develop alternatives to the plutonium method of breeder reactors. The agreement envisions a review of all breeder technology development after the two-year trial period.

The break in the long-stalled negotiations came last week when the chief U.S. negotiator, Trilateral Commission member Gerard Smith withdrew the Carter Administration's most outrageous demand — that the Tokai plant could open for use only if the plant were restructured to produce a useless mixture of uranium and plutonium. Smith then introduced a "compromise" that specified the plant could open if the plutonium breeder program was postponed.

In demanding that the Tokai plant meet U.S. specifications, the Carter Administration was utilizing its control over all by-products of enriched uranium supplied by the U.S. to Japan. At this time, the U.S. is Japan's only source of enriched uranium, although the Soviet Union has offered to supply the islands.

Japan has strongly resisted the Administration's original demands, arguing that restructuring the Tokai plant for "co-processing" would take at least 10 years and cost another \$2 billion. This particularly angered the Japanese not only because of the billions of dollars already spent on the plant, and not only because of the

time delay implied in the demand for the already energy-starved Japanese economy, but because the Tokai plant was first built after close consultations between Japan and the U.S. under the Nixon Administration.

Two Views of a Short Stick

Compared with the original U.S. demand, the Japanese undoubtedly viewed the Smith "compromise" position as an "offer that could not be refused," and see the two-year "trial period" as little more than a temporary delay in achieving plutonium breeder technology. A high official in the Japanese Science and Technology Agency, who told reporters last week that if Japan does not have a satisfactory alternative to the plutonium technology at the end of the two-year trial period, "Japan will go on the same way (with plutonium technology.)"

Carter Administration officials see it otherwise, emphasizing that Japan was allowed to open the Tokai plant only because the government has agreed to comply with the Administration's zero-growth bias against plutonium technology. The State Department's top nuclear expert, Joseph Nye, menacingly claimed last week that "The Japanese government has associated itself with our view that recycling of plutonium into light water reactors is premature."

No matter which way the compromise is interpreted, the Japanese have been left with the short end of the stick. Nuclear technology is the foundation of Japan's future economic growth, and the Japanese have agreed to an arrangement that deprive them of two years of technological development. The Tokai plant will produce nitrate products useless as nuclear fuel, and research at the plant will emphasize "alternative" reprocessing methods which have already been shown to be inferior to the plutonium method. Moreover, the agreement has handed the Carter Administration political leverage to escalate its anti-development pressure on other nations firmly committed to the development of plutonium breeder technology.

France's La Hague Facility Becoming Center Of Nuclear Fuel Reprocessing Industry

The French Atomic Energy Commission subsidiary COGEMA has announced that it will unilaterally sign a 3 billion franc (\$600 million) contract with Japan this month for spent nuclear fuel reprocessing at the French reprocessing center at La Hague. Under the contract, 1,600 tons of spent Japanese power reactor fuel will be reprocessed. The French decision was made this week after the COGEMA and Japanese electric utilities decided to drop joint negotiations with the British Nuclear Fuels Ltd. (BNFL) for part of the package. COGEMA has stated that it will go-it-alone without British participation in the deal due to environmentalist organized hearings on the "ecological impact" of plans to expand the BNFL Windscale facility. Without such expansion, which the bankers' Friends of the Earth and other environmentalist groups are attempting to block, Britain will be unable to accept major foreign reprocessing orders.

The French-Japanese deal is only the first of a series of major reprocessing agreements which the COGEMA is negotiating. Verbal agreement has been reached with the West German fuel consortium, DWK to reprocess spent nuclear fuel from BRD reactors. Additional agreements are being negotiated with Austria, Sweden and Switzerland atomic energy authorities. The feature common to all the negotiations involves advance payment to finance the physical expansion of the La Hague facility in order to accommodate the large influx of reprocessing contracts. The expansion will allow COGEMA to fill the contracts without the participation of the British BNFL.

The significance of the aggressive French organizing on the international reprocessing market is enormous, both politically and at the industrial level. Politically, the French have underscored their fundamental opposition to Carter-Schlesinger attempts to impose an international ban on nuclear reprocessing. The new reprocessing deals also follow by mere weeks related international deals among the French fast breeder program, said to be the world's most advanced, and its West German and Soviet counterparts for international cooperation in breeder development. Nuclear fuel reprocessing, which yields the byproduct fuel plutonium, is an essential prerequisite for a commercial fast breeder economy.

Commenting on the significance of the French reprocessing deals, whose total sum is estimated to reach some 10 billion francs (\$2 billion), the Paris daily

France-Soir notes that this is part of a deliberate policy decision by French President Giscard d'Estaing to make France an international nuclear fuel reprocessing center. Part of the agreement includes the safeguard, to inhibit diversion of nuclear fuels into weapons production, that before reprocessed fuel is sent back to the country of origin, the wastes will be 'neutralized' in a unique French vitrification process. This process treats the plutonium to insure that it is useable only for low-grade civilian power purposes. Under such safeguards, *France-Soir* notes, France finds a major asset in its La Hague facility, which "allows it to exercise a certain influence in the world."

The La Hague expansion, in fact, means that France, with the British Windscale facility in doubt and the U.S. government not proceeding on its reprocessing, will fast become the only western country which has established a developed nuclear reprocessing industry. French spokesmen point out that this gives France major bargaining leverage in international political negotiations with both the U.S. and Soviet Union. They further underscore the growing peaceful nuclear industrial cooperation linking France with Europe's major industrial power, West Germany. *France-Soir* points out that by agreeing to reprocess its uranium "in the broad daylight of La Hague," West Germany is allaying the fears of others that the BRD will use its peaceful nuclear program to develop a nuclear bomb. Certain London and New York financial circles have used this fear to sabotage the formation of a European industrial bloc sufficiently strong to break with the bankrupt dollar.

Already there are indications that environmentalist networks, widely known to be financed and run by Anglo-American financier and intelligence circles, will be activated to attempt to sabotage the expansion of La Hague and thereby sabotage the emergence of France as the international center for resistance to the USA's anti-nuclear development policies. The officials of the French Socialist Party in the town nearest the La Hague facility have begun screaming that they have not been sufficiently consulted on the environmental impact of the center's expansion. Further, Rand Corporation spokesman Albert Wohlstetter, currently in Britain at the invitation of Friends of the Earth to testify against the Windscale expansion, told the press that the French-Japanese deal would fall through because the U.S. government will refuse Japan permission to reprocess its nuclear fuel in France.

USSR Military Slams Door On Vance-Gromyko Meet

A meeting between Soviet Foreign Minister Andrei Gromyko and U.S. Secretary of State Cyrus Vance to discuss strategic arms limitation, scheduled for September 7 in Vienna, was abruptly put off on Aug. 31 by simultaneous announcements in Moscow and Washington. The postponement (the two will confer in the U.S. during the United Nations session later this month) was the Soviet military leaders' flat "no" to Henry Kissinger and National Security chief Zbigniew Brzezinski. Each of the men had been in discussion with Soviet Ambassador Anatolii Dobrynin in order to swing a new strategic arms agreement (SALT II) before SALT I expires early next month.

For Henry Kissinger, the Soviet refusal to see Vance now is a personal defeat. A recent *New York Times* editorial under the title "New Season for SALT" had revealed Kissinger's hope (which the *Times* claimed Soviet President Brezhnev shared) that "bloodletting" in the Pentagon and the Soviet General Staff would clear the way to a SALT deal. The Soviets, however, made known that there is no deal to be had as long as the U.S. demands "unilateral advantages," that is, the junking of Soviet research and development programs and substantial arsenal reductions not matched by the U.S.

Vance's official excuse of having to attend the Panama Canal treaty-signing ceremonies notwithstanding, CBS news commented that Vance simply could not afford to return from another mission empty-handed. A spokesman for the Arms Control and Disarmament Agency admitted it is generally recognized that there will be no SALT II agreement. Moscow has given no sign of being prepared to extend the lapsed SALT I agreement, either.

The uncompromising Soviet stand on SALT belies

recent signal-flag articles in the Soviet press, including a *Pravda* feature by U.S. monetarist agent Georgii Arbatov, suggesting that the Carter Administration had become more "positive" in Soviet eyes. Clearly Soviet hard liners are calling the shots on SALT, from the standpoint of perceived basic military-strategic interests of the USSR, no matter what Arbatov is allowed to say for purposes of deception. Gromyko laid down the line in a Sept. 5 speech — SALT II remains "attainable," but only if the U.S. shifts its unacceptable approach.

Eyes On Europe

Following cancellation of the Vienna meeting, the Soviet press again began to cover European opposition to U.S. policies in a straightforward manner not seen in the past two months. The government daily *Izvestia* reported that Western Europe will resist U.S. orders "not only because it doesn't believe in a mythical 'Soviet threat,' but because it is more and more concerned over the far from mythical American threat to its security." *Izvestia* cited not only "public opinion," but official policy "especially in Bonn" — again, contradicting deceptive Soviet propaganda which has portrayed West Germany as all but lost forever to a plague of "neo-Nazis" and the "right-wing military-industrial complex."

According to reports from Paris, Brezhnev has solicited French initiatives for international disarmament and his request will be satisfied by a French presentation at the United Nations this month. Reportedly, French proposals will supersede SALT in scope, but they also coincide with renewed coverage in West Germany of Chancellor Helmut Schmidt's intention to move for a breakthrough at the long-stalled Central Europe troop cut talks (MBFR).

U.S. Military Faction Hits War-Provoking 'Utopians'

Members of the U.S. military's intelligence establishment are beginning to get the word out that the strategic intelligence estimate currently endorsed by the Carter Administration could get this country into World War III. Recent criticisms by these military men of the reputation of Georgii Arbatov, the often-quoted head of the USSR's USA Institute, and of Director of Central Intelligence Stansfield Turner's latest report on the Soviet economy have hit directly at the credibility of the incompetent "Utopians" who now dominate the nation's defense-intelligence community.

It is the Utopians and their sponsors — notably in-

cluding Energy Secretary Schlesinger, Defense Secretary Brown, National Security Advisor Brzezinski, Henry Kissinger, and the Rockefeller family — who believe that the Soviets can be beaten if they can be induced to negotiate or "trade away" strategic interests, a process which includes trading nuclear missile salvos in a so-called theatre-limited nuclear war. The Soviets have consistently rejected even a hint of this maniacal approach, and made it clear that any strategic encroachment would trigger a full atomic-biological-chemical response on U.S. and allied territories.

Since the inauguration of Jimmy Carter, the Utopians

have come out with one self-deluding line after another, all claiming that the Soviet Union is desperate economically, is becoming increasingly willing to negotiate, and is ready to play the "theatre-limited nuclear war" game. Throughout there has been the citation of Arbatov — a known agent of the Rockefeller family — as a sign that the USSR is cracking under Carter pressure, and therefore should be pushed more.

Last month came Stansfield Turner's report on the Soviet economy which claimed that the USSR was running out of oil — and would be pushed to contest with the USA over the Middle East oil fields — and was economically collapsing, thereby unleashing "free enterprise" forces within the country. In the most recent *U.S. News and World Report*, Secretary Brown lied that the Soviets are incapable of a devastating first strike against the USA and that, therefore, full-scale thermonuclear war is unlikely. (But, by implication, limited war is certainly "thinkable.")

On Aug. 29, the *New York Times* called for an incredible escalation in the trade-off process: a "bloodletting" of anti-Utopian officers in the Soviet General Staff and the U.S. Joint Chiefs of Staff as a prerequisite to a strategic arms agreement. The *Times'* demand for a replay of the famous Tukhachevskii purges of the 1930s — a British intelligence operation which virtually destroyed the Soviet officer corps on the eve of World War II — will only be taken as a further provocation, notwithstanding other articles in the same issue of the *Times* which rave about "Kremlin moderation" and the "remarkable change of atmosphere" in U.S.-Soviet relations.

Conservatives Get the Truth Out

U.S. military men and conservatives linked to Gen. Daniel O. Graham, ex-head of the Defense Intelligence Agency, realizing fully that the Administration's mad policies will lead to the nuclear annihilation of the United States, are beginning to get the truth out. The *St. Louis Globe Democrat* became the first newspaper after this one to expose Arbatov as the frontman for a Soviet smokescreen operation, in a feature article Aug. 28. The paper quotes a report published by the University of Miami Center for Advanced International Studies:

"The USA Institute generally and Arbatov personally have had remarkable success in influencing the opinions of many Americans concerned with foreign affairs, whose major contact with Soviet thinking comes from meeting with Arbatov and his staff rather than from a reading of open sources.

"Arbatov has also managed to publish articles in U.S. newspapers, thereby broadening his role beyond the U.S. elite. In many cases, the personal encounters are felt by American interlocutors to offer more authoritative, behind-the-scenes looks at Soviet views than official pronouncements."

In fact, the Miami report concludes, Soviet policy and doctrines are officially laid down by the Communist Party, and any American who thinks he is being told a

different "inside" story over a friendly drink is out of his wits.

A week ago, Hoover Institute fellow Richard Starr also took up the attack on Rockefeller's resident agent in the USSR, denouncing Arbatov as a "mouthpiece and a liar." The U.S. State Department's CPUSA west coast paper *People's World* editorialized that Starr was "pulling the stake out of the heart of John Foster Dulles" and reviving the cold war. Obviously, Starr's reason for this uncalled-for attack, concludes the paper, is his "great personal dislike" for Arbatov.

Turner Lies

Direct refutation of the Administration's self-serving lies also became public last week upon the release of testimony by Army Lt. General Samuel V. Wilson, the current head of the Defense Intelligence Agency, before a subcommittee of the Joint Economic Committee. Challenging the claim made by CIA director Turner that the Soviet Union faced a looming oil shortage, Wilson and his economic aide, Mr. Michaud, stated:

"... The DIA's position at this time... is that we do not believe that the rate of flow will necessarily decline in the 1980s.

"There is very little information on this whole oil question at this time. There is a great deal of research going into these estimates as to the reservoirs that the Soviets are now exploiting. I think it will be some time before we can get a better fix on the whole situation...

"The Soviets are becoming a mature society. As a result, the amount of investment that goes into replacement capital is increasing, as opposed to new investment. Their productivity of that capital is contributing to the total output, therefore, is not increasing as fast as it has in the past...

"The Soviet economic performance generally is satisfying the Soviet people; however there are some areas that cause dissatisfaction. There are reports of food shortages, particularly in the outlying areas. The primary complaint at present is the lack of meat...

"The ordinary Russian is capable of some increased savings. He generally feels that in a relative sense his life is getting better. There are a few more consumer durables available than there were several years ago...although selection in the consumer area tends to be quite poor...

"At the moment, government stability does not appear to be threatened by these types of shortages which are not sufficiently severe to have an undue impact on the attitudes of the general populace."

In a further elucidation on what he believes the outlook of the Soviet military leadership to be, General Wilson spoke of a recent conversation that he had with Soviet officers:

"We reminisced a bit one particular evening with three general officers about how well we had made out as allies during World War II, and they said 'you know, what we really need is a common enemy.' I asked one senior general, 'would you accept a common goal instead?' He reflected for a moment and then said quietly, 'Of course, you are right. That is really what we ought to go for'."

The Buckley Family — Part IV:

Wall Street Fabians In The Conservative Movement

The following is the fourth and last part of a 12,000-word exposé of the Buckley family's operations by security specialist Scott Thompson. The report will soon be available in full in pamphlet form.

The New Right

The New Right is the third generation spawn of William F. Buckley, Sr., and of his children. The New Right has been created in a moment when Fabianism and the American Century Doctrine are ostensibly near the pinnacle of their triumph, but when, in fact, the "American Empire" stands a hairsbreadth away from complete economic collapse and thermonuclear devastation.

With the Watergating of President Nixon, in which Buckleyite dirty-tricks agents played a critical and still not thoroughly examined function (9), David Rockefeller formed his Trilateral Commission to plot the imposition of a totally Wall Street-controlled President and government. With the fraudulent election of Carter, a Wall Street puppet has been installed in the White House. With the exception of pockets of resistance, much of Congress has also effectively been placed into Wall Street receivership.

Following in the tracks of their illicit paternity, the New Right was created as a Plumbers Unit to knock out Carter's rivals, concentrating especially on his main Southern Democratic opponent, Gov. George Wallace who remained an uncontrolled variable (10). When Wallace's campaign had been destroyed by an inside-outside Buckleyite wrecking job, the New Right mobilized openly to line his base up behind Carter. Working directly under Hamilton Jordan and Jody Powell, New Right leaders were deployed to sidetrack conservatives from working with a coalition of U.S. Labor Party members and independents who were investigating the massive vote fraud which made possible Carter's "election." (11) Since the election, the New Right has prepared for a final assault upon the remaining conservative opponents of Wall Street, using well-tested Fabian methods to infiltrate, Watergate, and fragment these independents with the intention of drawing their shattered remnants into an impotent "loyal opposition" that spans both the Democratic and the gutted Republican parties.

The leadership of the New Right consists almost en-

tirely of graduates from the Buckleys' Young Americans for Freedom. In addition to New Right founder Richard A. Viguerie, the leadership includes: Morton Blackwell, Lee Edwards, Howard Philips, Paul Weyrich, Terry Dolan, Frank Donatelli. National Review publisher William Rusher, a veteran of the inside hatchet job performed on the 1964 Goldwater Campaign, is the main liaison between the New Right and the National Review Old Guardists. (12) Bruce Eberle is a semi-autonomous New Right agent.

Viguerie, the "Marcus Raskin" of the New Right, got his start by running off to the Buckleys with the lucrative Harris County, Texas list of Republican Party contributors. His enterprising qualities landed him a job with Marvin Liebman, a former member of the Young Communist League and Communist Party USA who became the main fundraiser for the "China Lobby" and then the Buckleys, running the Committee of One Million Against the Admission of Communist China to the United Nations, the Young Americans for Freedom and several other groups simultaneously from his offices.

After an apprenticeship with Liebman and a stint as YAF Executive Director, Viguerie was deployed to create his direct mail operation. His "big break" came when he was recommended for the job of 1976 Wallace Campaign fundraiser by Morris Dees, the Fabian Democratic direct-mailer who first backed Carter for the 1972 vice-presidential spot with George McGovern and who directed Carter's corruption-riddled campaign finances in 1976. (Dees once publicly swore that he would destroy U.S. conservatism within months after Carter's election.) From this post Viguerie amassed a profile of the intensely independent Wallace base that he has since used to pull elements of it within the *National Review* circle, while he also served as an "inside man" for the Plumbers Unit tactics used to destroy Wallace's candidacy.

It was through this operation to coopt the Wallace base that Viguerie founded the New Right and built up his personal enterprises.

Richard A. Viguerie Associates, his direct mail outfit, is the mainstay of his organization. Viguerie recently announced plans to increase his mailing capacity 100 percent and to broker 1,000 to 2,000 candidates on federal, state and local levels in the 1978 election who would — in line with the *National Review* group's goal of gutting the Republican Party — also be encouraged to run as Demo-

crats. How much of this planned growth is bluff remains unclear. (Others report that his business is failing.) But, if he were only half successful, he would be handling more campaigns than any group other than the AFL-CIO's COPE and the Republican and Democratic National Committees.

Viguerie's Jefferson Communications, Inc. publishes a sordid little tearsheet, *The Right Report*, which is edited by Viguerie "piglet" Morton Blackwell, and a soporific glossy, *The Conservative Digest*. The latter was until recently edited by Lee Edwards — the one-time public relations director for the Goldwater Campaign responsible for some of its worst "blunders" — who was cut loose as sales plunged and he became implicated in the "Koreagate scandal." Finally, there are a host of single issue fronts and political action committees, including, notably the Conservative Caucus, an ostensibly independent group directed by Buckleyite agent Howard Phillips, that has duped such outstanding conservatives as Gov. Meldrim Thomson (R-N.H.) into cooperation.

As the above organization chart would indicate, the following three categories are the principal means of New Right control:

* *Money*: Since the federal campaign spending laws imposed limits on the size of individual contributions, direct-mail fundraising has become a particularly important source of finances. In addition to the Conservative Caucus, Viguerie has used his stranglehold upon the Wallace lists to leverage two other important organizations: the Committee for the Survival of a Free Congress, which was founded by Joseph Coors but has since been taken over by New Rightists; and the National Conservative Political Action Committee, one of whose founders, Terry Dolan, stated recently: "I think we support too many Republicans."

As a result of his piggish habits, Viguerie is now under investigation by a variety of agencies for allegedly swindling contributors of an estimated \$3 million by using shell organizations such as his dummy "Friends of the FBI" front and by inflating fundraising costs; he has also been linked to illicit KCIA monies via a client, Col. Bo Hi Pak's Korean Cultural Freedom Foundation which once paid him \$1 million for services rendered. It would be the height of irony if Viguerie's Piggery were sacrificed to Koreagate Special Prosecutor Leon Jaworski, whose job is to use the threat of "Koreagate" smears to muscle Carter's congressional opposition into line.

For those worried about Viguerie's shady reputation, numerous other Buckleyite "competitors" have been set up in business, including Bruce Eberle who simultaneously handles fundraising for the Citizens for Reagan, James Buckley, and YAF's Fund for a Conservative Majority, etc.

* *Media*: The New Right has been built up in every Wall Street press conduit beginning with the *Washington Post*, and it has been fully integrated with the Old Guard National Review group outlets which control an inordinate proportion of those media facilities open for conservatives, thanks to Bill Buckley's cultivated "respectable conservative" image. Several Buckleyites write columns that are nationally syndicated through the *Washington Star* Syndicate and *King Features*, the latter

of which is a particularly scummy agency that was used by Israeli intelligence and the Carter forces in an effort to Watergate the U.S. Chairman of the Joint Chiefs of Staff, Gen. George S. Brown. Buckley is himself host of a nationally distributed television talk show, "Firing Line," which is produced by the Ford Foundation-funded Corporation for Public Broadcasting.

* *Issues*: Like their Fabian New Left cohorts, Viguerie's Piggery relies upon set-up, parochial and emotion-packed issues to keep conservatives diverted from developing a broad, national policy orientation that could provide the basis for a principled alternative to the Carter atrocity. Viguerie is a firm believer in conservatives' stupidity and the inherent right of "clever" individuals such as himself to manipulate them. As he put it in a recent interview: "Let's face it, national issues don't cut in an election. People only care about their own community." Whatever is positive in grassroots conservatives' issues is further reduced by the New Right to a rock bottom level in order to hide the fundamental differences that exist between the Tory National Review crowd and proto-Whig forces. Finally, the New Right's laundry list of issues has been conciously tailored to reinforce conservatives' "losers" self-conception which is itself the product of two decades of Buckleyite operations. Among the current listing of issues that the New Right has adopted are:

1) *Right to Life*: The concern shown by the Right-to-Life movement represents a humanist thread that deserves to be encouraged. However, it has been the task of New Right leader Lee Edwards and of L. Brent Bozell's reactionary Catholic faction, to limit this issue to the question of protecting the fetus. Just so, the left Fabian "women's liberation movement," in its anarchist demand for the individual right to seek abortions, has reenforced this same one-sided emphasis from the other side of this pseudo-issue. It is this backward tendency that has prevented the Right-to-Life movement from attaining international significance at a time when the Trilateral Commission has resurrected the arguments of Rothschild agent Parson Malthus to publicly demand the "triage" of one to two billion "useless eaters."

2) *Right to Work*: The Taft-Hartley Act was drafted by the Brookings Institution as a means to enforce monetarist austerity, and simultaneously destroy the potential of a labor-industrialist alliance against Wall Street's "Marshall Plan." Since Taft-Hartley was first used to destroy Senator Taft's presidential aspirations, Buckleyite and left Fabian agents within the trade union movement have heated up this and related issues whenever it was needed to isolate a conservative leader from potential supporters among the working people of this country. Thus, the Common Situs issue was dropped on Nixon in the middle of Watergate and, again, upon Ford as he stood for election against Carter.

Benjamin Franklin and the Founding Fathers, the originators of the "labor theory of value," later espoused by Karl Marx, recognized that the strength of a nation and its productive capability is predicated upon a society's intellectual and material level of culture. Provided that control of the labor movement is wrested from Fabian Wall Street agents such as Lane Kirkland, Douglas Fraser, Victor Gotbaum et al., an organized labor movement plays a vital part in giving the nation's workforce a proper role in the political processes which determine the advance of industry and technological progress. And to the extent that individual manufacturers might foolishly seek to place their own interest above that of their nation, trade unions are necessary to assure that resources are provided for the proper development of labor power. It is not accidental that Reed Larson's Right to Work Committee, the main opponents of Common Situs and supporters of the Repeal of Section 14b of the Taft-Hartley law, sees itself in the "libertarian" tradition of monetarist agents Walter Lippmann and Frederick von Hayek, two the greatest admirers of Nazi Finance Minister Hjalmar Schacht whose concentration camp system was originally conceived of as a source of cheap labor to maintain debt service payments to Wall Street.

3) *Government Bureaucracy*: Richard Viguerie stated recently that "the question of bureaucracy which Jimmy Carter raised in his 1976 campaign may be the only nationwide issue that we'll support in 1978." As with Carter, Viguerie's call to trim bureaucracy is merely a smokescreen for Friedmanite austerity. Viguerie cites Energy Czar James Schlesinger's new department as a primary example of the growth of bureaucracy, completely sidetracking the far more important fact that Schlesinger's policy of a 30 percent reduction in energy consumption — the *raison d'être* of his Energy Department — will gut American industry. In net effect, as Viguerie is well aware, there is no difference between his suggestion that conservatives fight Schlesinger on the basis of staff size, and proposals of the Rockefeller Foundation-financed Naderites and environmental groups that the U.S. halt fission-fusion development. Both are a deliberate diversion from development of positive programmatic steps for the

crash development of energy necessary for our nation's survival. There is no question that the government has been bloated with non-productive individuals; merely firing them at this time will not supplant the need for a program of scientific and industrial development as the case of New York City — which has gone from bad to worse under an austerity regimen — has shown.

4) *Busing*: There is *no correct side* to this fraudulent issue. In the current economic collapse, without massive industrial and technological development programs, the United States does not have either the resources or properly trained personnel to educate children to the levels necessary to meet the needs of the future they will grow up in, *if we survive* the current crisis. Busing is a completely bogus issue intended to resurrect the racial tension of the 1960s. Since the "Roots" TV series, the Carter Administration has deployed its Buckleyite Nazi and IPS left Fabian gangs to create racial chaos and confusion throughout the country. As in 1968, when intelligence operations based on racism permitted Attorney General Ramsey Clark to issue the "Garden Plot" Executive Order which authorized the abrogation of state and local elected governments in times of civil disorder, the Law Enforcement Assistance Administration has published a report (approved by Attorney General Griffin Bell) predicting "major civil disturbances" and calling for the immediate passage of martial law legislation. Busing has always been one of many means that government and private intelligence networks have used to destabilize the American people. Together with the mounting danger of thermonuclear war, it is a primary means which the Carter Administration sees as the way to impose a monetarist dictatorship.

Conservatives can no longer afford to tolerate the fantasy issues and Fabian manipulation of the Buckley's National Review group. That moment which conservatives have always known would come when they must make a final stand to save our nation has come. The Rockefellers' "American Empire" is teetering on the brink of destruction by fascism and war. The Battle for America has begun. If we are to survive the current period and see a resurgence of the Federalist principles that are this country's "soul," an important and most enjoyable task along the way will be to destroy the Tory Buckleyites and their left Fabian cohorts once and for all.

FOOTNOTES

9) It is clear that the *National Review* circle was heavily involved in Watergate in a way that has not yet come to light. When Nixon broke from Wall Street during the 1972 campaign period, William Buckley called for conservatives to suspend their support of his re-election bid. Rep. John Ashbrook (R-Ohio) was put forward with YAF sponsorship as an "alternative" candidate. Buckleyites were also key in first engineer-

ing the Watergate fiasco, and then in exposing it to the media as the following facts indicate: 1) E. Howard Hunt, a highly trained covert operations professional, led the burglars through Watergate like a herd of elephants; 2) Robert E. Bennett, Hunt's employer at Mullen and Co. which is connected to Wall Street CIA factions and one of YAF's co-founders, has since been exposed as Woodward and Bernstein's source, "Deep Throat"; and, 3) Douglas Caddy, another YAF founder and employee of Mullen and Co., was counsel for the Watergate Seven during the first

crucial moments when the incident might have really been covered up. Further, Sen. James Buckley demanded Nixon's resignation as soon as Agnew vacated the Vice Presidency, despite his statements that he did not think Nixon had committed an impeachable crime. A final interesting lead is William Buckley's claim that it was he who first introduced Nixon to Henry Kissinger, the man who would serve as Nixon's psychological controller during the final days of the Watergate crisis.

10) George Wallace has long been an enemy of the *National Review* group. Certain informed U.S. intelligence sources believe that there may be a link between E. Howard Hunt and Arthur Bremer, whose 1971 assassination attempt left Wallace partially paralyzed. It is known that Buckleyite agents infiltrated the Tristate Wallace Campaign Headquarters to conduct a "plumbers unit" operation with dirty tricks ranging from forged petitions to misallocation of campaign funds to threatening Wallace officials at gunpoint. Those crimes were then used in a legal frame-up of Mark Babli, the Tristate coordinator. From his position as chief fundraiser for the Wallace Campaign, Richard Viguerie served as an "inside" agent to squelch any protests. With Carter's main Southern Democratic opponent knocked out, Viguerie's wrecking crew next turned on

the independents, attempting a takeover of the American Independent Party with a \$3 million bribe to its chairman, William Shearer, who flatly rejected the offer.

11) Another aspect of this Operation Sidetrack which the Carter forces ran with elements of Viguerie's Piggery has since come to light. On the day after the elections, Nelson Rockefeller personally threatened Ford with a packet of blackmail materials if he fought the vote fraud and refused to be a "good loser." The New Right's involvement in covering up after Carter was so blatant that Richard Viguerie still blanches whenever the issue is mentioned.

12) William Rusher, who has become the *National Review* Sector's chief political technician, owes his career to the Rockefellerers. Rusher's first job was with Citibank's principal law firm, Sherman and Sterling, at a time when they were working with U.S. High Commissioner to West Germany, John J. McCloy, to free all Nazi war criminals for the *Wirtschaftswunder*, or "Economic Miracle." Following a brief sheep-dip on the staff of the Senate Internal Security Committee, Bill Buckley appointed Rusher *National Review's* "publisher".

The 'Connally Connection'

In The Middle East

Key Western European countries and the socialist bloc are now engaged in joint diplomacy to create a framework for Middle East peace negotiations. The diplomacy centers on a delicate set of contacts with Israel and the Arab states, to be followed by planned initiatives during the United Nations General Assembly session that begins next week, during which the EEC and the East European countries will introduce a UN Security Council resolution in support of Palestinian rights. But most observers, including Arab diplomats at the UN, are extremely pessimistic, expecting a U.S. veto of such a resolution.

In the context of the present diplomatic stalemate and the reduced prospects for a reconvened Geneva Conference, a U.S. veto at the UN Security Council could well provide the trigger for a renewed crisis and war in the Middle East.

Increasingly, the European forces concerned about the Middle East are therefore coordinating their activity with a circle of U.S. conservatives centered in Houston, Texas, and led by former Texas governor John Connally.

EEC-Arab Links

The member states of the European Economic Community, though hardly united over the Middle East, are meeting this week in Brussels to discuss strategy for the upcoming UN session. An EEC spokesman at the UN said that an East European country had recently approached the various EEC states to secure their cooperation for the coming UN session.

"We want to put Carter up against the wall," said a diplomat from Western Europe. "He's already said he supports a Palestinian homeland, so we're thinking to introduce a resolution in the Security Council that would include an operative paragraph that calls for the UN member countries to recognize Palestinian rights, possibly with a reference to a 'homeland'."

The source continued, "The U.S., of course, is strongly opposed, and has ordered the State Department to notify EEC governments that they would 'displease' Washington if they introduced such a UN resolution. And in the EEC itself, the Dutch in particular, are resisting the rest of us, who are united in varying degrees." The source expressed the belief that the passage of such a resolution, even if it did not fully meet Arab expectations, would at least set up the basis for Middle East negotiations.

The recent trip to Rumania by Israeli Prime Minister Menachem Begin is generally considered to be part of this diplomatic thrust, other sources said.

But the key to the success of the European initiative is the extent to which important U.S. circles can be drawn into supporting the Europeans and the Arabs — which is

where John Connally comes in. Connally is the leading political representative of a group of Houston-centered interests with close ties to Saudi Arabia and the other Arab oil producers, along with numerous ex-State Department officials such as James Akins, former U.S. ambassador to Saudi Arabia, who was fired by Kissinger in 1975. The "Connally connection" is the crucial link which, according to insiders, will be to bring enormous pressure to bear on Washington not to block the peace initiatives of the Europeans.

Mondale For War

At present, the forces led by Vice-President Walter Mondale, who maintains close ties with New York "Jewish" investment banks, are using every trick to prevent the consolidation of a Euro-Arab axis backed by Connally and Co., including war. On the domestic side, Mondale's backers, using the "Lance scandal," are undercutting Carter with a view to catapulting Mondale himself into the White House, and are thereby preventing Carter from moving in the direction of the Europeans' initiative. This is the first effect of the so-called "Zionist lobby" in the U.S.

Internationally, the Mondale forces, allied to Henry Kissinger, are pushing the Middle East toward war. According to highly informed sources, CIA Director Admiral Turner is the leader of a faction that wants to unleash a quick Israeli blitzkrieg against the Arabs in order to crush the armies of Egypt and Syria, knock out a substantial part of the Arab oil-producing facilities, and jack up oil prices to \$25 per barrel. This, they believe, would rescue the dollar!

The nature of such a war was described this week by a source closely connected to Israeli military circles. "It will be a very short war, sudden and explosive, lasting only two or three days, at the end of which the Israelis will be overwhelmingly victorious. The Russians will not have a chance to react before it is over. Arab oil fields will be a subsumed target."

The Connally Role

The role of John Connally is to provide flanking support in the U.S. for the European initiative. In fact, the Connally crowd are already deeply involved in Western Europe, especially Italy, in arranging deals whereby Arab money is being invested in European industry.

The chief problem for the Arab-connected forces around Connally in the U.S. is to secure channels for contacting the Israelis, whose Begin government is disposed to be receptive to such an approach. One such avenue is via the Pentagon, where CIA Director Turner

and Defense Secretary Brown are actively purging the Pentagon-Israeli connection, and informed sources report that Senator Stone of Florida and defense analyst Edward Luttwak are leading advocates of a strong link between Israel and the U.S. military community, and might provide a channel through which the Connally forces could contact Israel.

Other contacts are being pursued by the Connally forces via conservative elements of the American Jewish community — despite the blocking efforts by its titular leader, NSC agent Rabbi Alexander Schindler — and through “leftist” and non-Zionist circles such as BREIRA and the Paris weekly *Israel and Palestine*.

Saudi Response

In the end, a crucial determining factor will be the response of the Saudis to the refusal by Carter to seriously consider a Middle East peace settlement. The Saudis, said a top U.S. analyst, are “unhappy” with Carter but do not intend to break with the U.S. strategy at this point, using the occasion of the Arab League foreign ministers’ meeting to give the U.S. “one more chance.” West German sources speculated that Saudi Arabia might decide to exercise its immensely powerful financial leverage to impose its will in the Middle East, which would occur in the form of stepped-up Saudi industrial

investments, rather than cash infusions into Chase Manhattan Bank.

Already the Arabs have decisively rejected a “peace plan” that Dayan intends to present during his visit to the U.S. and UN later this month. The Dayan plan, announced last week, calls for Israel to retain permanent control over the West Bank while providing King Hussein of Jordan with a chimerical political jurisdiction for the area. Syria, Jordan, and other Arab states are concerned that Egypt might be tempted to accept a “separate peace” with Israel, and a Egyptian diplomat said outright that if Egypt decides to accept the Israeli plan then “Syria will have to follow.” But Egyptian newspapers are highly unfavorable to the plan, and it is therefore quite unlikely that Egypt will accept.

A key indicator came this week with the report that Dayan held a secret meeting with King Hussein in London, where the Israeli foreign minister presented his “plan” to Hussein — who rejected it outright. Although Hussein denied having met Dayan, in Paris the Jordanian monarch stated that the Arabs “have made enough concessions and can go no further,” likely a reference to Jordan’s rejection of the Dayan plan. Hussein spent a few days in Paris meeting President Giscard d’Estaing, where the two leaders discussed the furthering of Arab-European contacts to achieve Middle East peace.

Mondale Man Dayan Prepares Coup In Israel

Israeli Foreign Minister Moshe Dayan is making his move to seize power from Israeli Prime Minister Menachem Begin. If this “cold coup” is successful, it will mean the consolidation of a war government in Israel and will set the stage for an Israeli preemptive strike against the Arabs and a fifth Middle East war.

ISRAEL

Dayan’s power play is receiving the full backing of Vice-president Walter Mondale and his network of pro-war Zionists, including Rabbi Alexander Schindler, the top Jewish community leader in the U.S. Schindler, according to reliable sources in the intelligence community, is directly involved in the efforts to sabotage any peace initiatives by Begin and is working to abort the support of conservative U.S. Jews for the Israeli Prime Minister.

A spokesman close to the intelligence community has confirmed that a Dayan-Mondale victory would lead to “a highly controlled precision lightning war” ignited by Israel. Last week, a key Dayan ally, Defense Minister Ezer Weizman, threatened that “Israel will make sure that the Palestinians don’t have a base in southern Lebanon that would permit them to attack us.” Earlier, Weizman accused Egypt of violating the Sinai pact ac-

cords — a warning of a pre-emptive strike.

The Hoods Come Off

Last month, *New York Times* columnist C.L. Sulzberger, a mouthpiece for the Mondale crowd, wrote that Israel’s hawkish generals — Dayan, Agriculture Minister Ariel Sharon, and Ezer Weizman — were lurking in the wings, preparing to “whip off their hoods” and stage a coup d’etat against Begin.

This week, Dayan pulled off his hood.

On Sept. 1, the *Jerusalem Post* announced that Dayan sent out 500 invitations to his allies in all of Israel’s political parties to join in setting up a “Tribune for the Clarification of Social and Political Issues.” Leading members of the Likud, the Labour Alignment, and the Democratic Movement for Change — Israel’s three main parties — are already coming out in support of the Tribune, which Dayan has euphemistically described as a “debating society”! However, according to the *Jerusalem Post*, Dayan’s innocent club may soon evolve into a new political party, a likelihood not denied by Tribune organizers. “Observers believe,” notes the *Post*, that the Tribune forum “is also designed to strengthen Dayan’s political power.”

Among the top organizers of the Dayan creation is Zalman Shoval, a parliament member from Begin’s Likud Party. Shoval is a leader of the La’am faction of Likud and a former member of Rafi, the Dayan-led faction in the Labour Alignment. Another La’am

member who has closed ranks with Dayan is Amnon Linn, who has admitted that the Tribune operation is designed explicitly to break up La'am and ultimately Likud, putting Begin's continued rule into serious jeopardy. Aaron Harel, chairman of the Organization Department of the powerful Histadrut Labor confederation and a member of the Labour Alignment, is another key organizer of the Tribune.

Open Insurrection

Dayan's insurrection against Begin is not limited to internal political maneuverings but includes foreign policy initiatives aimed at disrupting behind-the-scenes peace efforts that Begin is either involved in or considering.

This week, Dayan proposed a "draft Israeli peace treaty" that he will offer to Cyrus Vance for discussion before the United Nations General Assembly and in the meeting which President Carter will have with Arab foreign ministers in New York this month and next. The "peace plan" that Dayan is pushing is pure provocation. Its terms include the permanent Israeli military control over the West Bank, with administrative control relegated to Jordan. A top priority of the plan involves a bilateral treaty with Egypt. Other added features include a partial Israeli withdrawal from the Sinai and the Golan Heights and an "end to the state of war," but no recognition of the Palestine Liberation Organization.

Not surprisingly, former Defense Minister Shimon Peres of the Labour Alignment has publicly praised Dayan's plan as a "break" in the ranks of the Begin coalition.

The Dayan plan is totally unacceptable to the Arabs. Already, Egypt and Lebanon have rejected the plan. Even Jordan's pliant King Hussein, who met with Dayan secretly in London last month, spurned Dayan's package.

The Christian Science Monitor has charged that the goal of the plan is to blackmail Egypt into a "separate peace" with Israel. Such a separate peace, continued the *Monitor*, threatens to break Arab ranks and wreck the possibility for reconvening Geneva peace talks. Radio Moscow has similarly warned that Dayan's plan rules out chances for a Middle East peace settlement.

At the same time, Dayan has come out with an inflammatory set of proposals on West Bank settlement policy calling for the establishment of scores of Israeli settlements over the next several years in "specified locations." The proposal is a warmed-over version of a proposal put forth by Agriculture and Settlements Minister Sharon, and is meant to appear more palatable than the calls by the fanatic Gush Emunim movement for settlements *everywhere* on the West Bank.

Will Begin Fight Back?

So far, Begin has not restrained his renegade Foreign Minister — a failure that, unless immediately corrected, may cost him his political life and plunge along the region into war.

However, there are signs that Begin may be preparing to take Dayan on. Shmuel Katz, a close advisor to Begin, asserted emphatically this week that Dayan does not

represent Begin's ideas and that the rest of Herut, Begin's faction (and the dominant forces) in Likud, is against Dayan. "The Foreign Minister speaks only for himself," stated Katz, according to the *London Observer*.

Several Western news media have reported that Begin and Dayan are "clashing" over Dayan's peace plan. This is corroborated by the *Jerusalem Post*, which notes that Begin and Dayan diverges on a number of critical foreign policy questions.

In recent days, Begin has neutralized one major threat to his rule: the Democratic Movement for Change (DMC) of former general Yigal Yadin. The DMC has been trying desperately trying to force its way into Begin's narrow coalition government. However, following talks last week between Begin and Yadin, sources close to Begin stated that there is "almost no chance" that he would let the DMC into the government.

Begin's refusal to accommodate the DMC — a synthetic political party set up earlier this year in collaboration with the Dayanists to maneuver first against former Prime Minister Yitzhak Rabin and now Begin — may spell its death knell. According to several informed intelligence community sources, the DMC is falling apart fast, with members defecting back into the parties from which they were drawn, or directly into Dayan's Tribune. One source described Yadin's people as "dangerous fanatics" having close ties with National Security Council chief Zbigniew Brzezinski.

This week Begin will finish off the DMC once and for all by filling the four cabinet posts held open since last June with his own people from Likud. The DMC has been vying for these posts.

Begin is simultaneously looking toward Europe to help bolster his position. In an interview last week, Begin expressed his eagerness to visit France — one of the key forces currently moving in coordination with the Soviet Union to lay the groundwork for a peace settlement — if invited. In six weeks, Begin is slated to visit Great Britain.

Intelligence War

The fight between Begin and Dayan is reflected in the ongoing war in the Israeli intelligence establishment. According to *Israel and Palestine*, a monthly magazine widely circulated in the Middle East and Europe, the war between Mossad (Israel's foreign intelligence service) and Shin Beth (domestic intelligence) has come to a head with the rise of Begin. Shin Beth's chief, Avraham Akhitev, is known for his closeness to Begin, while Mossad's chief, Gen. Itzhak Hoffi, has close ties with the U.S. CIA. Although Shin Beth is technically under the control of Mossad, Akhitev has maintained a distinct distance from Hoffi and now, according to *Israel and Palestine*, "has a chance of seeing his forces doubled by the Begin government." The magazine adds that Hoffi may soon be replaced and that his successor "will tacitly have to accept Akhitev's independent stance."

In another interesting leak, *Israel and Palestine* also reveals that the CIA's base in Israel is the Israeli Labour Party, "and most particularly circles close to Moshe Dayan and Shimon Peres."

Syria, Libya Coordinate Peace Efforts With France And Soviet Union

An Arab offensive led by Syria and Libya — in coordination with the peace initiatives of France and the Soviet Union — is underway to oust Egyptian President Anwar Sadat, who is commonly referred to in international circles as the “Kissinger puppet.”

Syrian President Hafez Assad’s decision to join the Libyan faction has been prompted by the growing realization among Arab leaders that the Sadat-U.S. option for the Middle East would lead to a fifth Arab-Israeli war and what Jordan’s King Hussein describes as a “worldwide conflagration.” Moderate Arabs such as Assad and Hussein have suddenly figured out that they stand no chance of survival at home if they follow the prostrate politics of Egypt before the U.S. diktat.

Following in the footsteps of Libya’s Qaddafi, Assad is enlisting international support for the Palestine Liberation Organization (PLO). Sadat, on the other hand, has virtually exposed himself as a sell-out on the PLO question, after Cyrus Vance’s last Mideast trip. It is now mooted that Sadat is soft on the “Dayan Plan”, an offer for a separate peace proffered by Israel’s Foreign Minister to split Egypt from the rest of the Arab nations.

Guns on Saudis and Sadat

Syria is “turning its heavy propaganda guns on Egypt and Saudi Arabia,” comments the British daily *Guardian*. It is a well known fact that Sadat remains in power only through the petrodollar purse strings of Saudi Prince Fahd, and the Syrians are exposing the “reactionary oil kingdom” as Sadat’s sole backer. Informed Arab sources say that Syria is splitting from Saudi Arabia and joining the Libyan camp in order to force Saudi Arabia to vacate its subservience to the Carter regime.

As a leader whose base of support rests within the minority Alawite community, Assad, whose own internal position is precarious enough, is cognizant of the destabilizing potential which could be activated against his rule by the large, Saudi-linked Sunni moslem majority.

Zuhair Mohsen, head of the Syrian-backed Saika faction of the PLO has echoed Assad’s condemnation of Sadat-Saudi treachery with the charge that there is an Arab-American conspiracy to revive the Lebanese war and bring Syria to its knees. Mohsen blamed Sadat for weakening the Arab defensive potential and said, “Syria will not abandon the Palestinian Resistance which certain reactionaries of the oil kingdoms have done.”

At the recently concluded Foreign Ministers’ meeting of the Arab League last week, Syria and Libya sponsored a proposal to have Israel publicly condemned at the upcoming United Nations General Assembly meeting in September. Sadat and the Saudis together voted down

the proposal as “too radical.” Syrian Foreign Minister Khaddam also implicitly rebuked Egypt by calling for an Arab summit for October to settle intra-Arab disputes. According to the French daily *Le Monde*, Khaddam’s summit call was a thinly veiled criticism of Egypt’s refusal to end its belligerent policy toward Libya.

At the eighth-anniversary celebration of Libya’s revolution, Libya’s President Muammar Qaddafi labeled Sadat a “criminal who instigated fratricidal wars” and called on the Egyptian people to “chastize” the outlaw. Qaddafi said that there was an American-Israeli conspiracy to decimate both the Syrian army, “stuck in the mire of Lebanon” as well as the Egyptian army by keeping open the option of another war with Libya.

French-Soviet Backup

The Franco-Soviet peace efforts in the Middle East are presently focused on two issues: first, to garner international support for an amendment of UN resolution 242 which would demand the recognition of Palestinian rights; secondly, to support the Syrian-PLO-Lebanese agreement to terminate all fighting in southern Lebanon. The Soviet Union has informed U.S. Ambassador Malcolm Toom that it would be coordinating efforts with France and the European Economic Community to drop the original 242 resolution, which names the Palestinians only as refugees.

Assad has manifested his cooperation with such efforts, particularly with welcoming of Arafat’s warm reception in the Soviet Union and his invitation to Soviet Foreign Minister Gromyko to visit Syria in the next weeks.

With backup from Syria, the PLO, says *Le Monde*, “is now in a position to stand up to any American proposal in the Middle East by reinforcing its internal cohesion and stressing its alliance with the Soviet Union.” The palestinian newspaper *Falastine Al Saoura* also declared that “Palestinian-Soviet relations were more solid than ever, reaching a decisive turning point.”

Prime Minister Raymond Barre will also visit Syria shortly no doubt to discuss the recently concluded visit of King Hussein to France. While in Paris, Hussein explicitly called on France to lead the EEC in the fight for the amendment of 242.

Chtaura Accords

The key danger still remaining is the Lebanese powderkeg. According to the conservative daily *Le Figaro*, Syria and the PLO are about to implement the most decisive phase of the Chtaura Accords to halt fighting between Lebanese Christians and Palestinians.

The implementation of the third phase of the peace plan, the positioning of the newly-reconstituted Lebanese

army in southern Lebanon which will take place very soon, would not only terminate the fighting but would also force the hand of the Israelis who have been aiding the Lebanese fascists under Camille Chamoun to butcher the PLO forces. In an interview in *Le Figaro*, Lebanese Falange spokesman K. Pakradouni, a member of the Lebanese right, said that Falange leader Pierre Gemayel was in favor of the Chtaura Accords and that the only obstacles were certain Palestinian grouplets and Israel. This admission by a Politburo member of the Falange shows the strength of the Syrian-PLO drive to isolate Israel as the warmonger and establish a "reign of peace."

Sadat Scrambles To Stay Afloat

The following is a characterization of the political situation inside Egypt by an Arab diplomat at the United Nations. It describes the frantic moves by President Sadat to shore up his crumbling regime in the face of growing Arab and international opposition to his role as the obsequious supporter of Henry Kissinger's diplomacy.

Sadat is in deep trouble indeed. There is no question that, sooner or later, but certainly before next spring, Sadat is going to be overthrown. When that happens, a great deal will change in the Middle East.

Right now, Sadat is using every trick in the book. Let me give you an example. Recently, there has been the reconstitution of the old royalist Wafd party. The leader of this party, Serag Eddine, is a foolish old reactionary, about 80 years-old, and hated throughout Egypt for his role as interior minister years ago. Everyone who knows about Egyptian politics knows that Serag Eddine will go nowhere. But Sadat knows that it is better to be attacked from the right than from the left, so he encourages Serag Eddine, quietly, to rebuild the Wafd. This makes Sadat look liberal by comparison, and he hopes this will help him with the army. I doubt it will.

In the army itself, Gamassi (War Minister —ed.) plays Sadat's hard cop. Gamassi acts tough and strict, a disciplinarian, with the armed forces, and the rank-and-file, of course, grow to hate him. This took place a while ago when Gamassi refused to grant a pay increase to the army. Then, Sadat stepped in and ordered the increase. The whole affair was staged to win the army's loyalty to Sadat!

Otherwise, Sadat has built up a heavy layer of pork-barrels around him, people who control various aspects of the economy and win support for the regime via patronage. For example, Osman Osman, the former construction minister, controls a huge engineering and construction firm, and through this controls engineers and skilled workers who need jobs. Sayed Marei, the speaker of the Parliament, plays a similar role in agriculture. Many of these people are related to Sadat.

But the people are truly sick of this. I know the end is coming for Sadat.

Several sources, including U.S. News and World Report, have noted recently that the Egyptian officer corps is defecting rapidly from Sadat. Analysts report that the key to the crisis is the growing feeling in military circles that Sadat's break with the USSR, which has refused to resupply the Egyptian forces, has reached the point where national security is jeopardized. Arab sources in the United States report that the most likely scenario is a quiet ultimatum for the General Staff to "retire" Sadat in the national interest.

It is generally recognized that the fall of Sadat is supported in varying degrees by France, the USSR, Libya, Syria, and the PLO. France and the Soviets are especially interested in toppling Sadat to remove the danger of renewed Egyptian attacks on Libya, where both Paris and Moscow have interests. In addition, the emergence of a stronger nationalist regime in Cairo would turn the tables on neighboring Saudi Arabia, and would therefore put pressure on the Saudis to loosen their own dependence on the U.S. and shift into closer ties with Western Europe and U.S. conservative circles.

Shah's Tour East Sets Stage For Bargaining With Carter

The Shah of Iran's just completed visit to Poland and Czechoslovakia has delivered a clear message to the Carter Administration that its demands that Iran limit its arms build up and nuclear energy program are not acceptable. The Shah will meet with Jimmy Carter sometime this fall, and it is anticipated that these two issues will be at the top of the agenda.

Just preceding the Shah's hastily arranged trip to the East bloc, a round of negotiations between Iran and the U.S. over the sale of eight nuclear reactors once again collapsed. Akhbar Etemad, the chief Iranian negotiator and director of the Iranian Nuclear Energy Organization, refused to accept the terms of the sale.

These terms would have virtually destroyed Iran's strong pro-nuclear energy drive, a critical element in Iran's long term development plans and one which has been closely coordinated with France. Etemad's arrival in the U.S. was preceded by Carter's decision to postpone the sale of the highly sophisticated airborne radar system, AWACS. The Iranian government publicly took both the AWACS decision and the U.S. nuclear reactor sales terms as affronts.

As a result, the Shah is going straight to the East bloc for increased trade relations including prospective purchases of arms and reactors. This move is not only motivated by Washington's recent behavior but is even

more the result of the serious and immediate economic problems plaguing Iran, which are pushing the Shah to make deals wherever he can.

The Shah came away from his ten-day stay in the East bloc with new trade protocols involving increased Iranian imports. In exchange for the new imports, Iran will probably further increase its oil sales to Poland and Czechoslovakia. Iran upped crude exports to the CMEA countries earlier this year.

After talks with Polish Communist Party leader Edward Gierek, the Shah agreed to an accord with Poland involving cultural, industrial, and economic cooperation, which will expand Polish-Iranian trade beyond the record \$110 million for 1976. Poland is pressuring Iran to establish an annual minimum quota of 400,000 tons of crude oil as well as investing in joint ventures in third countries. During the Shah's visit to Czechoslovakia a Czech-Iranian agreement signed last year was upgraded. The deal includes provisions for a gigantic \$2.5 billion natural gas deal which is aimed at freeing Czechoslovakia of dependence on Soviet natural gas by 1981. Iranian-Czech trade rose to \$131 million last year and is still climbing.

Just before the Shah's arrival in Warsaw, Iran agreed to a large purchase of hydroelectricity from the Soviet Union. The 22 megawatt purchase will be paid for by the Czechoslovakian gas received from Iran in the future.

Energy, the Key

Over the recent months, Iran has keenly felt the side effects of the Shah's shortsighted spending spree after 1973's fourfold increase in the price of oil. This policy left Iran's growing economy with poorly developed basic infrastructure. The recent severe power shortage which partially crippled the nation's industrial output is a pointed example of the results of the poor planning. The Shah has now ordered a complete reevaluation of Iran's development strategy, as well as the largest shake-up in the Iranian cabinet since the early 1960s.

Radio Moscow on Aug. 21 praised newly appointed Iranian Prime Minister Jamshid Amouzegar for his stated intentions of working to end Iran's 30 to 40 percent inflation. The next five-year plan, which is presently being drawn up, is expected to chart a more conservative rate of growth, and to devote itself to making up the infrastructural deficit, while maintaining a strong commitment to energy development, both nuclear and petroleum.

A second priority will be developing Iran's petrochemical and gas industries, as a means of easing

away from oil dependency. In the interim, the National Iranian Oil Company has engaged in a campaign to expand its direct sales, bypassing the multinational consortium of Oil Service Companies, in order to maximize oil income. NIOC is aiming to market about 50 percent of Iran's total output by 1980. On every barrel of oil sold directly, NIOC earns an additional \$.22 a barrel that would otherwise go to the multinationals in the form of discounts. The Radio Moscow report noted that one of the factors contributing to Iran's economic problems is "the oil policy pursued by the Western monopolies...which does not consider Iran as an equal partner, and prevents its industrial expansion by taking advantage of its economic attitude, which is mainly toward the West, to fill their pockets at Iran's expense."

Iran has launched an ambitious campaign to maintain economic growth by bartering its oil in exchange for imports and in some cases turnkey projects. The first deal of this kind was recently completed with the U.S. and involves the Texas-based firm of Brown and Root which has been contracted to construct a naval base. By supplying the New England Oil Corporation, a third party in the deal, with 100,000 barrels a day of crude oil, Teheran will finance the construction of the base. John Connally is rumored to have been involved in this benchmark deal.

New Gulf Relations

A regional reflection of Iran's shifting foreign policy is its developing relations with its Arab neighbors in the Persian Gulf region. According to the *Baltimore Sun's* Michael Parks, one of the first foreign policy initiatives of Iran's new government was to ask Iraq for broader trade ties and closer political relations. The chairman of the Iraqi Revolutionary Command Council, Saddam Hussein, will visit Teheran this month to discuss Iran's request.

Since the beginning of the year quiet but consistent diplomacy has taken place between Iran and the Arab Gulf states, including its traditional regional rival Saudi Arabia. Exploratory talks around economic cooperation have taken place, and efforts involving Iran toward achieving a consensus on a Persian Gulf Security Pact are underway. While consensus on such a delicate issue may not be just around the corner, Iran's openness to its Arab oil-producing neighbors is a strong indication that Iran has broken with its role as a U.S. protégé in militarily dominating the region.

— Judy Wyer

Anglo-American 'Peace' Initiative Custom-Tailored For War

The British Foreign Office issued a White Paper on Anglo-American proposals for a settlement in Rhodesia on Sept. 1 — after key aspects of the proposals had already been rejected by all parties concerned in Africa.

In comments before and after the formal proposals were released, both British Foreign Secretary Richard Owen and Jimmy Carter's UN Ambassador, Andrew Young, made clear their intention to ram this version of "a settlement" through installing a "moderate" black puppet government in Rhodesia and emasculating the Patriotic Front's black Rhodesian nationalist movement, which is exclusively recognized by the Organization of African Unity. Only such a "settlement" could keep Rhodesia under Anglo-American monetarist control.

The success of this policy would precipitate a bloody civil war between, on the one hand, the Patriotic Front, backed by the black-ruled front line states and the socialist countries, and whatever puppet government or force the Carter Administration and British Foreign Office can put together.

At this point the Carter Administration hopes to force South Africa into a military intervention, provoked by a perceived "communist threat" in southern Africa. A barrage of hypocritical vituperation from the Carter Administration against South Africa establishes a "breakaway ally" mode for South African intervention, based on a paranoid "last ditch" psychology in the country resulting from American "abandonment." However, the South African government will *not* intervene militarily in Rhodesia, in support of any conceivable version of an "internal solution," according to a highly reliable South African source. There is no way such an intervention could work to South Africa's advantage, he said. Smith is "finished," the source continued, and none of the Anglo-American puppets — Bishop Abel Muzorewa, the Rev. Ndabaningi Sithole or Chief Jeremiah Chirau — could control the situation; therefore, any "internal" solution would effectively depend on "outside," South African intervention.

"We could hold it for a while, but others would act..." he said, referring to the Soviet Union. Even if right-wing pressure for such a course by the government were greatly increased, he said, it would be nothing compared to the internal disaster brought on by a repeat of the Angola debacle — and closer to home.

This relative sanity on the part of the South Africans leaves open the door for an alternative European-sponsored approach to the problems of southern Africa, which would base the eradication of the vicious apartheid system on a nationwide program of economic develop-

ment in which South Africa would be the key contributing element. Such a program would, of necessity, pull the region out of the New York-dominated dollar empire, and the new trade and credit arrangements implied would strengthen the economic independence of Europe regarding the same monetarist interests.

Owen's Plan

In introducing the Anglo-American proposals to hold onto southern Africa, British secretary Owen announced his intention to ram through his "settlement" regardless of any objections from those concerned. "We are not in a drafting session," he said on Aug. 27. "These are definite proposals. Nothing in broad terms can be changed, no matter what the outcome of the talks." The proposals demand that the Patriotic Front abandon their bargaining strength — the Zimbabwe People's Army — and put their trust in experienced counterinsurgent Field Marshall Michael Lord Carver who is to be appointed British Resident Commissioner under the plan. Such a position is an invitation to civil war, an invitation clarified by the constant threat that the Anglo-American negotiating team will simply abandon collaboration with the Patriotic Front and openly turn to Muzorewa or Sithole.

Young and Owen met with both of these synthetic leaders during their visit to Rhodesia last week, and Sithole in particular is presently being inflated in the American press as an "independent black leader."

In an Aug. 29 "News Analysis" the *New York Times* proposed that the Patriotic Front could simply be ignored if Smith could demonstrate widespread black and white support for his internal solution, and the *Washington Post* ran a Sept. 8 article inflating Sithole's image as a unifier of the Rhodesian black factions on the basis of the Anglo-American plan.

The Anglo-American proposals were preceded by a stream of lies and deceptions, beginning with President Carter's talks with Tanzanian President Julius Nyerere at the beginning of August. Nyerere was given a completely false picture of the Anglo-American proposals — a version in which the liberation army would be preserved. On that basis, he indicated willingness to cooperate with the Anglo-American proposals. Afterwards, however, the version of the proposals involving dismantling Zipa was "leaked" by Young's staff.

As they did before their intervention into the Congo in 1961, Wall Street and City of London money-changers are now sending their politicians to the UN, the U.S. Congress and elsewhere to arrange auspices for the planned intervention. Andrew Young appeared before

the House International Relations Subcommittee on Africa on Sept. 7, and announced that "everybody agreed with just enough of the plan to keep it going..." He also announced that he plans to ask the United Nations Security Council to arrange for the appointment of a UN Administrator to start operating with Field Marshall Carver. This offensive will ultimately force the Patriotic Front and their backers to capitulate or fight.

But, provided Carter-Mondale strategists cannot drive South Africa into a paranoid frenzy, both the overt and

covert purposes of the Anglo-American initiatives are failures. This creates an opportunity to push forward the European approach, best elaborated by Dresdener Bank president Jürgen Ponto in an interview the day before his murder by Baader-Meinhof terrorists. Ponto located the dismantling of apartheid in the development of South Africa as a source of capital for the rest of the region in a European-African axis, and explicitly linked this policy to a new monetary system abandoning the dollar empire.

The Anglo-American Proposals

The Anglo-American proposals as elaborated in a British White Paper include:

* The Smith government will "surrender power" to a British Resident Commissioner who will "work with" a special representative appointed by the UN Secretary General. (The already-appointed Resident Commissioner is to be experienced counterinsurgent Field Marshall Lord Carver, commander of British forces during the "Mau Mau" emergency in Kenya in 1954-1955, and Commander of the UN Forces in Cyprus in 1964, as well as Chief of Defense Staff from 1973 until his retirement.) Not mentioned, but implicit, is the fact that the Patriotic Front will surrender to Lord Carver.

* The Patriotic Front will disband its guerilla army, Zipa, on the promise that Zipa members will be integrated into the Zimbabwe Army. Only certain units of the Rhodesian army will be disbanded, and the Rhodesian police will remain intact after swearing loyalty to the Queen. Under the direction of Lord Carver, the police will have first responsibility for policing the cease fire and the elections.

* Carver and the UN representative will also command a UN peacekeeping force charged with ultimate responsibility for policing the cease fire with liaison to the Rhodesian army and the liberation forces.

* Carver, who will be in full charge of administration and subject only to instructions from the British government, will also supervise districting and registration for the elections, and the holding of the elections themselves.

Reactions to The Proposals

* In a statement published on Sept. 2, the Patriotic Front rejected the Anglo-American proposals, charging that the purpose of the plan was to "secure the lucrative interests of the West...and liquidate the Patriotic Front, to replace them with pro-Western figureheads. We demand the unconditional surrender of the illegal Salisbury regime and the bringing to power of the Zimbabwe people."

* This official statement followed remarks by Patriotic Front co-chairman Joshua Nkomo, made at the Lagos conference against apartheid on Aug. 24. "There must be an interim arrangement with a political structure for administrative purposes," he said, "This structure must have a power base and that must be the armed forces. We say those armed forces must be the guerillas — they spilled their blood for Zimbabwe and brought us this far..."

* Zambian President Kenneth Kaunda announced Sept. 8 that he accepted aspects of the Anglo-American plan, but added that it is based on "the glaringly false premise of Smith's willingness to surrender. On this premise, it's a non-starter...The West should have shown Smith that if he does not comply with the White Paper by a certain deadline, the West will cut off the oil lines and freeze the blood of his rebellion."

* On the other side, Prime Minister Ian Smith's office announced on Sept. 2 that his Cabinet will discuss "this crazy, ill-conceived, insane, rushed, vindictive, disastrous, cunning and chaotic" proposal, and draft a "serious and considered reply." Prime Minister Smith's government has objected most strenuously to the partial demobilization of the Rhodesian military.

Indian Journalist Traces Janata's Anti-Nehru Policies

The following are excerpts from an article which appeared in the Aug. 15, Independence Day issue of New Wave, a leading Indian weekly newspaper. The author, Girish Mathur, a well-known Indian journalist, presents a most insightful analysis of the current debate in India on the policies of national development to be followed.

INDIA

Mathur presents a cogent argument on the continuity of the "anti-Nehru" forces in Indian politics, those persons and groupings who now seek under the Janata regime to reverse the pro-industrial, pro-science development policies of the Nehru era. The author convincingly links the anti-Nehru stand of the present Home Minister Charan Singh, the leader of the anti-growth bloc in the government, and his allies in the ultra-communist Hindu paramilitary organization, the RSS, whose efforts to take over the Janata party are an issue of great controversy, with the anti-Nehru stand of the segments of Indira Gandhi's emergency government centered around her son, Sanjay Gandhi.

The article is timely reading, for at this moment, many of the institutions created during the Nehru era for the advancement of scientific and technological and industrial progress are being dismantled by the Janata government. Most recently, the Center for Scientific and Industrial Research was slated for closing, a move which is being protested by leading scientists, political leaders, and the opposition Congress and Communist parties.

Reversal Of Nehru Policies: Why Charan, Jana Sangh Follow Sanjay Line

The task left unfinished by Sanjay Gandhi has been taken up by the RSS wing of the ruling Janata and its current (even if temporary) ally, Charan Singh. Reversal of what has come to be known as the Nehru path had received a new thrust the day the emergency was declared. The RSS wing and Charan Singh cannot claim to be the innovators in this field. Even their anti-Nehruism is not quite original; most of its elements can be found with all their crudity and vulgarity in the pronouncements of Sanjay Gandhi who was a more authentic spokesman of the politics and economics of the emergency than anybody else. This is not surprising either.

Nehru's greatness lay in that he combined in himself the functions of the Prime Minister and the leader of the opposition. A more severe critic of the status quo than Prime Minister Jawaharlal Nehru is yet to be born in our country. By combining the two roles he could forge a new kind of consensus; it was not a status quoist consensus but a consensus which generated the urge and the demand for change. Even if little change occurred in actual practise, the urge and the demand for change had their own dynamics.

While Nehru provided articulation to an ineffective opposition, the promulgation of the emergency meant the strangulation of all dissent. With the Nehruvian consensus, an essential element of the Nehru legacy, dismembered, the visits to Shantivan were reduced to a ritual. But the Congress, however emasculated under an authoritarian leadership, and the fifth Lok Sabha, even after it was crippled by the emergency, could not become the instruments of open anti-Nehruism — the Congress because of its commitment, and the fifth Lok Sabha because of its clear mandate.

One of the reasons for holding the Lok Sabha election in March last was to remove the disabilities from which anti-Nehruism suffered during the emergency. The pre-election trend of developments suggests that if the original emergency plans for the selection of Congress candidates had not been frustrated by the resignations of Jagjivan Ram, Bahuguna, Nandini Satpathy and K.R. Ganesh, and if, even after that, the emergency leadership had managed to form the government, anti-Nehruism would have been pursued with very great vigour....

Shastri's Gift

It is not the first time that anti-Nehruism is being given the status of official policy. The first occasion was when on assuming office Prime Minister Lal Bahadur Shastri declared that even as Lenin did not follow Marx, Stalin did not pursue the line of Lenin, or at home, Gandhi did not follow Tilak and Nehru departed from the path of Gandhi, he was not called upon to pursue the Nehru path. Shastri followed this declaration with steps to undermine the legacy of Nehru.

Planning is one of its essential elements. Shastri gave planning a holiday. Public sector is a basic feature of Nehruvian industrial strategy; Shastri's correspondence with Bhupesh Gupta, released by the government, bears testimony to his attempts, though unsuccessful, to open the public sector to big business. Another legacy of Nehru is the comparative autonomy of state apparatus from the big business; Shastri invited the leaders of the

big business to participate in policymaking by constituting them in an advisory committee. He even tried to subordinate foreign policy to their needs through similar institutional means.

Today RSS and Charan Singh want to take us back to the Shastri days of the reversal of Nehru policies. Looking back, it is now clear that it was not accidental for the doors of the Prime Minister's residence to be opened to receive RSS chief Golwalkar and state functionaries to share the platform with him in those days. At least on one occasion Prime Minister Shastri even touched the feet of the RSS Guru and later explained that he was merely seeking a Brahmin's blessing; Vajpayee had then accompanied the Guru to the Prime Minister's residence.

After Shastri, the reversal of Nehru was continued under Indira Gandhi's leadership. Soon after Vajpayee's visit to Washington with a letter from Golwalkar describing U.S. aggression in Vietnam as *dharama yuddha*, Indira Gandhi made a pilgrimage to pay tributes to that butcher of Vietnam, Lyndon Johnson, as a man of peace. She was followed by Asoka Mehta who invited American investors — to use his phrase — “to open the womb of India” and undertake backseat driving of the Indian economy. Asoka Mehta is now in the Janata, and so are others of the “kitchen cabinet” who used to openly denigrate Nehru in the presence of Indira Gandhi to the horror of the Nehru faithfuls in her company.

The immediate results of the reversal of Nehru policies were the devaluation of the rupee and the accentuation of the economic crisis through which India was then passing; near anarchic conditions were created, and violence was generated. The Congress suffered heavy losses in the fourth general election, losing power in as many as nine states. The long-term effects should be evident from the fact that the impact of the world oil crisis on Indian economy would not have been as severe as it was if the oil exploration programme had not been suspended in Shastri's days and had Bombay High exploration begun ten years earlier.

Congress losses in 1967 and 1969 resulted in the split in the party with the promise of restoring the original Nehruite thrust of the national endeavour, and the correction of distortions which had created a number of imbalances. The changes that had taken place in the meanwhile called for tactical adjustments to advance towards strategic objectives. This promise accounted for the massive 1971 mandate. To the extent performance reflected the promise achievements were registered in many fields.

Achievements

The liberation of Bangladesh; the decisive end of the clash of arms with Pakistan in 1971; the Indo-Soviet treaty; the Simla accord, the restoration of diplomatic relations with China; the recognition of Indian power by such a power conscious U.S. Secretary of State as Henry Kissinger; Pokhran; Aryabhata; the performance of public sector; the fight against inflation; the cooperation with other developing countries in the fields of science and technology; a new climate of national unity in the country. These are, to name a few, no mean achievements.

The commitment to Nehru policies on the part of the post-split leadership however, was not unequivocal. This should be evident from the simultaneous dismemberment of the party structure, the preference for the politics of manipulation, the attempts to de-institutionalise politics, the opting for confrontation instead of accommodation, the reliance on bureaucratic methods where personal touch would have succeeded and a distrust of the forward-looking elements.

This also partially explains why Charan Singh did not find any contradiction between his opposition to the Congress on the one hand, and his second preference vote for Giri in 1969 and his subsequent dependence on Congress support to continue in office as long as he could, on the other. Is it then surprising that he was released during the emergency although he was in perfect health, and he on his part, was prepared to consider as late as early March this year the offer of support to him to become Uttar Pradesh Chief Minister in return for his support to the Congress at the Centre...

Sanjay's “liberalism” lay in his rejection of Nehru's strategy for industrialisation and his opposition to “controlled” (which meant planned) development, to state take over, and to public sector. Some of his “profound” statements are being repeated ad nauseam today and his policy prescriptions accepted as official policy. Asked for suggestions to bring down prices, he said, “Production. If production is increased, prices will fall.” This is all that the Chief Ministers had to say when they met two weeks ago to consider the price situation.

Asked about the reasons for the low rate of private investment, Sanjay Gandhi said “credit squeeze”, and now credit is being liberalized. He wanted whatever public sector undertakings were there to function “only in competition” and those that cannot compete “should be allowed to die a natural death”; already the decision has been taken that no preference is to be shown to public sector undertakings in the acceptance of tenders. About inefficient public sector units, he wanted their managers “should be taken out and shot”; this has yet to be done, although, echoing his views, it has been announced that *gheraos* would not be tolerated.

Ruralism

On the face of it there seems to be little in common between the ruralism of Charan Singh and the emphasis on industrial programme during the emergency, or between the RSS concept of Hindutwa and the secularism of the leadership which has been ousted in the last election. A closer scrutiny would show that the differences are not as basic as they appear, and that there is more in common between the two than visible on the surface.

To take first, Charan Singh's ruralism versus the emergency period industrial policy. When Charan Singh accuses Nehru of neglecting the village he is only trying to cover up the betrayal of the peasant masses by men like himself. All along his life Nehru held that the village could not improve without changes in the agrarian economic structure with particular reference to land reforms. But Charan Singh and his like inside and outside the Congress sabotaged any attempt to change the rural economic structure and the introduction of changes in land system.

Compelled by the situation the Indira Gandhi government had to take over wholesale trade in wheat as a first step towards state trading in agricultural produce. The measure met with stiff resistance not only from the followers of Charan Singh but also from the followers of the Congress itself. Congressmen themselves did not sell their wheat to state agencies. Indira Gandhi had to beat a retreat at the first opportune moment.

Thus the surpluses generated by wheat production continued to be cornered by the rich in the rural sector in collusion with the wholesale trade instead of these being utilised for rural development. The process of the rich becoming richer and the poor poorer continued in villages too. Charan Singh's ruralism is aimed at strengthening this system in which the rich have become richer by cornering all the benefits accruing from the measures taken so far for agricultural development and rural improvement.

Atrocities

During the emergency some anti-feudal measures were included in the 20-point programme. The motivation for this is not so important as the revelation made by the white paper on the misuse of the mass media during the emergency, that Vidya Charan Shukla had issued instructions for playing down these measures in the publicity drive. If these instructions reveal the true intentions of the emergency regime in regard to land reforms, Charan Singh's ruralism stands exposed by the callous stand he has taken on the question of atrocities on harijans.

By saying that the atrocities on harijans have been going on since time immemorial, that the entire society is responsible for these atrocities, or that there have been

less cases of atrocities in the three months since he came to power than in the same period last year, Charan Singh is only obfuscating the issue. The issue is not un-touchability. The issue is that the lands allotted to harijans are being taken back and the money-lender has returned to the village, and harijans are resisting both and getting burnt alive or killed in the process.

The allotment of lands to harijans or the abolition of bonded labour however did not mean that the emergency regime was more serious about land reforms than are Charan Singh and his supporters. The lands allotted to harijans were not the surplus lands of the rich farmers; they were the village common lands left after the rich had grabbed these lands. This is not what Nehru meant when he called for land reforms.

On the contrary, the anti-feudal measures included in the 20-point programme were part of the economic policy the other aspects of which found an advocate in Sanjay Gandhi. This policy had been forced on the previous government by the World Bank. The new government has accepted it willingly which is a feature distinguishing it from the previous government. But this policy runs counter to Nehru's emphasis on self-reliance, and the ruralism which Charan Singh advocates seeks to make India industrially dependent on the developed (neo-colonial) countries.

If the pursuit of policies aimed at undermining the national endeavour for self-reliance as visualised by Nehru makes Charan Singh a true successor of the emergency period anti-Nehruism, the ideological orientation of the RSS carries forward the emergency anti-Nehruism to the realm of ideology. The fact is that the Nehruite secularism of the previous leadership was proved by the emergency to be no more than a mask....

New Shifts In Japan

Japanese Prime Minister Takeo Fukuda last week announced a \$7.5 billion reflationary plan to be incorporated in the government's new supplementary budget. At the same time the Bank of Japan cut the discount rate to 4.25 percent in another step to stimulate Japan's domestic economy. Both measures are strongly supported by Japan's business leaders.

JAPAN

Despite this apparent consensus between Fukuda and business, a power struggle has ensued between Fukuda and his Atlanticist business supporters against the industrial forces in Japan centered around such giants as Nippon Steel and the Industrial Bank of Japan. The fight centers on the future of Japan's economy: will Japan push for a high-technology, development-oriented growth economy as industry and Japan's powerful Ministry of International Industry (MITI) contend or will the Japanese economy undergo a "structural reform" to

adapt to an era of "low growth" as Fukuda has publicly demanded?

The controversy surfaced last week when Fukuda announced that he wants to reorganize both the Construction Ministry and MITI along lines more "appropriate" to what he calls a low-growth era. Fukuda said he wanted a new "Energy Agency" which would be based on combining the Energy Department of the Industrial Section of MITI with the Atomic Energy Department of the Science and Technology Agency. The reorganization would virtually strip MITI of its postwar control over Japan's energy policy. Fukuda also called for reductions inside Japan's Construction Agency, a porkbarrel operation largely controlled by forces around ex-LDP premier Kakuei Tanaka.

Fukuda's moves coincided with the government's "compromise" agreement over Japan's nuclear facility at Tokaimura with the U.S. (See Energy Report).

A coalition of bureaucrats and LDP leaders led by LDP Secretary General Masayoshi Ohira and party faction leader Yasuhiro Nakasone, were quick to respond to Fukuda's challenge. Toshio Komoto, LDP leader, businessman, and ally of former premier Miki issued such a fierce attack on Fukuda that according to the

Sept. 5 *Mainichi Daily News*, "(Fukuda's) ideas were scrapped one after the other each time they met resistance."

Fukuda's plan, states the *Mainichi*, "is now very obscure." The paper concludes that the reorganization "drama, thus, turned out to be an 'acid test' to measure the degree of Prime Minister Fukuda's leadership." Fukuda was so badly burned in the fight that he felt compelled to publicly call for a joint Japanese-U.S. effort to develop fusion power at the just concluded Japanese-American Assembly conference!

In his speech to the Japanese-American Assembly, Fukuda also made clear his view of Japan's future. He warned that "the current economic recession was more serious than the one experienced during the 1930s which led to World War II." Fukuda then warned that the "stagnant economy" of the West could tilt the balance of power in favor of the Communist nations. Therefore, he has decided to maintain Japan's alliance with the U.S. at all costs. His problem is that unless the pro-growth forces around MITI are broken up, the natural bent of Japanese industry will lead the country into a break with the bankrupt dollar empire.

Perceiving a growing alliance of MITI and heavy industry leaders with more centrist pro-Wall Street elements in Japan's banking community (such a Fuji Bank and the Bank of Tokyo) Fukuda felt compelled to intervene to disorganize this alliance before he lost more ground.

Alliance for Zero Growth

Fukuda's economic policy has been outlined by the pro-zero-growth "Industrial Planning Council" headed by textile magnate Takeshi Sakurada. A recently released IPC report called on Japan to reduce its exports from 13 percent to 8 percent of Japan GNP, a demand which conforms to Brookings Institution recommendations. The IPC report also calls for drastic reductions in the auto, shipbuilding, steel, and electric industries. IPC argues that these cutbacks are "inevitable" given the continuing slump in the world economy. Sakurada, who is also president of the Japan Employers Federation, couples his industrial triage policy with demands of no increases in workers wages as well.

Behind both Fukuda and Sakurada stands a coalition which includes Trilateral Commission member and Sumitomo Chemical head Norishige Hasegawa, the head of Mitsubishi trading company Fujino, Mitsui Bank, and Tokyo Electric power company, along with pro-Fukuda elements in the Finance Ministry. The group has links with Japan's Standard Oil-financed former premier Nobusuke Kishi and possesses allies in Japan's "opposition parties," especially among pro-U.S. Eda elements within the Japanese Socialist Party.

The Center

In itself Fukuda's own base is not that substantial. The

key to his success until now is his group's successful alliance with the more economically powerful "centrist" forces in Japan's business community, who have believed that good relations with the U.S. are the sine qua non of Japanese economic policy. This economic "center" is located around the Bank of Tokyo, Fuji Bank, Mitsui Trading Company, Nomura Securities and Sony Corporation. This group has ties to Citibank, Bank of America, Morgan Guaranty, and Chase Manhattan. Both Tanaka and current LDP Secretary General Ohira along with former Miki foreign minister and Ohira faction member Kiichi Miyazawa have the backing of this "center" group.

This "center" group — although tied to the nationalist "natural resources faction" — has steered clear of seriously opposing Wall Street on many crucial issues, such as expanding economic relations with the Soviet Union. That "détente" with the U.S. has now broken down under the weight of the incessant U.S. demands for Japanese economic triage.

The "center" is now looking for opportunities outside the parameters agreed by the U.S. For example, the Japan Committee for Economic Development (Keizei Doyukai) last week proposed the creation of a new investment fund in Southeast Asia which would be aimed at attracting Arab capital in particular to develop energy-intensive heavy industry throughout the region. It is thought that Doyukai plans to use the offer of a joint investment fund to attract U.S. banks such as Bank of America into the region.

The "Shigenha"

The shift now going on inside the "centrist" group will strengthen the long time anti-Fukuda "shigenha" industrial group. A top "shigenha" political leader Yasuhiro Nakasone will visit the U.S. beginning Sept. 18. A long time nuclear power advocate and former head of both MITI and the Japanese Defense as well as Science and Technology agencies Nakasone, in alliance with former prime minister Miki, represents the bulwark of the anti-Fukuda group inside the LDP. In his bid for the premiership, Nakasone must tighten his alliance with both the "shigenha" and the "centrists" who combined make Tanaka premier.

The "shigenha" group is centered around firms like Nippon Steel and the Industrial Bank of Japan-Japan Line group. It also has diverse ties with Western groups like the Italian ENI firm, Dresdner Bank, the Bank of America, and the Rothschilds. The Industrial Bank of Japan has been involved in a Rothschild-dominated European consortium since the mid-1960s and it is a Rothschild-controlled firm, Rio Tinto Zinc, which supplies Japan with a great deal of its uranium. This group is now pushing for greater ties with the Middle East, China, and the Soviet Union.

— K. Coogan

Portillo's State Of The Union Address A Rebuff To Right Wing And Carter

Mexican President Jose Lopez Portillo delivered his first state of the union address Sept. 1. In a country like Mexico, where the president wields extraordinary power, the president's annual September address to the nation is keenly awaited as a definitive statement of presidential policy. This year, since Mexico's conservative forces had challenged Lopez's authority, the expectation was more intense than usual.

MEXICO

The right-wing forces of the country, supported by U.S. interests anxious to regain the unquestioned preeminence they exercised before the term of Lopez's predecessor, Luis Echeverria, had unleashed a psychological warfare campaign to convince Lopez that he was not "el que manda" — the real leader of the country. That leader, these right-wing forces alleged, was still Luis Echeverria; and for Lopez to prove otherwise, he would have to disassociate himself completely from Echeverria's collaborators still in public life and from Echeverria's nationalist policies.

Lopez's speech was a bath of cold water for the right-wing rumor-mongers. The President avowed his own "unshared" power and sole, final responsibility for decisions, and lashed out directly at the "pontificating politologists of sidewalks and cafes" who were circulating rumors of supposed Echeverria control.

Lopez then went further: those business interests that have made highly publicized promises of investments and production must come through, he said. "May they profit with Mexico and not at the cost of Mexico." In harsh terms, Lopez warned that this is the only way the people will know that the private interests "have not abandoned (Mexico) nor betrayed it."

Hits Carter's Human Rights

Lopez was no kinder to the Carter Administration, in particular to Carter's recently announced plan to cut off employment for undocumented workers, the so-called illegals, from Mexico. Certain Mexican businessmen have "massively withdrawn money from Mexico" to a country "where they still admit capital but no longer

workers," Lopez caustically noted. "The possible violation of migratory laws does not sanction the counterright of infringement of labor laws and even less of human rights," Lopez said. The President then reiterated his insistence that the illegals "are not delinquents" and must not be viewed as a police problem. In the television coverage of the speech the stations then flashed on scenes of brutal mistreatment of Mexican workers rounded up for deportation in the United States.

In his speech Lopez Portillo also refused to endorse the push for labor-intensive rural work camps, the main component of Carter's recommendations for domestic Mexican measures against unemployment. As can be seen in the following excerpts, Lopez instead reaffirmed that the shift from rural to urban concentrations is "irreversible" and that the country must deal with surplus labor in the rural regions by creating more jobs in industry and the service sectors.

The Mexican president was weakest on economic strategy. Although he insisted that it would be "treachery" to "reduce demand when it corresponds to necessities for survival," he admitted nonetheless that the economy would grow by less than 3 percent this year, a per capita decline of living standards.

Nothing in his speech comprised the kind of full economic program that could turn around the present depression of the Mexican economy, which now operates under strict International Monetary Fund restrictions. This leaves his government prey to the kind of systematic economic sabotage which Lopez labeled as the "destabilization of society."

Full Support

In the days since his state of the union address, President Lopez has received full support from numerous sectors in the Mexican political scene. The Armed Forces held a breakfast in the president's honor Sept. 2 where Defense Minister General Felix Galvan pledged full military backing to the constitution and to the President as commander in chief. The teachers' union held a 400,000-person nationwide mobilization supporting Lopez Sept. 6, and the major peasant and labor organizations have also endorsed the President's address.

Portillo Speech Excerpts

The following are excerpts from the state of the union address of Mexican President Jose Lopez Portillo, Sept. 1, 1977:

"A little more than four decades ago, Mexico ceased being a country of the caudillo (boss) and became a nation of institutions. One of them is the Presidency of the Republic. It is the people and only the people who grant the supreme mandate. The people assigned me the high honor and highest responsibility that I carry. It would defraud the people if I did not exercise it with all that I am and can be, without boasting or pride.

"My only commitment is to the people of Mexico.

"As President I respond to the sense of the Nation and listen to the opinions of my collaborators and also of some who are opponents of the government. More, I often promote these opinions. But as chief of the Federal Executive I cannot accept pressure. In the questions of my area of competence only I have decided, decide, and will decide. If there have been correct judgments, that is my commitment; if errors, my responsibility.

"I give a report on my exclusive and indivisible responsibility, because this is the way the political talent of the people of Mexico has wished the executive power to be exercised. Not that it be shared, nor that it be perpetuated by factions. At this moment of the present, as in the past, there are no emissaries but those of the future...

Criticism of Carter's Policy On "Illegals"

"Economic growth will probably not reach 3 percent and for the second consecutive year, will be less than the growth of the population. The result is recession and in the end more unemployment, which can worsen as a result of policies against our braceros. Let us be duly prepared for it...

"We hope that within our nation Mexicans can achieve their maximum personal and social fulfillment. Nevertheless various thousands of Mexicans find it attractive to cross our northern borders, without requisite documentation, in search of wider horizons. They reflect in part the effect of our unemployment. I reiterate that they are not delinquents; that the possible violation of immigration laws does not generate counterweight of infringing labor laws and even less human rights. It follows that we hope that the measures taken against them are not of a police nature, but rather of understanding and good ways to resolve this common problem between the affected parties, (a problem) inscribed in a very old relation of interchange which is unfavorable to us. Correcting it would remedy many ills. We have put all our efforts into treating the causes and tempering the

effects of the problem. We affirm once again that we do not want to export people, but products...

Defense Of Living Standards

"The Alliance for Production is not a campaign slogan nor a temporary expedient to deal with an emergency. Faced with inflation, either we produce to increase supply, or necessarily, and what is worse, intentionally, we punish demand. In a country with unemployment and without unemployment insurance it is treachery to reduce demand when the demand corresponds to necessities for survival. We must intervene into production. There are, of course, those who viscerally combat production and productivity. If they do so in good faith, it is because they think it hides injustice. They do it in bad faith if they manipulate the issue to destabilize the society.

No To Labor Intensive Rural Employment Programs

"We must understand that the demand for work in the rural areas cannot be resolved simply with agricultural activity. The modern destiny of labor is increasingly oriented to industrial activities and, above all, services. The change in qualitative structure of our population, from the rural economy to the urban, is irreversible. It has simply fallen to us to live in the midst of the whirlwind, when the population multiplies, the rural areas export hands, and the cities cannot yet absorb them due to the speed of the arrivals...

"It is from this that we insist that the complete solution of the agrarian problem is not in the countryside but in the re-ordering of our economy.

"Clearly this does not free us from the responsibility of carrying out agrarian reforms to its furthest extent...

"In a democratic country in which the liberty to choose one's place to live is a fundamental right, we must correct and foresee the growth of great human conglomerates, without sacrificing that liberty..."

"I inform you that in the current (congressional) session I will present a proposal for the reform of Article 123 of our fundamental law (Constitution), so that the right of workers to training and skills acquires the constitutional status and the character of a social guarantee..."

On International Affairs

"Our delegation labored hard, in the Conference on Economic Cooperation, the North-South dialogue, for substantial advances in the application of a new socio-economic world order, of which Mexico has been and always will be a champion. The lack of coordinated action and the scant progress achieved, which we lament, show that we still face an arduous and prolonged task ahead of us..."

Peru Strikes Deal With Citibank: Will It Work?

Two major strikes have broken out in Peru in the less than two weeks since President Gen. Francisco Morales Bermudez proclaimed an end to the 14-month-long State of Emergency (martial law) and the restoration of full constitutional rights — including the right of labor to organize and to strike. Rank-and-file members of the state hospital doctors' union declared an indefinite strike Sept. 7, rejecting a settlement reached last week by leadership and the Morales government for a 35 percent wage raise and extended job stability guarantees. At the same time, 20,000 social security workers, on strike since late August, have refused to accept a similar government offer. The social security health workers won public backing Sept. 5 from the militant communist-led CGTP union federation, which denounced the "intransigence" of government negotiators in the face of the labor demands which are "legitimate from any point of view."

PERU

The strikes, which could spark a wave of petitioning for wage hikes to recover the 50 percent cut in real wages over the last year, underscore the fundamental instability of the financial-political "deal" worked out between Peruvian President Francisco Morales Bermudez and Citibank Senior Vice President Irving Friedman three weeks ago after talks in Lima and New York. Seeking both to forestall a Peruvian default on \$700 million in debt payments still unpaid this year, and looking for an edge over its illiquid rival Chase Manhattan, Citibank mapped out an "economic stabilization" program for Peru under which most of the country's \$500 million short-term debt will be refinanced, while service payments on long-term debt are maintained on schedule.

Chase Manhattan, whose Peruvian debt holdings are primarily on short-term account and who is desperately in need of quick cash, is heavily penalized. Citibank has undercut the Chase plan for imposition of a bloody Chile-style regime to guarantee its cash repayment by throwing its support behind the centrist regime of Morales and a program of "piecemeal" austerity and political liberalization.

Now, it is up to the International Monetary Fund to make the next move. With the political support of Citibank, Peru has been able to dictate its own terms to the IMF, which has for the past six months demanded imposition of severe austerity measures as a condition for granting Peru standby credits. If the IMF agrees to the terms of the Peru-Citibank deal this month, its leverage against other insolvent Third World countries will be greatly weakened. If it refuses the terms, the IMF risks provoking a Peruvian default which could create a crisis of confidence throughout the international banking community.

Will It Work?

With the immediate threat of a Peruvian debt default postponed, the question foremost on the minds of international bankers is whether the "soft-line" Citibank deal will work. As *The Times* (of London) forecast ominously in an Aug. 31 editorial, "The question now is whether... agitation in the future (i.e., strikes and anti-austerity protests — ed.) will lead hardliners in the government to feel they should intervene in the way the Chilean armed forces did in 1973," referring to the "shock therapy" imposed in Chile through a bloody coup d'etat mainly organized by Chase president David Rockefeller.

The Deal

There is every indication that, in exchange for political liberalization and a possible place in the government's projected return to civilian rule, Morales and his Citibank backers struck a deal with the agent-ridden leadership of the Peruvian Communist Party to help finance austerity by curbing strikes and "excessive" wage demands. The PCP is notorious throughout Latin America for its willingness to cooperate with any head of state who offers a "political opening." While the PCP may be *willing*, it is not at all clear that the party is *capable* of containing the working-class base of its allied federation, the CGTP, which the federation's support for the social security strike indicates. For the depression-wracked Peruvian working class, even the step-by-step austerity program okayed by Citibank means certain death.

Discontent runs deep in the Peruvian population, and among political groupings. Both the Revolutionary Socialist Party (PSR) and the Christian Democratic Party, which, though small, wield significant influence in the Army and labor movement, denounced the President's liberalization proclamation as favoring the reactionary traditional parties in Peru. The PSR charged in a Sept. 3 communique that the restoration of constitutional rights "only benefits those who are committed to handing governing power over to the rightwing Apra party."

It is widely known that Morales initiated negotiations to ally with the fascist-populist Apra, as the only traditional party capable of mustering a semblance of mass base that Morales needs to stand on. Apra, seeing an opportunity to gain influence before the 1981 general elections has responded with wholehearted support for the government's call for austerity "sacrifices." Apra, along with the bevy of maoist sectlets, boycotted the highly successful July 19 national general strike protesting austerity, and has demonstrated over the years its ability to deploy lumpen gangs as shocktroops against labor militants. Rumors abound in Lima that Morales himself may emerge as the Apra presidential candidate, if and when elections are held!

Morales Bermudez is already showing nervousness about the viability of his deal. On the very day of his

liberalization decree the secretary general of the PSR — which has staunchly opposed further austerity and has publicly called for a moratorium on Peru's multibillion dollar foreign debt — was arrested and imprisoned for four days. The editor of the weekly Communist Party newspaper *Unidad* was convicted last week on ridiculous "slander" charges brought by an Apra follower, and slapped with a four-month suspended jail sentence. The arrests are clearly meant as a threat, a warning that anyone who steps outside the bounds of the "deal" will be repressed without hesitation. Any public discussion of debt moratoria is taboo in Peru.

Chase Plots Coup

While Chase Manhattan and the Rockefeller forces suffered a definite setback in Peru, they are by no means just sitting idly by. Their allies in the right wing of the Peruvian military are waiting in the wings, ready to exploit any failure of the Morales-Citibank deal and any new wave of labor unrest as a rationale for a coup to

impose "law and order" in the country. The Inspector General of the Army, Gen. Pedro Richter Prada, notorious for his repressiveness while Interior Minister during the mid-1960s, has emerged as the leading candidate in the event of a coup move. "Many observers fear," noted the *Financial Times* (London) Sept. 2, "that Richter Prada ... might ... turn his popularity in the officer corps to good account and act on his rightwing beliefs."

Peru's "friends at Chase Manhattan" have another card to play against the Morales government in Peru — the threat of unleashing Chile for a rerun of the 1879 War of the Pacific that decimated Peru. The *New York Times*, which recently crusaded to polish Chile's tarnished social image, reported Sept. 4 that "U.S. officials" in the Carter Administration "take a serious view of the potential for armed conflict if the negotiations that Bolivia has undertaken with Chile since 1974 for a corridor and port on the Pacific are not successfully concluded by 1979, which will be the 100th anniversary of the War of the Pacific...."

**SOMALIS ISOLATED IN EXPANSIONIST TRY
FOR OGA DEN REGION**

Sept. 9 (NSIPS) — The Ethiopian government broke off relations with Somalia last week, pressuring Somalia's increasingly isolated expansionist adventure in the Ogaden region of Ethiopia. The break follows Somali President Barre's trip to the Soviet Union where a peaceful resolution of the conflict was flatly demanded by the Soviets who gave no support to the Somalis.

Soviet military support to Ethiopia stalled the expansionist drive, leaving Somalia out on a limb. The original scenario called for Somalia to cut ties with the Soviet Union, and turn to the West for arms once the Ogaden landgrab was a fait accompli.

Since the Somalis were unsuccessful in conclusively grabbing the Ogaden, their appeals to the West for arms were appeals for support for their expansionist venture. With the Europeans refusing to aid the Somalis in this operation, the Carter Administration would have been isolated in supporting Somali expansionism. The Carter Administration thus formally reversed its position and announced it would not supply arms to Somalia as long as there was fighting in the Ogaden.

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TITO, CHINESE DISAGREE

Sept. 9 (NSIPS) — Winding up his 10-day trip to China, Yugoslav President Josip Bros Tito has extracted from the Chinese a public defense of "Yugoslavia's stance of nonalignment and of the Nonaligned movement. Despite the ostentatious public display of warmth between Tito and the Chinese leaders, and an increase in bilateral trade between the two countries, it appears to be all that the two parties did agree on, and China's praise for nonalignment is of dubious significance in light of China's known strong "tilt" toward the U.S. and against the Soviet Union.

The failure to issue a joint communiqué was revealing. It was due to disagreement on almost all other major questions, including détente, disarmament, "the international situation," and the question of the inevitability of war, according to the Chinese news service AFP. Tanjug, the Yugoslav press agency, reported that "after exhaustive talks, the basic positions and directions of operations (of the two sides) are clearer" — about as close to publicly admitting a total divergence of views as the agency could have come without announcing the fact outright.

Concerning the U.S., China's deputy premier Teng Hsiao-ping took the occasion of a visit to China of Associated Press executives to publicly reveal some of the contents of the Vance talks in Peking last month. Teng said that U.S. Secretary of State Vance proposed a step backward in the normalization process by insisting that China make some compromises. Some U.S. analysts interpreted Teng's remarks as "a step forward," because Teng noted that in taking over Taiwan, China

would take cognizance of the "special conditions" prevailing there. But in remarks curiously omitted in the *New York Times'* account (although covered elsewhere), Teng also laced into the U.S. — and Western Europe — for not taking advantage of the alleged economic weakness of the Soviet Union, and instead capitulating to the Soviets by strengthening East-West economic ties.

The import of Teng's remarks is that China will oppose every attempt by Europe to break with the sinking dollar through trade deals with the Soviets. Chinese protestations to Tito notwithstanding, Teng thereby placed China squarely in the profascist Anglo-American camp of monetarist banking interests who seek to save the dollar by draconian austerity here, in Europe, and in the Third World.

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**USLP PRESSES FOR FULL DISCOVERY
ON FEDERAL ELECTIONS COMMISSION**

Sept. 8 (NSIPS) — U.S. Labor Party attorneys have filed a motion with the U.S. District Court in Washington, D.C., urging Judge Aubrey Robinson to permit full discovery and a trial in a lawsuit filed against the Federal Elections Commission (FEC) by U.S. Labor Party supporters. The suit, *Jones v. FEC*, charges that the FEC harassed and intimidated contributors to the Committee to Elect LaRouche, the Labor Party presidential candidate's political campaign committee.

The Labor Party's brief points out that Congress never intended the FEC to assume Gestapo-like police powers such as making early morning visits to campaign contributors and threatening them with jail sentences if they failed to produce records, as stated in the complaint in the *Jones* case. In fact, the motion states, Senator Montoya, during Senate Appropriations hearings in 1976, asked then-FEC Chairman Thomas Curtis: "You go into a small community about some matter and your person flashes a badge that he represents the FEC, and is collecting information relative to certain matters, and the whole community is going to know that that candidate is being investigated for something. That is unfair." Chairman Curtis responded: "That is what I am saying we don't do."

At a hearing today in U.S. District Court before Judge Oliver Gasch, FEC attorney Barbara Van Gelder reaffirmed the FEC's position that it has total authority to "investigate" by whatever means it determines appropriate. In the hearing before Judge Gasch, the FEC demanded that the court enforce subpoenas issued by the Commission which demand full disclosure of every financial record of the Committee To Elect LaRouche, the National Caucus of Labor Committees, the U.S. Labor Party, and two corporations who are vendors to those groups.

Labor Party attorneys reiterated that the FEC is now operating totally outside the powers legislated to it by Congress, and even farther outside the powers intended by Congress to be assumed by the Commission.

Decisions on the motion for discovery and trial and the motion to quash the subpoenas should be made available within the next 10 days.

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COLLISION COURSE WITH LABOR THREATENS CIVIL WAR IN COLOMBIA

Sept. 8 (NSIPS) — Faced with a well-organized, Communist-led general strike in defense of living standards, Colombian President Alfonso Lopez Michelsen has issued unprecedented repressive decrees which could push the country into civil war.

The decrees prohibit all street rallies and demonstrations, ban all radio and television reporting of the organizing for the general strike, and order censorship of printed material advocating solidarity with the strike. The government even declared that parents or students signing strike-support statements for a teachers' strike now in effect are subject to arrest and jail terms of 30 to 180 days.

Lopez's confrontation policy is backed by two Wall Street-linked dailies, *El Tempo* and *El Espectador*, which are linking the strike movement to the wave of terror now sweeping the country.

The strike movement, the result of a six-month organizing project by the Communist-led CSTC labor federation, has been joined by four major union federations in Colombia and is gaining the support of independent unions; on Sept. 3, the organizations of doctors and of journalists added their names to the strike call. The first international support arrived Sept. 5 in the form of a telegram of solidarity from the Communist-led labor federation of Venezuela, the CUTV.

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MANPOWER PLANNER TO BUST WAGE RATES

Sept. 9 (NSIPS) — Sar Levitan, a manpower planner and recent Carter appointee to a commission charged with drafting a proposal to revise the Department of Labor's unemployment statistics, told an interviewer today that the major problem with the proposed Humphrey-Hawkins bill, is its stimulation for union scale wages. Council of Economic Advisors head Charles Schultz "thinks the same way I do.... prevailing wages make any jobs program inflationary."

Levitan would like to see prevailing wages reduced "to around \$2,100 per year so that we can get more for our money." The manpower planner characterized Carter's welfare program, which funds jobs at the minimum wage level, "a step in the right direction" that "shows how people are thinking."

The Humphrey-Hawkins legislation is scheduled for a rewrite that would drop the prevailing wage provisions from the bill at a meeting between the bill's backers and the Administration next week, Levitan claimed. He added that if the prevailing wage provisions were kept in the legislation, or other employment programs, they would affect the ability of the U.S. Army to recruit. The Army, he stated, should become more involved in

manpower programs, deploying its domestic troops to build dams and dig irrigation ditches.

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GOVERNORS BLAST HUMPHREY-HAWKINS; SUPPORT DEMOS FLOP

Sept. 9 (NSIPS) — The Humphrey-Hawkins "public works" bill came under attack by both Democrats and Republicans at this week's conference of state governors. The state executives' comments were printed in the conservative-linked daily *Detroit News* Sept. 9. Governor Richard Schelling of Vermont (D) said: "Someone has to educate the public in terms of savings and capital formation. People need jobs that mean something." His comments were echoed by the Democratic Governor of North Dakota, Arthur A. Link, who said, "I agree with putting unemployed and welfare recipients back to work but they need jobs with skills."

Labor Day demonstrations to rally support for the Humphrey-Hawkins bill fell flat earlier in the week. In Chicago, only 75 demonstrators, most of whom were members of "environmentalist" terrorist groups, showed up. In Buffalo, the planned demonstrations and rock concert lured 120 people... briefly. In Springfield, Mass., press accounts of the demonstration highlighted U.S. Labor Party spokesmen calling the demonstrations "a promotion for pick-and-shovel jobs."

In Gary, In., Mayor Hatcher, who was supposed to organize the event there, left town as support for the demo among AFL-CIO trade-union backers evaporated.

The absence of even a trace of hoped for mass (particularly black and Hispanic) support for "public works" slave labor was nowhere more obvious than in San Francisco. There, the well-publicized presence of Governor Jerry Brown and Congressman Augustus Hawkins, co-sponsor of the Humphrey-Hawkins bill, drew a "crowd" of 50 people. And of that pitiful 50, the bulk had been recruited to the event by "gay rights" group.

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FRANCE WILL HONOR PAKISTAN REPROCESSING CONTRACT

Sept. 9 (NSIPS) — French Foreign Minister Louis de Guiringaud told his Pakistani counterpart, Agha Shahi, that France will honor the terms of its contract with the new Pakistani government for providing plans, materials and personnel to complete a Pakistani nuclear fuels reprocessing plant.

Both the French-Pakistan and the West German-Brazil agreement for transfer of advanced nuclear technologies which includes the full fuel-cycle capability and fuel reprocessing centers, have been the target of a sustained political attack by the policy circles in and around the Carter Administration. With the recent seizure of government in Pakistan by the military, there was widespread speculation that France might be forced to cancel the controversial aspects of the internationally significant deal. The statement by Guiringaud puts that speculation to rest.

In making his statement, Guringaud emphasized that all safe-guards to prevent reprocessed fuel from being used for making nuclear weapons have been worked out in cooperation with the international Atomic Energy Agency. Pakistan has plans to construct 25 commercial nuclear reactors over the next 23 years. Adherence to the original terms of the agreement with Pakistan is widely regarded as essential if France and other industrial countries are to maintain credibility in growing major negotiations for nuclear technology transfers to the developing sector.

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FRIDERICH TO REPLACE PONTO

Sept. 9 (NSIPS) — Hans Friderichs, West German Economics Minister and an important shaper of his country's industrial growth policies, announced early

this morning his intention to resign from his post, in order to assume the chairmanship of one of the largest West German banks, the Dresdner Bank.

The former head of this bank was Jürgen Ponto, who was murdered five weeks ago by the Baader-Meinhof terrorist gang. Given that Ponto was one of the most powerful forces in West German banking, Friderichs' new job by no means signifies a demotion for him, but rather can provide the government with still more international contacts and influence.

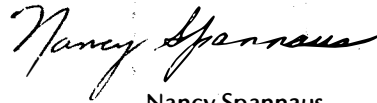
No successor to Friderichs has been named yet, but it is rumored that this may open the door to a reshuffling of the entire cabinet, possibly even bringing in a leading figure from the opposition Christian Democratic parties — a "grand coalition" option. For the moment, though, most speculation centers around Otto Count Lambsdorff, economic policy spokesman for Friderichs' small Free Democratic Party, who has close ties with British financial circles. Lambsdorff's relations with Chancellor Schmidt are not good.

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