

EXECUTIVE INTELLIGENCE REVIEW

November 14-20, 1978

Japan exports the American System

Will there be
any takers
in the U.S.?



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EXECUTIVE INTELLIGENCE REVIEW

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Japan exports the American System



Japan has been accused of “dumping” steel and other exports, and now some are angrily charging that the high-powered Japanese program of long-term, development-directed loans amounts to “credit dumping.” But as this week’s ECONOMIC SURVEY shows, what has the advocates of British-style austerity and International Monetary Fund starvation economics hopping mad is the fact that the Japanese are taking the American System of dirigist economic policies of high-technology growth and reexporting it to developed and developing countries alike.

Making up our cover story is a first-hand report by Asia correspondent Peter Ennis, recently returned from a trip to Japan and Korea, and an interview he conducted there with former Prime Minister Takeo Miki on Japan’s new global role. We also have a detailed report on the new Tokyo capital market and how it fills out the Pacific side of the bold European Monetary System strategy for world recovery — to the chagrin of the IMF and its allies.

On our cover: Against Japan’s rising sun, the Japanese-built “supertanker” *Globtik Tokyo*.

IN THIS ISSUE

Does the EMS have Britain cornered?

In EUROPE, the latest on the fight between Great Britain and the founders of the European Monetary System, that explains why the British crown's think-tankers have ordered a change in line, and also includes some scathing European commentary on Britain's reasons for staying out so far. **page 39**

Featured: an exclusive wide-ranging interview with Dr. Armin Gruenewald, the official economics advisor to West German Chancellor and EMS founder Helmut Schmidt, by our Milan correspondent Muriel Mirak. The interview took place in Siena, Italy, where Dr. Gruenewald accompanied Chancellor Schmidt for the latter's successful talks on the EMS with Italy's Prime Minister Andreotti. **page 41**

Mexico joins "Bremen East"

Cynics' eyebrows — and in London and Monterrey probably some hackles as well — have been sharply raised by the remarkable package of economic development agreements which resulted from Mexican President José López Portillo's just-concluded trip to Japan and the Far East. Covered in depth in our THIRD WORLD report, the Mexican President's "Pacific Basin" development strategy found a ready ear among his Far Eastern hosts, at the same time as pressure is mounting inside Mexico for expanded coordination with the new European Monetary System. **page 33**

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The Pakistan Papers

Held in prison by the Kissinger-installed junta now ruling his country, a death verdict hanging over his head, Pakistan's deposed leader Zulikfar Ali Bhutto has managed to smuggle out of his cell the devastating evidence of how his political enemies intend to kill him, with or without an official death sentence. Now the *Executive Intelligence Review* has obtained two key documents, and presents them in our SPECIAL REPORT — a shocking story that has yet to be covered in most U.S. media — with an introduction by our Asia editor, Daniel Sneider. **page 46**

Where is 'Capriccio Siciliano'?

Regular readers are no doubt wondering what has happened to this week's installment of 'Capriccio Siciliano,' the politically explosive Soviet exposé on the linkups between the narcotics trade, organized crime, Maoist Peking, and the assassination of John F. Kennedy and other important public figures. Our apologies — difficulties in our trans-Atlantic communications prevented us from receiving part four of the series, originally published in the Soviet youth magazine *Ogonyok*, until too late to include in this issue. The fourth, and final, portion of our exclusive English translation of the series will appear next week.

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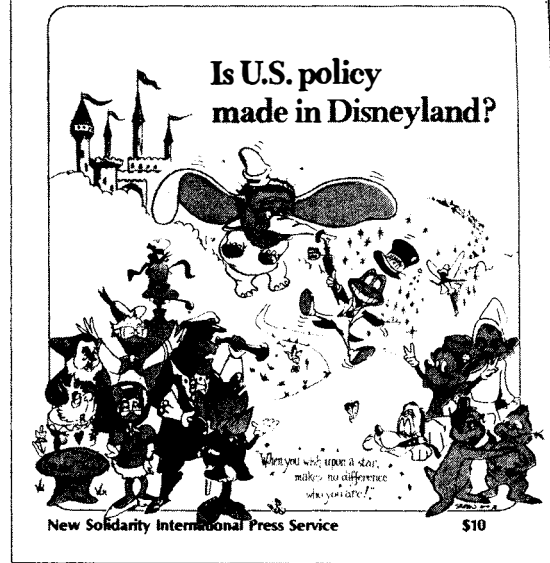
really negotiated at the July 1978 Bremen and Bonn summits of industrialized countries . . . and how the European Monetary System launched at Bremen was *modeled* on a 1975 proposal by the American political economist Lyndon H. LaRouche, Jr. as the "seed-crystal" of a new, development-oriented world monetary system . . . how the United States can get into this system and out of the depression . . .

... REPORTED HOW

fusion energy researchers in the United States achieved the milestone breakthroughs reported in August, 1978 from Princeton, and what other advances are coming in this clean, cheap and virtually unlimited solution to the world energy crisis . . . how and why there was a massive sabotage attempt against the U.S. fusion program, and who's backing fusion now . . . what were Japan's and the Soviet Union's offers in 1978 to the USA for joint fusion R&D.

EXECUTIVE INTELLIGENCE REVIEW

October 17-23, 1978



... DOCUMENTED

what's behind the world outbreak of terrorism . . . the names of the global networks that deployed both "left" and "right" terrorism to kill Juergen Ponto, Hanns-Martin Schleyer, and Aldo Moro—and plan an even bigger terror wave for the United States . . . Executive Intelligence Review provides the first-hand documentation from the world's press, including accurate translations from non-English sources, showing how continental Europe, Japan, the East bloc, the Arabs and developing sector countries are seeing and acting on events.

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Elections dim outlook for U.S., dollar

Action by Europe can help counter results of fraud

A week before the Nov. 7 U.S. elections, the Europeans and Japanese handed the Carter Administration a way to stop the hemorrhaging of the dollar as the first step towards a program for industrial recovery. As we reported in our last issue, it took a virtual European coup in the White House to get it accepted. For the first time in weeks, the dollar not only held, but bounced upward relative to such currencies as the British pound.

The morning after the elections, the dollar was back on the skids, and since then only massive intervention has kept the U.S. currency from crashing. The reason: British and British-linked networks around the Kennedy-Bronfman machine, Henry Kissinger, and the Heritage Foundation — the very networks which authored the Carter Administration's policy of "malign neglect" of the dollar — had apparently scored a smashing coup in the Tuesday balloting.

The box score? On the Democratic side, five U.S. senators who had been counted on as supporters of a SALT treaty were unexpectedly defeated, largely through the efforts of Henry Kissinger's network. And such solid Fabians as California's Jerry Brown, and Edgar Bronfman's bought-and-paid-for Governor of New York, Hugh Carey — written

off as sure losers in early polls — were triumphantly reelected by the Kennedy-Zionist lobby electoral fraud machinery.

On the GOP side, the Henry Kissinger-Heritage Foundation influence over the Republican National Committee and GOP policy-making circles resulted in a rout in Michigan and the Northeast, and slashed potential gains elsewhere, as GOP candidates shunned nuclear power and other basic issues in favor of the "Proposition 13" tax cut fad. The disorientation in the GOP is so pervasive that even such potentially promising GOP victors as Texas Governor-elect William Clements — an outspoken foe of Energy Secretary James Schlesinger — are floundering in a policy vacuum.

Emboldened by their success in gulling and politically intimidating more honest U.S. political forces, pro-British factions threw caution to the winds in fraudulently electing prodrug and proausterity candidates even against candidates prepared politically to fight back. In Maryland, statisticians have concluded that the landslide victory claimed by Congressman Parren Mitchell, a proponent of drug decriminalization and slave labor in his heavily minority urban constituency, was obtained by massive fraud against his aggressive U.S. Labor Party

opponent, Debra Hanania-Freeman. The USLP reports that Freeman was the actual winner in fair balloting, and has pledged to make the Mitchell-Freeman race a national test case against the vote fraud machine.

"Dumb giant"?

Will the U.S. remain Britain's "dumb giant"? The Republicans may learn something from their showing — in Ohio, where the GOP mounted an antifraud effort in collaboration with the USLP, Gov. Jim Rhodes was reelected despite a stiff challenge from a Fabian Democrat. And the Administration is still committed formally to détente.

Europe can help. The Europeans and Japanese have been promoting a strategy whose foremost U.S. exponents are the organizations and publications associated with Lyndon H. LaRouche, Jr. — including this *Review*. The LaRouche program has its adherents in Washington, and in corporate and labor union offices throughout the United States. It appears that the next dose of "culture shock" in order for the U.S., following last week's monetary coup, is for the Europeans and their American friends to come out forthrightly for the LaRouche program, name it as such, and campaign for it in these terms.

—Mark Cook and Paul Arnest

Gandhi victory hits World Bank

The former Prime Minister sweeps Chikmagalur elections

Former Prime Minister Indira Gandhi stunned her detractors both inside and outside India with a sweeping victory this week in a southern Parliamentary by-election. Her campaign for a strong India, based on science and industry, produced a record turnout of 76 percent of the voters. According to final returns, she won her seat in Parliament with a margin of 75,000 votes total 450,068) over the ruling Janata Party's candidates.

Some Western observers, particularly those operating out of the City of London, are at a loss to evaluate this victory. The once effusively praised Indian voter who ousted the Gandhi government from power in 1977, has turned right around and brought her back. Now, as leader of the opposition, Gandhi has necessarily become the center of the growing multiparty effort against the implementation of the World Bank-Ford Foundation deindustrialization plans for India. The Janata Party ruralists, the linkage of black money and gold-smuggling to the stunting of India's development policies, figured prominently in Gandhi's campaign assault on Janata incompetence. Her victory in a state where she did not even speak the language (she is from northern India) has gone full measure toward reestablishing her as India's foremost politician with a national following.

International implications

Gandhi's victory has international significance. Her reemergence is a

defeat for the Janata ruralists; for Socialist International chairman Willy Brandt, whose Indian agent, George Fernandes, spearheaded the cultist campaign against her; for the Janata government's "genuine nonalignment" facade which has served to appease fascistic tendencies in neighboring Pakistan. In fact, forces there fighting to save Pakistan's Zulfikar Ali Bhutto from the gallows have been remoralized by Gandhi's victory with hope that her leadership will produce sufficient pressure to save Bhutto's life. Bhutto like Gandhi is the symbol for regional detente and development.

The Chikmagalur constituency

The Chikmagalur state constituency and the Gandhi victory are unique in their contribution to a new geometry in Indian politics. At every rally, Gandhi spoke haltingly in English and Hindi, having this translated by state Chief Minister Devraj Urs into the regional language, Kannada. The crowds patiently waited and strove to understand the briefings on foreign policy, on the need for science and industry in agriculture, reminiscing that Gandhi's father Nehru similarly briefed them in the 1920s and 1930s to win India's freedom from the British. The campaign style was identical.

The sociology of the constituency lent itself to these "second freedom" efforts. It was Chikmagalur where the British East India Company took over

indigenous coffee production to convert it into backbreaking plantations manned by India's oppressed castes. At independence, the British transferred control to the "Brown Sahibs" (Brown Masters), who kept the lower castes in a continued state of backwardness. Gandhi and the Congress governments in the post-independence years have striven to break this social structure and the constituency fully backs the Congress Party.

Gandhi's platform and Fernandes's anti-Gandhi effort sharply clashed to the last days of campaigning. One of her first campaign gestures was placing the foundation stone for the south's first steel plant at Mangalore, a city close to Chikmagalur. Fernandes, on the other hand, urged on the population to the view that India's villages are beautiful and that cottage industries could once again flourish under his leadership! Gandhi projected herself as the candidate of the minorities and their rights. Fernandes ignored the volatile caste issue although across India there have been mass atrocities by upper castes against the lower castes, including burning-alive orgies and land dispossessions. One reliable observer branded the Janata campaign as "fascistic." Among the Janata posters were skulls dripping with blood next to photographs of Gandhi.

— Leela Narayan

Haig attacks detente—and U.S. strength

In the space of a single interview with the French newsdaily *Le Figaro* this week, NATO Commander General Alexander Haig managed to insult the foreign policy of America's Western European defense allies, charge the Soviets with preparing for wide-scale intervention into the Third World, and reassert his well-known view that elected political leaders should be subservient to the military.

"I don't believe in détente," the NATO commander said. "It is only a politician's game." The Warsaw Pact stance is such, he continued, to demand "reenforcement of NATO's central flank for the present . . . by an increase in conventional arms," and by an increase in nuclear weapons in the 1980s.

Haig's statement is but one of a like series coming from British agents-of-influence who, like Haig, were trained by Henry Kissinger. Together, they form a pattern of London-designed and Kissinger-orchestrated disruptions aimed at derailing the emerging European Monetary Fund, through a massive NATO armaments drive and the destruction of détente. Prevention of U.S. participation in the EMF is

a central feature of the Kissinger deployment.

Europe remains nonplussed by Haig's provocations. French Defense Minister Bourges told the National Assembly Nov. 7: "Never mind, we French believe in détente," in reference to the interview. On the same day, a West German Defense Ministry spokesman told this newsservice: "The current situation is forcing the present rate of armaments expansion, but this is not the direction in which we really want to go."

Haig's arms buildup drive is having much more success in the U.S. than in Europe. Here a press scandal led by the *Baltimore Sun* over the ongoing military exercises code-named "Nifty Nugent" is setting the stage for implementation of the economy-wrecking austerity and military production program put forth by President Carter in his Oct. 24 "anti-inflation" speech. According to the Nov. 4 issue of the *Sun*, the maneuvers will demonstrate U.S. inability to survive a nuclear attack, a revelation that is putting hair on the chests of the warhawks in the U.S. Congress and elsewhere. This constituency is pushing President Carter for even greater leaps in

U.S. "defense" spending, while austerity prevails over the federal budget as a whole.

As representatives of the U.S. research and development community including the prestigious Fusion Energy Foundation have emphasized, a competent national defense policy cannot be based on the Haig-Kissinger "guns not butter" formula. Such a policy must proceed from the full depth and breadth of national scientific and industrial development efforts, with adequate funding from the federal level. The soundness of this perspective was underlined at the Fusion Energy Foundation's recent conference on high-technology energy policy in Pittsburgh. There, on Nov. 9, Dr. James Blink of the Lawrence Livermore Laboratories announced advances on the Shiva laser fusion device, advances which could, if Livermore receives adequate funding to continue and expand its research, not only have far-reaching military applications, but help install an energy-abundant fusion economy in the relatively near term that will ensure the global prosperity on which lasting peace must be based.

—Christina Nelson

Japan exports the American

The tremendous growth of the Japanese economy and its international influence, and now the emergence of Japan as a world political force, have left some Americans fearing that the bogey of "Japanese competition" could take on even greater proportions. The reality of what Japan is seeking to do in terms of the United States, however, is 180 degrees different than the "yellow peril" scare stories too often appearing in financial and popular press alike.

The latest proof came last week, when the Japanese government, in collaboration with its West German allies, let it be known that the two nations intend to impose a two-tier interest rate structure on the entire hotbed of free-floating Eurodollars — on the understanding that sopping up of this speculative hotbed into productive, long-term investment will provide the basis for a strong dollar.

More generally, the Japanese are providing an object lesson to the world in drawing the implications of the "American System" of high-technology growth for foreign and monetary policy, at a time when the United States' leadership is proclaiming from the rooftops its unwillingness to live up to the policies of development that built America in the first place.

The Japanese and their European allies are moving to rectify the situation in the U.S., and the latest plan for the Eurodollar mess is part of their strategy.

The idea is to use a two-tier rate structure on the entire \$600 billion Eurodollar pool so that massive, dollar-denominated loans from Japan and West Germany's central bank reserves can be made available for Third World industrial development at Japanese and German domestic rates. These rates are *half* the current usurious Euromarket rates!

The Japan Finance Ministry announced what it termed the "consolidation plan" Oct. 30, saying that it will officially be presented to the U.S. and other governments at the end of the month. According to official West German sources, this creation of a "development dollar" is intended to forge a "dollar-EMS link" referring to the European Monetary System, the institutional core of the full range of European, Japanese, and allied efforts for a world-wide development axis. Through this linkage, the U.S. would be gently but firmly forced into joining the new

EMS, due to come on line Jan. 1, 1979. And by penalizing speculative "hot money" in favor of productive investment, the Japanese-German plan opens the way to stabilize the U.S. dollar, and rescue the U.S. economy, permanently.

For Americans still in the dark about the goals and the outlook of their Japanese allies, the following report should prove helpful. *Executive Intelligence Review* correspondent Peter Ennis, has recently returned from a trip to Japan, and provided the following analysis of how Japanese leaders view their emerging international role, and an exclusive interview with former Japanese Prime Minister Takeo Miki in which he reviews Japan's global foreign policy commitments and the role of industrial development aid in those goals. And to fill out the story of the EMS tie-in, Asia researcher Richard Katz analyzes the phenomenon of the Tokyo capital market, 'Bremen East,' and what it means for international business.

The Japanese step out into the world

Japan has long been known as a nation "good on economics, weak on politics." Indeed, since Japan's defeat in World War II and the subsequent occupation by the United States, many Japanese leaders have passively shied away from assuming a leadership role in world affairs, choosing instead to concentrate on building the strength of their country's economy while acquiescing, in large part, to a "junior partner" relationship with Washington.

This certainly is no longer the case. Japan is increasingly taking a crucial leadership in the world.

In recent months, Japan's business and political leaders have forcefully stepped from behind the shadow of the U.S. nuclear umbrella, combining their keen sense of history with a superior understanding of the process of economic development, to argue the

System

need for a new world order. In Tokyo, the top priority is restoring high growth in the world economy, which the leaders there see as providing the necessary context for world détente based on economic cooperation.

The Japanese have been prompted to act by what they see as a dangerous leadership vacuum in Washington. The last year's continuous crisis in the value of the U.S. dollar has compounded earlier tensions in the U.S.-Japan relationship, and acted as a powerful signal to Tokyo that it can no longer wait for Washington to correct the world economic crisis. If stability is to return to the world, the Japanese have said, we must act to bring it about.

And stability in the world is indeed what the Japanese desire. Having suffered the destruction of their country in the last world war, a war most Japanese see as having stemmed largely from the chaos of the great depression years, all Japanese leaders view world economic instability as the country's greatest threat. It was without the slightest bit of hyperbole that Prime Minister Takeo Fukuda has repeatedly warned during the last year that the ongoing world economic crisis increasingly resembles the years preceding World War II. Fukuda and his colleagues all believe that peace for both Japan and the world can best be secured through continued economic prosperity and cooperation throughout the world, and it is the overwhelming desire for peace that has led Japan to assume a global leadership role.

The center of Japan's drive for peace is the work to establish a new international monetary system, a project Tokyo is already closely coordinating with West Germany and France. Like West German Chancellor Helmut Schmidt and French President Giscard d'Estaing, who together initiated the formation of the new European Monetary System, the Fukuda government views the formation of a new international monetary system as the heart of the efforts to end the world depression and restore high growth.

While not a formal member of the new European Monetary System, Japan has been intimately involved with the formation of that institution, and has worked closely with especially West Germany to establish an

Asian counterpart to the EMS, the Tokyo capital market. The key to both institutions is the "soaking up" of excess dollars throughout the world and channeling them into long-term, capital-intensive development projects in the developing sector. Moreover, both institutions are understood to be the seeds of a broader international monetary system, which government officials in Tokyo say Japan and West Germany intend to make the key agenda item at the Tokyo summit of industrial countries scheduled for next June.

For Japan, the close relationship with West Germany that has developed this year has been key in enabling the country to emerge on the world political scene. Always fearful of being "isolated," especially by the anti-Japan attitudes of the London-run "Brookings crowd," the Japanese have been acting with the confidence that they are fully allied with Bonn, Washington's closest ally. The unprecedented visit to Tokyo last month of Chancellor Helmut Schmidt was a very significant event in solidifying the West German-Japan alliance, as the two nations publicly proclaimed their joint political drive to save the U.S. dollar.

Any visitor to Tokyo who has contact with senior Japanese political, government and business leaders quickly learns that Japan's eyes are fixed worriedly toward America's shores. In the minds of the Japanese, and their West German friends as well, the goal is not to engage in confrontation with Washington — both nations have learned the futility of such plans. Despite both nations' evident frustrations with the suicidal behavior of the U.S. political leadership, their determination is to create the international environment to transform the thinking in the confused U.S. capital, and to draw the United States fully into their efforts for a global "grand design."

Three pillars of foreign policy

Like most countries, Japan approaches its foreign policy from the standpoint of national security. What is unique about Japan, however, is that the country is constitutionally barred from ever again becoming a

military power.

In the postwar period, Japan has depended almost entirely on the United States for military defense. While Japanese officials emphasize that there is little danger of a military threat to Japan at this time, the country has nevertheless felt easier being inside the U.S. nuclear umbrella.

But Japan's national security concerns stretch far beyond military matters. As the second most powerful economy in the OECD, Japan has widespread global concerns, compounded by the country's high degree of dependence on imports of oil and raw materials and export of finished products, which combine to make Japan highly vulnerable to the effects of shifts and disturbances in the world or regional political situations. Traditionally Tokyo has had little political leverage to influence international events that concerned Japan, and has looked to Washington to maintain the global stability necessary for Japan's continued prosperity. The Fukuda government is now implementing a foreign policy with three main pillars however, designed to give Tokyo an independent voice in maintaining global stability.

The three pillars are first, international cooperation to solve the world's energy crisis, with particular emphasis on developing nuclear energy; second, a fundamental solution to the North-South controversy, through the transfer of advanced technology to the developing countries; and third, East-West détente based on economic cooperation, involving both the Soviet Union and China.

The Japanese shudder at the thought of another oil embargo, for Japan imports 99 percent of oil requirements, and the country has entered into a unique relationship with the Arab oil-producing countries designed to ensure an uninterrupted flow of oil to Japan. The heart of the program, known as "resource diplomacy," is exchanging oil for advanced technology.

The "resource diplomacy" policy first began in 1974 during the oil crisis, under the direction of then Prime Minister K. Tanaka, and has been expanded by his two successors, Takeo Miki and Takeo Fukuda. Fukuda himself visited the Middle East in September and signed major technology transfer deals with Saudi Arabia.

Most important, Japanese officials, especially Foreign Minister Sunao Sonoda, have emphasized that Japan's transfer of advanced technology to the Middle East will play a crucial role in bringing peace to the region by "stabilizing" the economies of the area. Japan has fully endorsed the need for a comprehensive solution to the Middle East crisis, including the establishment of an independent Palestinian state.

While working to shore up their more immediate supply of energy sources, the Japanese have become the world's leading proponents of an international effort to develop alternative sources of energy, particularly thermonuclear fusion. Business and

government officials in Tokyo repeatedly emphasize to visitors that fusion is the "obvious" energy source of the future, and the Fukuda government recently announced that it will double the country's fusion budget next year — making the Japanese fusion program larger than that of the United States.

Significantly, Japan has launched a sophisticated political campaign to build support for fusion in the United States. Earlier this year Prime Minister Fukuda publicly told a New York audience that humanity will soon be able to produce "a miniature sun on earth," and called for the formation of a \$1 billion joint fund between the United States and Japan to research fusion and other future energy sources. Japanese government officials say that their proposal will eventually be accepted by Washington, despite the well-known hostility of the Carter Administration's low-growth energy czar, James Schlesinger.

Japanese science officials have also discussed fusion cooperation with the Soviet Union, showing the possibility for joint fusion research among the three largest economies in the world.

Finally, the Japanese are continuing to promote the development of conventional nuclear power as a transition to fusion, especially for the developing countries. In their October joint communiqué, Prime Minister Fukuda and Chancellor Schmidt gave the full support of their respective governments to Third World efforts to acquire nuclear technology.

The North-South controversy between the developed and developing countries receives as much attention as energy matters by officials in Tokyo. As the source for most of their raw materials, Japanese officials see the developing sector as an area with which they must retain close relations. Moreover, the developing sector has traditionally been seen by Japan as a natural export market for capital goods, such that Third World industrialization is highly beneficial to Japan.

The orientation of the Japanese toward the developing sector was illustrated openly in the just-concluded visit of Mexican President Lopez Portillo to Japan. (For details, see THIRD WORLD.) Lopez Portillo emerged from the visit impressed with the Japanese commitment to "thinking big" and, not incidentally, with a \$1 billion commitment, for starters, in Japanese credit for the expansion of Mexican oil and gas facilities, including refining, port, and transport infrastructure. Mexican oil is what grabs Japanese attention, but their response, to aid industrialization of Mexico, is revealing of the advanced level of Japanese comprehension of how the advanced-sector nations must respond to Third World needs.

Of course Asia itself remains the main focus of Japanese attention, as it always has, but the spread of that attention now includes the entire Pacific basin, with an extension into the Indian Ocean region. While some talk about the reemergence of the "Greater East Asian Coprosperity Sphere," the Japanese have

learned the lesson well that extension of their influence is best carried out through Japanese economic muscle, not military strength.

The linkage of Japanese to European efforts is proof enough that no reasonable leader in Tokyo business or political circles contemplates an autarkic Japanese "yen bloc" in Asia as a substitute for international solutions to the international monetary crisis. The continued expression of Japanese fear of emergence of protectionist trade blocs in the world economy also is not rhetoric — it is the deadly fear of Japanese leaders who go back to the war era of being forced into having only such autarkic routes available to them.

The long haul in Asia

A visitor to Japan must be impressed with an element of Japanese thinking about themselves and the world that is generally not understood in the West. The present generation of leadership in Japan understands itself as an extension in conception and identity of the founding fathers of modern Japan — the revolutionaries of Meiji Japan who from the time of the 1868 Meiji Restoration took upon themselves the task of transforming a backward feudal nation, threatened by the encroaching forces of British Imperialism, into a modern industrial nation within the span of one generation. The Meiji transformation is the touchstone of Japanese thinking today, the referent for all current Japanese thinking about what is "possible" and "necessary" today. This is still history that is fresh in their minds — Fukuda himself is a man born in the Meiji era.

Meiji, and the extension of that experience in the incredible postwar "economic miracle" of Japan, means development and the "American System" of industrial promotion. The Meiji founding fathers had as their explicit model America, and in the first years of the New Japan, it was Alexander Hamilton and Henry Carey who were the guiding lights of Japanese economic thinking. From America came the idea of industrial protection, the creation of a national bank to promote industrial capital formation, and the development through science and mass education of the skills of the population.

From this the Japanese have gained the certain belief that through the mastery of science, technology, and a total national commitment to building an educated, industrially oriented population, backwardness can be overcome. For Japan this is not a process with a beginning and an end — it is still going on.

At the highest levels of Japanese thinking there is a master plan for their future development. The core of that is captured in the phrase "knowledge intensification." In brief, this means that the Japanese have now pushed their economy to the higher stages of industrial technology and capital-intensiveness — they have finally "caught up" and even gone beyond.

Now they must provide for further economic growth and technological transformation by shifting the emphasis of the economy to areas of more highly skill-intensive production — "knowledge-intensive" that is — which is usually explained in concrete terms as areas like computer technology, nuclear energy, and highly sophisticated heavy industry with increasing use of computerized production processes.

This plan for development is coupled in the Japanese mind with the transfer of their present level of industrial technology, particularly in areas like raw materials processing, steel, and chemicals, to the developing sector. The best circles in Japanese business (but not all — the Japanese have their own stupidity problem) are looking not for equity investment in the Third World but to sales of entire plant and equipment, with Japanese technical aid.

These Meiji humanist thinkers are not thinking in the short term; they do not look to their quarterly balance sheets for guidance on what to do next. They are in for the long haul and beyond.

Japan looks at China

The Japanese approach toward China is our last point of examination of the new Japanese role in the world. While the barbarians in Washington debate how, where, and what to play the "China card," the Japanese privately laugh. They know perfectly well that China is no one's card to play. But they also know that China today is hardly a stable entity, that the leadership in Peking has still only a tenuous hold over its own population, due to one key factor — the incredible backwardness, social and economic, of China.

Every Japanese will make this point with great emphasis — China is incredibly poor and backward and the new leadership's commitment to reversing the idiocies of Maoist peasantism and going full blast for industrial and scientific modernization has yet to fully be accepted among the population. There are no rose-colored glasses in Tokyo on this question. Discussions with business leaders deeply involved in the present massive expansion of Japanese technical and industrial assistance to China find virtual unanimity on the idea that China will take a long haul, into the next century and beyond, to approach the present levels of Japanese industrial development.

For Japan this defines the long view. Its leaders know that ultimately the present irrationalities of the Chinese leadership, its "Great Han chauvinism," can only be overcome through modernization and the increasing involvement of China in rational relationships based on economic cooperation with outside nations. As one businessman put it, "This is the first time in Chinese history that there is a national leadership committed to modernization firmly in power." The Japanese will watch carefully and see which way

China goes.

The Chinese have paid grudging tribute to their need for Japan by telling visitors who express skepticism about the scale of Chinese industrialization plans that their model for accomplishing this is the quarter-century effort of Meiji Japan.

For most of these Japanese circles, their relations with China are not counterposed to relations with the Soviet Union. Japanese know they must live with both their huge neighbors, and involve both in economic cooperation with themselves as the best guarantees of their security. In fact, rather than any rush into a "tilt" toward China, the dominant discussion in Japanese leadership layers right now is the urgent need to improve relations with Moscow, to ensure that no deterioration in those ties results from the conclusion of the Japan-China peace treaty. While warm feelings about their northern neighbors are hard to come by, a very practical attitude prevails on this question. In certain corners Japanese can be heard expressing the not uncommon view that in 10 or 20 years, when China has milked Japan of all it needs

in economic help, they will turn to rationalize their relations with the Soviet Union, this time from a position of greater strength. This view is cited as motivation for accelerating Japan-Soviet cooperation, particularly in the development of the vast resources of Siberia, an area foremost on the list of Japanese "resource diplomacy" targets. As these Japanese see it they cannot afford to be left out of anything — or left holding Mr. Brzezinski's empty pack of cards.

Hard words will be spoken from Moscow, and maybe even from Tokyo, and certainly from Peking, in the months and even years ahead...but do not watch the hands and feet. Underneath, a fundamental process is underway, which ultimately must lead, if Japan has its way, to a stable Asian scene characterized by vast panoramas of economic construction, regional cooperation, and solution to the problems of the Korean peninsula and Indochina (where Japanese mediation is being quietly pushed forward). And if you look carefully at the tiny print at the bottom of this vista, you will find there — "Made in Japan."

—Peter Ennis

Building 'Bremen East'

Early September: Right before Fukuda's visit to the Mideast a meeting of the Middle East Cooperation Center was held in Istanbul.

The business group, headed by Industrial Bank of Japan advisor Sohei Nakayama, met to map out a full business strategy for the region. As part of that strategy a meeting was also held in September in Egypt between Japanese and Egyptian business leaders. Heading the Japanese delegation was top business spokesman Shigeo Nagano.

Mid-September: While in the Middle East Fukuda works out agreements committing Japan to construct major petrochemical facilities in Iran and Saudi Arabia.

The Iranian projects are being planned by the Mitsui group, while construction in Saudi Arabia is being headed up by the Mitsubishi heavy industry group.

Mid-September: Japanese leaders tell Washington to support the dollar.

On the eve of the IMF meeting in

Washington the Japanese Ministry of Finance sends two top officials, including Takehiro Sagami, a strong supporter of Helmut Schmidt's monetary plans, to Washington for meetings with Richard Cooper of the State Department and Anthony Solomon of the Treasury to demand a strong U.S. dollar-support policy.

Sept. 27: The Asahi Evening News comments on the EMS and IMF:

"The EMS is a regional variation of what some people call the Miyazawa plan (named for Kiichi Miyazawa, former foreign minister under Takeo Miki and the current head of the Economic Planning Agency under Fukuda — ed.) and this may explain the Japanese comments welcoming the EMS ... The IMF's prestige and authority have dropped badly. The EMS, if it materializes, would be an action outside the IMF system."

October 28: Keidanren head Doko meets with Fukuda, the Foreign Minister, the head of MITI, and the director-general of the Science and Technology Agency, as well as the

heads of the Science Council of Japan and the Science and Technology Council, to map out a major drive for nuclear fusion power.

The meeting is reported on in a page-one story in the Mainichi Daily News. A major topic of the meeting is getting the United States actively involved in cooperating with Japan on fusion power development.

Upcoming: A series of secret meetings between top Soviet and Japanese trade and economic officials has been arranged.

Victor Spandarian, the Soviet Union's trade representative in Japan, and Shigeo Nagano, head of the Japan-USSR Businessman's Committee, have agreed to hold a major conference on Japan-Soviet economic development beginning Dec. 7 in Tokyo.

In November the head of Japan's Export-Import Bank, Sumita, will visit Moscow to discuss the issuance of cheap Exim-bank loans to the Soviet Union to finance Siberian development.

Another leading businessman, Mr. Anzai of Tokyo Gas and Electric, will also travel to Moscow in November.

Japan's contribution to Mideast peace

Former Prime Minister Miki: 'We can help the Arabs industrialize'

On Oct. 10, former Japanese Prime Minister Takeo Miki took time out from a busy schedule for an interview with Executive Intelligence Review correspondent Peter Ennis at Miki's Tokyo residence. Their wide-ranging discussion touched on the Middle East and the Camp David summit, the need for global cooperation to develop new energy sources, and the recently concluded treaty between Japan and China.

EXCLUSIVE INTERVIEW

Mr. Miki, who served as Prime Minister from 1974 through 1976, is perhaps best known in the West for his role in formulating Japan's foreign policies. He was an architect of normalizing relations with China, and, as Deputy Prime Minister following the 1973 oil crisis, played an important role in developing oil-for-technology deals with the Arab nations to assure Japan's energy supplies.

But Miki, the leader of a small but influential faction within the ruling Liberal Democratic Party, has also continued to play an important part in internal Japanese affairs since stepping down as Prime Minister in 1976. With a December election scheduled for the presidency of the LDP — the LDP president is automatically the party's choice for Prime Minister — the Japanese press is speaking of the key role Miki will have in helping determine if incumbent Prime Minister Takeo Fukuda survives several heated challenges for his position. Miki is involved in almost-daily campaign strategy meetings.

Q: I hope to discuss with you two main issues, Japan's foreign policy and international energy policies.

You were in the Middle East last summer. Can you tell me a little bit about your trip, and your views on how Japan can contribute to bringing about peace in the area?

Miki: Well, so far as the peace issue in the Middle East goes, the United States has an important role to play because the U.S. is the only power which has any controlling effect on Israel, and this is one of the key factors involved. There is nothing Japan can do directly, but we can help the Arab countries accelerate their industrialization before their oil resources are exhausted. The economic stability of the Middle East will of course contribute to achieving peace there.

Q: So you would agree with the oil-for-technology deals that Prime Minister Fukuda concluded with Saudi Arabia during his recent visit to the Middle East. This is an example of what you have in mind?

Miki: Yes.

Q: So then, what was your view of the Camp David summit?

Miki: Well, when I met with President Sadat in Alexandria, he stated that he had no intention of bringing about a unilateral agreement with Israel without the participation of the other Arab powers. But, apparently at the Camp David meeting President Carter persuaded (laughter) Sadat to the final agreement. So, of course a general solution to the problem would, perhaps, be the ideal solution, but apparently Sadat chose the more realistic approach feasible under the conditions. And in the background was a feeling on the part of both Israel and Egypt that they did not want to wage war. And also, the economic situation in both countries is quite critical.

Q: So Sadat told you he would not take unilateral action, but President Carter persuaded him?

Miki: Maybe, I don't know. (laughter)

Q: Some people have been suggesting that the recent flare-up of the situation in Lebanon may have something to do with the failure of the Camp David agreement to deal with the Palestinian question to the satisfaction of most Arab countries and the PLO. So, is it realistic to have discussions on the Middle East without the participation of the Palestinians?

Miki: The issue that is perhaps most central to the Middle East is the Palestinian issue, so it may not be realistic to exclude the PLO from the general solution. Apparently President Sadat thought that by taking a unilateral approach, in the process the Palestinian issue would also be solved. Sadat had repeatedly mentioned to me that the crux of the issue was the Palestinian problem, so when he went to Camp David he must have been very conscious of the fact that the Palestinian issue could not be ignored. But in spite of that, the Camp David agreement was made.

On fusion power

Q: I know that you have been an advocate of nuclear fusion development in the past, as has your colleague, Trade and Industry Minister Komoto. Were you happy

with Prime Minister Fukuda's proposal to President Carter for U.S.-Japan cooperation on fusion development?

Miki: Fukuda's proposal is a good one because this matter of fusion, and development of other alternate energy sources, is vital for Japan.

Q: Now that Fukuda has made this proposal to the United States, have you thought about even broader, international cooperation on fusion development? Japan has raised this issue with Moscow, and there is limited cooperation between the Soviet Union and the U.S., so we seem to have the potential for at least three-way cooperation.

Miki: Well, this issue of developing new sources of energy is an international issue, and for this reason international cooperation is highly desired.

Q: Let me ask you a more philosophical question. We have found in the United States that the potential development of fusion has significantly refuted the argument that energy resources are limited, and the general limits to growth outlook. So, what is your view on zero-growth, the "economics of scarcity," and other similar philosophies that the Club of Rome has been associated with in the past?

Miki: Well, I am not pessimistic on growth issues, because natural resources may be limited but the resources of human knowledge, our intelligence, is so great that a solution can always be found to promote continued growth. So, mankind will find a solution to the energy problem. In the process of developing fusion, coal resources can be utilized, and of course there are the conventional nuclear power plants.

On relations with China

Q: Many things have occurred in Asia over the last few months, the biggest event being the conclusion of a treaty between Japan and the People's Republic of China. What is your opinion on the treaty, both its historical significance as well as its immediate practical significance for the Asia region?

Miki: The significance of the Japan-China treaty lies in the fact that in the past it was the unstable relationship between the two countries which had caused the instability in this part of the world. So the importance of this new treaty is that it does become an important element in bringing stability to Asia, as well as the fact that the treaty stipulates that hegemony will not be recognized. This is welcomed by the countries of Asia. So, the treaty should help prevent the outbreak of war in the future.

The Soviet Union is unhappy with the treaty because it contains the so-called "antihegemony" clause. However, the treaty does not specifically designate the Soviet Union as the target of the treaty, so therefore, the Soviets have nothing to complain about so far as

the specific provision of the treaty is concerned. However, they are unhappy because it does challenge their stand in the Far East. The only thing that can be said about the situation is that only the future can tell how the situation will develop.

Q: I would say that the way the treaty was finally concluded reflected many of the views which former Foreign Minister Miyazawa used to express, namely that opposition to "hegemony" is an international principal and not specifically directed against any one country. As I understand it, for a long time China did not want to sign the treaty if it included such a third country clause. Really, the long, drawn-out negotiations over the provisions of the treaty were a question of whether the treaty would be signed on China's terms, or whether a compromise would be reached.

Miki: Well, so far as the third-party clause is concerned, there apparently was no opposition on the part of China to including this. During my administration (1974-1976), the situation in China itself prevented the earlier conclusion of the treaty, because both Mao and Chou were very ill, and the internal situation was such that it was not possible to sign on the part of China. The situation there was very unstable. The third-party concept was already included in the joint statement issued by the two countries some years ago, so it is not a matter of which country won, or was stronger at the negotiating table. The treaty came to fruition because there was a demand on the part of China that it be concluded. They said they were ready.

Q: Foreign Minister Sonoda voiced in an interview published in the United States some months ago some concern over China's policy toward Indochina. His words were something to the effect that before Japan and China should worry about the hegemonistic policies of other countries, both Japan and China should make sure they do not have hegemonistic intentions themselves. Do you have any concerns about the situation in Indochina, and in particular, China's role in that situation?

Miki: I think it impossible for either Japan or China to establish hegemony in Indochina, because the Soviet Union already has a strong relationship with Vietnam. In this situation it is inconceivable that China could establish hegemony there. The tension in that area may be relieved, but this will take a long time.

Q: Many people in the West have claimed that the Japan-China treaty represents a major tilt by Japan away from equidistance in foreign policy toward China — a fundamental shift in Japanese foreign policy. Do you interpret the treaty in this way?

Miki: The relationship between the United States and Japan is very special, and taking this into account, it is impossible for Japan to be tilted toward any one country.

Q: So you would completely separate Japan's relations with China and Japan's relations with the Soviet Union?

Miki: It may not be possible to separate these two issues, but Japan will endeavor to improve relations with the Soviet Union. This is an inevitable thing for Japan, but it takes time.

Q: Well, shortly after the treaty was signed between Japan and China, Yuri Brezhnev, President Brezhnev's son, who is a Deputy Soviet Trade Minister, visited Japan, and the Japanese press reported that

Mr. Brezhnev made a series of proposals to Japan on economic cooperation which were apparently similar to the proposals his father made to Chancellor Schmidt when he was in Bonn last May. Very broad-ranging and long-term cooperation proposals. Do you consider this type of economic cooperation one way that Japan and the Soviet Union could improve relations?

Miki: The improvement of relations between the Soviet Union and Japan can take place in great part through economic cooperation.

Tokyo capital market puts muscle behind 'Bremen East'

The Japanese are making "banzai" charges again, announced an alarmed London *Financial Times* on Oct. 26, only this time it is Japan's bankers rather than its soldiers that are threatening the British Empire.

Over the last year Japan has emerged as a major international financier. Its overseas loans have almost tripled, to an annual rate of \$13-15 billion this year, versus \$5.3 billion in 1977. (See Figure 1.) Behind this amazing growth lies a new institution yet little noticed in the U.S. press, the Tokyo capital market.

Japan has been involved in normal, private international lending since the early 1970s. The new Tokyo capital market, however, is being implemented by joint government-private cooperation to rechannel dollars, now being primarily used for rollover and-or speculative purposes, into long-term productive uses. Since approximately last February the Tokyo Capital Market has functioned in conjunction with West German and French efforts and the emerging European Monetary System first formalized at this past summer's summit at Bremen as the seed-crystal of a new international monetary system. Japan intends to make the efforts to reform the monetary system the subject of next summer's heads-of-state summit in Tokyo.

The ultimate purpose of the Tokyo Capital Market was made clear at an emergency meeting of Japan's Finance Ministry on Oct. 25, called to deal with the rise of the yen above 180 per U.S. dollar. At the meeting the Finance Ministry decided that measures must be taken to either freeze or recycle back to the U.S. the \$500-600 billion pool of loose dollars which serve as a hotbed of international monetary turmoil. Japan intends to propose such measures to the meeting of the Organization for Economic Coopera-

tion and Development, and the advanced capitalist industrial nations, at the end of November as well as the upcoming Tokyo summit. At the same time, Japan proposed immediate large-scale swap arrangements to stabilize the dollar, a move incorporated in President Carter's Nov. 1 announcement of a dollar-support package.

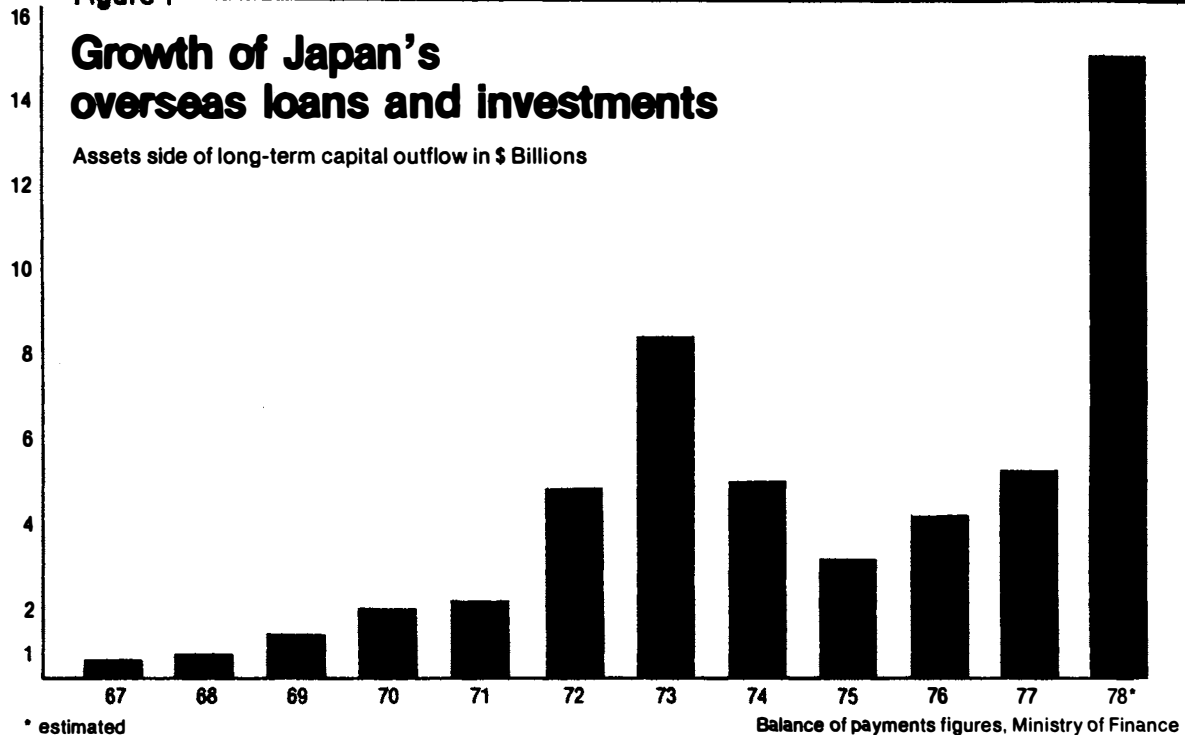
The heart of the Tokyo capital market is the cooperative relationship between the Bank of Japan and selected commercial banks there. The BOJ has been lending dollars to these banks at somewhat less than Eurodollar rates, the source of those dollars being the speculative inflow into Japan. As a result, the private banks have an added margin of profit, enabling them to make long-term, productive loans for capital development projects in the developing countries. In certain cases, the Japanese banks have made loans at rates undercutting the prohibitive Eurodollar rates. In the case of yen-denominated loans, the rates have been as low as 7.5-8.0 percent per annum, far below the 10-13 percent rates prevailing on the Eurodollar market. As a result, many developing countries, unable to borrow for capital projects at the higher rates, have now borrowed from Japan to revive stalled industrialization programs.

Japan's challenge to offshore banking's high-interest-rate regime has drawn a predictably sharp reaction from austerity-minded officials. The U.S. Treasury's C. Fred Bergsten, for example, one of the architects of the dollar's fall, denounced the Tokyo capital market as a form of "credit dumping analogous to export dumping." An almost apoplectic *International Currency Review* — published by the Rothschilds — told its readers in September, "It could well turn out that the origins of the 'crash of '79' should

Figure 1

Growth of Japan's overseas loans and investments

Assets side of long-term capital outflow in \$ Billions



be sought not in Saudi Arabia, but in the challenge to the Western banking system coming from the Far East."

Certain short-sighted U.S. bankers are also complaining that their Japanese colleagues are cutting them out of the lending business. A cursory look at the loans involved, however, indicates that at least a plurality have been for projects that the London-dominated International Monetary Fund-World Bank has been trying to prevent, and that the U.S. had declined to lend in deference to the IMF. For example:

- *\$700 million for the Tuburao Steel project in Brazil*, a project the IMF-World Bank has been trying to stop for two years;
- *\$1.2 billion in credits to Mexico* for projects involving *port expansion, oil, and electricity*. The loans, involving the Japan Export-Import Bank as well as private lenders, were signed during the just-concluded visit of President Lopez Portillo to Japan, and are seen as only the beginning of much larger economic cooperation. The pact gives a big boost to the industrialization program of Lopez Portillo's government, and a defeat for his opponents of the London-allied Monterrey group.
- *\$300 million to the Asahan steel project in Indonesia*, another target of the IMF-World Bank.

Japan fully intends to expand the Tokyo capital market, using additional forms of finance to supplement Bank of Japan-private bank mechanisms. Last month Japan's government announced a proposed

change in the law governing its foreign aid agency, the Overseas Economic Cooperation Fund. Rather than have the Fund lend its limited money, under the new law private banks would make approved aid loans and the Fund would pay the interest, the recipient paying only the principal.

It is clear that these efforts are necessarily limited. They are seen by the Japanese not as new systems in and of themselves, but as part of the process of creating a new, investment-oriented monetary system, of which the European Monetary Fund is the foundation. Last April the Mitsubishi Research Institute proposed a \$500 billion, 20-year scheme for worldwide industrialization projects, and Premier Fukuda presented the proposal to President Carter when they met last May. This is the economic content of the monetary proposals Japan will present to the OECD at the end of this month.

The facts behind 'Bremen East'

The Tokyo capital market is the implementation of an international "save the dollar" strategy worked out in a series of meetings beginning early this year. From the Japanese side, key participants were representatives of Prime Minister Fukuda, the Industrial Bank of Japan, and sections of the Mitsubishi corporate group. From the West German side, the most significant figures were emissaries of Chancellor Helmut Schmidt, the Deutsche Bank, and business leader Otto Wolff von Amerongen. Both

Figure 2

Japan's "real" exports

Seasonally adjusted quantum index
1970 = 100



Deutsche Bank and Wolff von Amerongen have long-standing business ties to Japan, and Schmidt and Fukuda have known each other personally since both were Finance Ministers in 1973. Not unimportantly, Schmidt's specialty as an economics student in the late 1940s was Japan's dirigist financial system.

The predicament these leaders met to discuss was that the vicious cycle of Eurodollar monetary inflation and IMF austerity made it exceedingly difficult to arrange long-term productive loans. From the standpoint of the private sector, the dollar had become almost worthless as an instrument of international investment. Only state intervention could restore the dollar's value and private lending capability. This realization led to the creation of the European Monetary System and its Pacific adjunct.

The situation of the Japanese banks was particularly acute. They were under "advisement" from the Ministry of Finance to lend long-term only with funds acquired long-term, not with short- or medium-term funds. The reason: the Ministry hoped to avoid a repeat of the 1974-75 "Japanese premium" crisis.

During the Herstatt bankruptcy flap in the summer of 1974, the tight Euromarket slapped a special "Japanese premium" on Japanese borrowers, who had heavily borrowed following the oil crisis. With \$30 billion in outstanding international loans, and with foreign reserves dropping to \$10 billion from \$16 billion, Japan was at the mercy of the international bankers. And Japan's financial dependency was not unrelated to the success of the London-engineered

removal of Prime Minister Kakkuei Tanaka in November 1974 and, later, the ouster of Takeo Miki in December 1976. Both men had been trying to implement the kind of policies now embodied in the Bremen accords.

The Finance Ministry wanted to make sure that Japan never got caught in that kind of bind again. And fears of a repeat appear to be well founded. For example, one banker told this reporter that whenever the Eurodollar market gets tight, such as during a Mideast crisis, surreptitious ways are found to once again impose a de facto "premium" on Japanese borrowers.

But since "window guidance" from a powerful ministry is almost always followed, Japanese bankers followed the Finance Ministry's advice and restricted their long-term lending to funds acquired long-term. There is a problem, however. The margins in the Eurodollar market between the rate for acquired funds (called the London interbank overnight rate, or LIBOR) and the lending rate had so shrunk so much that long-term lending for projects was practically impossible. Therefore, in 1976-77, Japan's long-term lending rose very little from the low rates of the post-oil-shock period.

It was this condition in the Eurodollar market that prompted Japanese and West German leaders toward the EMS policy and its "Bremen East" corollary. Ostensibly in order to avoid a repeat of the 1974 crisis, the IMF forced less developed countries and weaker OECD nations to cut borrowing needs by cutting capital formation, fertilizer imports, and other

“excessive expenses” vital for economic growth. This did cut borrowing, of course, but made management of already acquired loans more difficult by cutting deep into future production potential. Meanwhile, bankers desperate to lend already overbloated assets in the Euromarket, fell all over each other cutting margins in order to attract customers. The margin over LIBOR fell even though LIBOR itself remained high, too high in fact for the less developed countries to borrow for urgently needed projects. The LDCs simply borrowed funds at the lower margin, to pay off the loans originally made at a higher margin. In this atmosphere productive lending ground to a standstill.

Meanwhile, the dollar became increasingly useless as an instrument of international trade and investment, and therefore easy prey for engineered speculation. Dollars flew to Japan, raising the yen rate from 300 to the dollar at the time of Jimmy Carter's inauguration to almost double that, 176 to the dollar, just prior to Carter's Nov. 1 dollar-support announcement. Japan's foreign exchange reserves rose to almost \$30 billion.

But unlike in 1973-74, when dollars poured into Japan and then immediately poured out again, this time very few international loans were made. In fact, Japanese bankers report that they had turned down many offers from New York banks to join loan syndicates. Who wanted to lend dollars when the currency's value might fall 20 percent, or 30 percent, or even 50 percent by the time it was repaid?

Therefore the Japanese and West Germans agreed on a system of government-private cooperation to provide relatively cheap long-term funds for long-term productive lending while stabilizing the dollar — that is, the Bremen system. The growth in Japan's overseas lending was possible only because of the Japanese government and Japanese bankers confidence in the soon-to-be-announced EMS. On the other hand, the growth in loans since February was itself part of the process of putting the EMS together and insuring its victory over IMF austerity policy.

The increasing international hegemony of the Bremen system comes none too soon from the standpoint of Japan's domestic financial situation. Despite booming trade surpluses in shrinking dollars, Japan's exports for the April-September term in real, constant-value terms were over 3 percent below those of April-September 1977 — a disaster for this export dependent country (Figure 2). Industrial production was virtually stagnant during the same months. The economy is being kept afloat by government public-works spending and money supply increases at an 11 to 12 percent annual rate. Despite Fukuda's oft-repeated promises of 7 percent growth in real GNP, most observers think 4.5 to 5.0 percent is more likely. Even so, the industrial production figures are a more

accurate barometer of the nation's economic health at this time than are the GNP indicators.

In order to stave off bankruptcies in such a situation, the banks have been providing corporations with under-the-table debt moratoria and cut-rate loans, leading to negative interest margins on most bank funds. Without restoration of world trade, Japan is heading for financial catastrophe.

Japan versus the IMF

One feature of Japan's loans that should not be underestimated is the extent to which Japan is funding specifically key projects that the IMF and World Bank had tried to kill. Japan, together with its allies in Europe, is fighting toe to toe with the IMF. Asked about this recently, one Japanese banker demurred. “No,” he said, “these loans are just sound banking business.” But in fact that is the point. Simply making normal, “sound banking” loans these days for productive projects means taking on the full powers of the IMF and its international allies.

Japan has a certain amount of experience in this regard. Since the mid-1960s and especially since 1970-71 — the date of the report on long-range economic policy by the Industrial Structure Council, an industrial advisory body to the Ministry of International Trade and Industry — Japan has regarded the industrialization of Asia and Latin America as integral to its own further development. As Japan sees it, in order for Japan to move on to the “knowledge-intensive” level of computer and fusion power production, steel and auto assembly must be transferred to Korea, the Philippines, and so on. A successful transfer of technology of this type requires building up indigenous nation-builders in Asia and Latin America with the same commitment to and understanding of industrialization as has existed in Japan itself. Much of Asian history over the last 20 years has been the fight between Japan's modernization efforts and the obstruction of such efforts by the networks of the IMF and the Hong Kong and Shanghai Bank. The fight in Indonesia between the “Berkeley Mafia” and the prodevelopment Pertamina group is a classic case in point. The success story is the Republic of Korea, where a fiercely independent and committed elite has made optimal use of Japan's resources.

And in all these efforts Japan has sought to involve the U.S. in a partnership for Pacific development. The Pacific Basin conferences of the late 1960s are exemplary. Japan is making another such effort now, when the fate of the U.S. itself is at stake.

—Richard Katz

Fraud makes mockery of U.S. elections

Austerity- and drug-pushers win through vote theft

Preliminary analysis of the nationwide pattern of vote fraud in the Nov. 7 elections reveals a comprehensive, precisely targeted operation by the London-controlled fraud machine to wipe out opposition to drug-running and terrorism, and potential support for the European Monetary System. In every case of documented or suspected fraud, the result was to weaken traditional Democrats or Republicans and replace them with British influenced candidates. Included in this pattern of fraud is the outright theft of a Baltimore congressional seat from U.S. Labor Party candidate Debra Hanania-Freeman (see box), by drug decriminalization advocate Parren Mitchell, and massive fraud against Labor Party congressional candidate Graham Lowry by the Kennedy machine in Boston.

Kissinger-Kennedy coalition

The official tallies throughout the country have put into office a Kissinger-Kennedy coalition, often across party lines, masquerading as representing the anti-inflation, pro-austerity mood of the population. "It is

the historic mission of the Democratic Party to make austerity in government work," crowed Jerry Brown, the reelected Democratic governor of California. In the main, this is the explicit intention of the inconsistent mishmash of Republicans and Democrats credited with winning office.

Brown's election was combined with defeat for his Democratic running mate, Melvin Dymally; the new lieutenant governor will be Michael Curb, a Proposition 13-style Republican. Brown's personal victory, following his lying, budget-slashing performance, is due to both a fraud apparatus, and most importantly, the political suicide committed by previously pronuclear-energy Republican gubernatorial candidate Evelle Younger. Under Kissinger advice, Younger threw the election by trying to out-austerity Brown, and dropping his nuclear program.

The Kissinger hold over the Republican party is also responsible for the defeat of Meldrim Thomson, the Republican governor of New Hampshire whose name is synonymous with the Seabrook nuclear power plant. Other decent Republicans fell victim as well. Edward Brooke of Massachusetts, who holds the

Freeman in Baltimore: 'I Beat Parren Mitchell'

"There is no question that, if the vote of the living had been counted fairly, I won the 7th congressional seat from slave labor and marijuana decriminalization advocate Parren Mitchell," Dr. Debra Hanania-Freeman announced today from her Baltimore headquarters. "The 89 percent which my opponent received, as well as the 11 percent tally registered for me, is a statistical impossibility."

"In the official tallies," Freeman continued, "the fraud machine made one crucial mistake, and reported an honest tally in one precinct. As in the pattern of fraud carried out against the LaRouche presidential campaign in 1976 and other Labor campaigns, a precinct in which the Labor Party *did not* heavily campaign, this time in an Appalachian white neighborhood, was overlooked in the fraud, and actually reflects the minimal voting strength of the Labor Party. The vote in this precinct in

Baltimore was 77-43, in favor of me."

The Freeman campaign and the national U.S. Labor Party headquarters have announced their intention to pursue the fraud case until justice is restored. "The Hanania-Freeman case is only the most glaring of wholesale vote fraud cases around the country in Tuesday's so-called election," Freeman said. "Millions of voters who pulled the lever for the Labor Party and for other antidrug, antiausterity or even simply pro-progress candidates were disenfranchised in order to make this election appear a mandate for antilabor austerity.

"It is of the utmost urgency that this impression be reversed, and that the real voice of the American population be heard to pave the way for U.S. entrance into the industrial renaissance being prepared by the founders of the European Monetary Fund."

ranking Republican position on the Senate Banking Committee, and who looks askance at the British banking takeovers pushed by Kennedy, was deprived of office by a combination of scandal and the Kennedy fraud machine. Robert Griffin, ranking Republican Senator from Michigan, underwent a similar demise, after his Kissinger-controlled party allowed their fundraiser Max Fisher and the United Auto Workers to defraud the Labor Party out of a place on the ballot.

The Republicans were thrown a few bones, generally where they toed the Kennedy line. Such is the case of Charles Percy, who up to the final hours of the election was expected to lose to pro-industrial Alex Seith. The new Republican governor of Pennsylvania, Thornburgh, is prodrug, à la Kennedy. The Republican victories in Minnesota and Texas and Wisconsin are yet to be more fully evaluated.

Tory politics USA

In effect what has resulted is the classic Tory-Labour Party parliamentary-style coalition which UAW president Doug Fraser has advocated. Recipients of the notorious British Rhodes scholarships won in Arkansas, Kansas and New Jersey. Only on the gambling issues was the actual sentiment of the population registered, as casinos and jai-alai were defeated in Florida and New Jersey. Otherwise American voters reflected their knowledge of the nonelections held in 1975 and 1976 — they refused to vote in droves. Where they did vote, they were passively subjected to the same treatment that led to U.S. Labor Party presidential candidate LaRouche's pitiful official vote, compared to the 5 million he received, in 1976. The following preliminary grid indicates the depth of fraud perpetrated at the polls last Tuesday.

Pennsylvania: In the 2nd and 7th congressional districts, USLP candidates Anton Chaitkin and Anthony Esposito waged strong campaigns against their drug-advocating opponents Rev. William Grey and Rep. Robert Edgar, respectively. Edgar, whose cosponsorship of federal legislation decriminalizing marijuana was thoroughly exposed by Esposito, supposedly gained a tiny, unexpected 1,000-vote margin over his Republican opponent Robert Kane, even though Kane campaigned on an antidrug platform which favored industry. Esposito received only 200 votes while the industrialized areas of the district went heavily for Kane. However, Upper Darby, where Kane is a popular mayor, suspiciously was awarded to Edgar.

Last month, Chaitkin had moved to preempt fraud

by challenging the nearly 200,000 mail registration forms dumped on the Philadelphia Board of Elections by various liberal groups at the close of the registration period. His challenge prompted Board of Elections Director Margaret Tartaglione to check the registrations; she discovered 13,000 out of 50,000 checked to be fraudulent.

Missouri: Following the coverup of massive fraud in the Democratic congressional primary, Rep. William Clay gained reelection over the challenges of USLP candidate Gerald Pechenuk and Republican William White. In September, Clay's organized crime-linked political machine reportedly arranged to quash the legal challenge to the Clay primary victory, a challenge begun by his opponent Elsa Hill. Hill's case, which documented she had been defrauded in the primary, was subsequently thrown out of court.

The same day the USLP's Pechenuk was notified his name would appear on the November ballot, rifle blasts were fired into his home. Pechenuk, who was credited with 500 votes, ran a high-profile campaign exposing Clay's ties to the now-defunct Emprise Corporation and SportServices, both of which are said to be linked to the illegal laundering of funds from narcotics trafficking.

Washington, D.C.: Marion Barry who gained his party's nomination in a fraud-ridden primary last September, won the mayoralty with 68 percent of the vote. As of this writing, Barry's Republican opponent Arthur Fletcher has yet not conceded the election, citing indications of enormous fraud. For example, in the fifth ward, 8,000 voters cast nearly 13,000 ballots.

USLP candidate Pennington, who was publicly acknowledged as a major force in this race, was given less than 1 percent of the vote. Her running mate, Stuart Rosenblatt, the USLP's candidate for councilman-at-large, was accorded less than 4 percent of the vote against his dope-advocating rival Hilda Mason. Rosenblatt, who won 19 percent of the vote in a school board race last year, had forged a powerful get-out-the-vote machine which included supporters of incumbent Mayor Walter Washington (who was defrauded in the primary) and Republicans.

New York-New Jersey: The drug money of top drug boss Edgar Bronfman funded both sides in the New York governor's race. Other "victors" include New Jersey senatorial contender Bill Bradley and Essex County Executive winner Peter Shapiro, both of whom support legalizing drug use. In the latter case, Shapiro ran an incredible 4 to 1 over Republican Notte despite Notte's endorsement by the World Community of Al-Islam in the West which carries considerable weight in Newark, the county's most populous city.

Is a U.S. recession necessary?

Britain's mouthpieces say yes, but sane Americans disagree

Signs of a U.S. recession did indeed accelerate this week along with interest-rate increases, as the National Association of Homebuilders projected a 25 percent cut in 1979 housing starts and the Commerce Department anticipated a large cut in other construction as well. This disintegration of the nation's biggest sector would hit the entire economy at a time when other key props, auto sales and consumer spending in general, look ready to dry up.

But there is nothing inevitable in this depression prospect, since there is no necessity for the interest-rate jackup. On the contrary, the most prudent bankers and officials in Western Europe and Japan expect the new European Monetary Fund's long-term, low-interest operations to start revamping the entire world credit cost structure this January. And, as documented below, some well-placed strategists in the U.S. government and banking community have finally begun to orient toward the EMS, and the self-expanding investment and new export markets it is designed to generate.

Despite mere reality, however, information

channels in the U.S. are still utterly dominated by spokesmen who act as if the United States economy were being struck by a blizzard of meteors and everyone can only dig in and watch the rubble pile up. They are more and less witting advocates of a conspiracy — signaled in the British press for the past eleven months, and laid out in full in a secret Bank of England-commissioned memorandum this past August (first brought to public light in this *Review*). The aim is to eradicate for good the American industrial potential — and potential to technologically transform the world — that has merely been curbed up to now by the London-based networks and their U.S. collaborators, whose financial and “geopolitical” power will evaporate should the U.S. join the EMS in a global development policy. They now hope to throw U.S. business into an uncontrolled collapse that will justify International Monetary Fund “surveillance,” ensuring that, like the IMF's Third World victims, the U.S. will be “deflated” into permanent invalidism. Trade war and military mobilization would then, according to the scenario, abort the EMS itself.

Press, pundits egg on collapse

The Nov. 6 Wall Street Journal cited fears of a “19th century panic” and Miller-Blumenthal decision-making as the source of the dollar package, barely noting any U.S. allies’ role and ignoring their intent to save the American economy as well.

... Pessimism about the dollar and the administration's economic management had become so rampant that the nation was on the brink of, in the words of one New York banker, “a 19th Century kind of financial panic” from which a genuine depression could have developed. . . .

By Friday, Oct. 27, currency trading had turned so feverishly

against the dollar that Mr. Blumenthal felt compelled to see the President — alone — and recommend “strong action.”

... About 10 p.m., President Carter's helicopter landed on the south lawn of the White House. Charles Schultz, chairman of the President's Council of Economic Advisers, sneaked past reporters who had been with Mr. Carter on his campaign swing in New England. (The next night) the officials met in the White House basement. By midnight, their conclave broke up with a “tentative go-ahead.” . . .

The Nov. 6 New York Times fore-saw interest rates slacking only

after collapse or credit controls:

Interest rates, already at their highest levels in four years, will continue climbing and could lead to a severe shortage of credit for business borrowers in coming months, according to money-market economists and bankers.

A consensus appears to be taking shape among them that a replay of the “credit crunch” of 1974, when rates increased to record levels, is a strong possibility. . . .

“Short-term credit demands are soaring,” declared one New York banker yesterday. “You're getting demand from the business community, from consumers and from housing, where the demand still remains massive.”

The 12-percent (prime rate) level might not be reached, however, if one of two events takes place: a

sufficient weakening of credit demands, or a move by the Government to limit credit expansion by imposing outright controls on this sector of the economy. . . .

The Times business section assembled the following report Nov. 8:

. . . "President Carter has opted for a recession," writes Sam I. Nakagama of Kidder, Peabody & Company. . . .

Here is what Mr. Eckstein's Data Resources, in Lexington, Mass., is telling its clients, which include many of the largest companies in the United States, as well as some Government agencies: "Interest rates are at a point where housing activity will drop for lack of mortgage money and because of prohibitive rates. Consumer purchases to automobiles and other big-ticket items will be hurt by tougher credit terms, including shortened maturities. Business outlays for plant and equipment will be held down by weaker industrial markets and financial uncertainties."

London: 'danger of mass panic'
The Sunday Times of London termed the dollar support package a British model plan, and enumerated every possible "sickening prospect" for the world economy, including U.S. currency controls, in an article titled "This time the wolf is really at the door":

. . . If the package President Carter launched last week fails to save the dollar the world's money system would collapse and with it the prosperity of the western economies. . . .

. . . Listen to this, for example, and you could easily be forgiven for thinking that it was the Governor of the Bank of England. "There are three problems: poor productivity, a declining rate of economic growth, and poor international economic performance, but the real problem is the struggle with the disease of inflation. . . . For a long

time officials, commentators, and citizens have routinely deplored (them). . . . But one suspects that few, to use Dr. Johnson's apt phrase 'ate their dinner less well' on that account."

The speaker is the President of the New York Fed, Paul Volcker. . . .

(The package) contained at least three remarkable innovations (including) a loan from the IMF, just like other, weaker nations.

These measures, plus the rise in interest rates to record levels . . . meant that not only was the disease recognisable to British observers, the cure was familiar too. . . .

Even so some experts feel the Administration may have gone too far. Charles Schultz, chairman of the President's Council of Economic Advisers, worries that the high interest rates will choke-off industrial investment and push the American economy into recession.

. . . If the dollar cannot be freely exchanged into other currencies, it becomes even more vulnerable, and with so many hundreds of billions of dollars held by foreigners outside America, there is always a terrifying danger of mass panic.

. . . Oil is at the centre of the other sickening prospect for the world economy. A combination of inflation in the West and the decline of the dollar have already reduced the value of OPEC's oil sales by 30 per cent. Next month they decide how to react. . . .

'I don't see how the EMS can work'

Gottfried Haberler denied in a Nov. 8 interview that the new European Monetary System could avert these crises. Haberler is a founding member of the Mont Pelerin Society, a semisecret "conservative" propaganda and special operations group set up by Walter Lippmann, the London School of Economics, and Friedrich von Hayek after World War II. He is now also a fellow of the equally synthetic, British-controlled American Enterprise Institute.

Q: There has been a lot of controversy swirling around the proposed European Monetary System. Can you give me your views?

A: I don't see how the EMS can work, given the tremendous disparity in inflation rates among the countries who would participate. . . .

Q: There is a lot of evidence indicating that the Europeans intend to use the EMS as the basis of a new international monetary fund. What do you think?

A: It's true that they have plans to set up a large intervention fund, but I still maintain that there will be tremendous difficulties. I just saw a study produced by the Institute for World Economics in Kiel, West Germany, which is highly critical of the EMS precisely because it has no mechanism for resolving the inflation-rate disparity I mentioned above.

Q: How about the U.S. economy? What do you think needs to be done?

A: We cannot stop inflation without a recession. I hope we won't have anything more than a mild recession, but a recession is a definite necessity.

Q: I understand you are a member of the Mont Pelerin Society. Were you at their meeting in Hong Kong last month?

A: Oh yes. The Mont Pelerin Society is a private organization, aimed at promoting the free market economy. We're like the old European liberals, though we're not monolithic.

Q: Was the EMS discussed at the Hong Kong meeting?

A: Oh, yes, at length. . . . There was no consensus. . . . (Friedrich von) Hayek and (Milton) Friedman didn't see eye to eye. . . . If you want to discuss it further, why don't you come to D.C. . . . It's a long story.

Voices of sanity call for exports

In an article headlined "Europe's Move Toward Stable Currencies Causes Enthusiasm, and Concern, in U.S.," the Oct. 30 Wall Street Journal carried the first specific report of any official U.S. positive stand toward the European Monetary System. (Note that Hinton was involved in replacing pro-British King Farouk with Gamal Abdel Nasser in Egypt in 1952-54.)

... We think it perfectly possible to work out arrangements in the three areas of our concern" says one American official. Much will depend on the detailed design of EMS. Some U.S. officials, including Deane R. Hinton, head of the American mission to the Common Market in Brussels, are actively enthusiastic about the prospect. Mr. Hinton, for one, has been trying to persuade his colleagues in Washington that EMS can't help but benefit the U.S. over the long run through greater European economic and political stability....

The Washington Post carried a tiny Associated Press wire Nov. 7 on U.S. State Department support for the EMS. Sources say the official quoted was George Vest, assistant secretary for European affairs. Vest is a foreign service officer with previous experience in NATO and European Community posts.

The U.S. government hopes a new Western European monetary system will work, and complaints about it from Treasury officials do not represent Carter administration policy, according to a State Department official who asked not to be identified.

Some fear has been expressed here that the European system would threaten the position of the dollar on foreign exchange markets. European officials have sought to allay those fears.

The fight in the U.S. Administration

There's clearly a fight on over the issue. A Nov. 8 interview with Michael Ely in the State Department's Office of Monetary Affairs confirmed State-Treasury battles over the EMS. Ely stressed Treasury's insistence that the EMS will be bad for the dollar.

Q: There's a report in today's Washington Post quoting an unnamed State Department spokesman expressing U.S. support for the EMS and saying that Treasury complaints about it should not be taken as official Carter Administration policy. Do you know anything about this?

A: I have no idea who said it....I just came back from a long meeting with Treasury....There were State Department people, including Richard Cooper, and Treasury people there. We agreed that the EMS will get a welcome from the U.S. and that it could be economically good for the U.S.

Q: How about the dispute between Treasury and State on the EMS?

A: There has been trench warfare at the middle level between us...The people at Treasury are worried primarily about the EMS's effect on the dollar, while we think that this concern should be subordinated to our desire for European economic unity.

Q: What happened at your meeting today?

A: We sat down and looked at all the problems involved....We agreed that the Europeans don't want to hurt the dollar, and don't want to undermine the IMF. We believe that the interests of the Europeans and the U.S. are the same. Of course, Treasury will remain watchful...they're still concerned about the dollar.

Q: How can anybody maintain that

Treasury is worried about the dollar? They've been the most notorious proponents of the malign neglect policy.

A: Well, it is true that up until a week ago the Treasury wasn't concerned about the dollar....

Q: It's my understanding that it was State, and Vance in particular, who forced through the Administration's dollar support operation under European pressure.

A: Well, I was scared to death myself last week at the dollar situation, and I wish I could say that State was responsible for Carter's action, but to tell you the truth, no one who could have pushed it through was around last week....

On Nov. 4, the same day that First National Chicago bank chairman Robert Abboud called on CBS radio for capital formation and "export or die" measures to follow up the Carter dollar stabilization plan, Democratic Senator Adlai Stevenson III of Illinois expanded the point. From NSIPS's Nov. 5 story:

...Stevenson, who has functioned as the leading congressional figure concerned with expanding U.S. export markets abroad, supported the plan as a "short term stabilization." He noted that "while the higher interest rates" component of the plan may "be of immediate benefit, in the long run it may be detrimental to the economy."

The next steps for long-range dollar stabilization, added the senator, would be creating a "program for capital formation and exports...conservation and protection of energy," and lowering "food, housing and other prices."

A speech the procession press wouldn't cover

In a speech titled "The Plight of the Dollar" delivered in Spokane, Washington Nov. 2, Bank of America President A.W. Clausen

elaborated on how to achieve the capital formation for productivity increases to expand exports, beat inflation, and rescue the dollar as a world reserve. The speech was not covered by any of the procession East Coast press, and indeed, to EIR's knowledge, was reported on solely by U.S. correspondent Horst Seibert in the West German daily Die Welt, although the San Francisco-based Bank of America is the nation's largest commercial bank. Excerpts from the speech follow.

... Since World War II, the United States dollar has been the world's key trade currency—the international medium of exchange and store of value. As such, it has helped provide the foundation for an amazing expansion of world trade and remarkable improvements in global living standards.

Such key currencies as the mark, the yen, and the Swiss franc are highly regarded. But the economies underlying them are substantially smaller than ours, and could be overwhelmed by the capital shifts that a reserve currency role almost certainly would impose. Monetary authorities of these countries historically have been reluctant to see the dollar's reserve burden shifting to their currencies... SDRs are essentially a unit of account for use among government bodies. Attempting to extend their use to commercial transactions at

present is more of a theoretical possibility than a practical prospect....

Clearly, for a long time to come, the best answer for all concerned is nursing the dollar back to health so it can once again perform its international monetary function in an atmosphere of confidence and stability....

... it is vital that the multilateral trade negotiations now going on in Geneva succeed in removing (trade) barriers—the more the better.

However, as a nation we must also be smarter and more diligent in efforts to stimulate the sale of our own exports....

Unfavorable relative inflation rates, of course, raise our costs and thus make our prices high compared to those of foreign goods, and this trend makes our exports less attractive while imports become better bargains. To some extent, these adverse movements are offset by the declining value of the dollar. That only spins us into a vicious circle: The plunging dollar raises our costs which add to inflation and, as a result, the dollar declines further....

(On the supply side of inflation's causes) the chief villain is the alarming decline in the productivity growth of our economy. In the Fifties and Sixties, we enjoyed nearly a 3 percent annual improvement in productivity. However, over the past ten years, growth has slipped to only 1.4 percent.... a principal cause of our weak pro-

ductivity improvement has been sluggish capital spending. For instance, between 1970 and 1975, Japan's capital investment as a percentage of gross national product was slightly more than double that of the United States, and West Germany's was more than 45 percent higher....

The return on capital can be improved most readily by redirecting our tax policies.... The basis for depreciation could be changed from historical cost to replacement cost, so that businesses operating in this very inflationary environment would no longer have to use after-tax dollars simply to replace worn-out plant and equipment.

The return on capital would also be aided by programs to reduce government's involvement with, and interference in, business activities. The cost to business of simply responding to government regulations and paperwork requirements is monumental—in excess of \$100 billion....

We must not let wage and price standards become the centerpiece of the fight against inflation. Similarly, the actions announced yesterday to reverse the decline of the dollar must be put in the proper perspective within the much larger context of the problem... against the backdrop of 500 billion of Euro-dollars primarily owned by foreigners....

In this final analysis, a nation's currency is a measure of its people. It can be debased or it can be viewed as an obligation and a bond.

Influence-peddling in the great American outback

"Buy America — Going Cheap" ran the front-cover headline a year ago in the British weekly *The Economist*, and its publisher Evelyn de Rothschild is now aiming to do exactly that — not so much to make money as to peddle influence.

The Economist and the London daily *Financial Times* are two of the many British propaganda vehicles in an "expansionary mode" in the U.S. They are aiming for the senior business executive crowd, and their line is simple. American business publications are provincial and rarely even cover international news. *The Economist* and *Financial Times* will fill the void.

**You hayseeds want to know about the EMS?
We'll tell you about the EMS**

The truth about the void is a little more complicated. Both journals are anxious to get the City of London financial houses' version of the European Monetary System spread around the U.S. business community

before the U.S. learns any better. And, representatives of the *Financial Times* and *Economist* declared improbably last week (see below), London is the place Americans should look to get advice on the dollar. The *Financial Times* and *The Economist* are the primary publicists against the EMS, for a "soft" dollar, and for asset-stripping of U.S. industries by throwing the U.S. into a recession, forcing American industries into a credit squeeze and setting them up for fire-sale cheap takeovers.

The Yonkers *Herald Statesman* last week interviewed Joe Rogaly, editor of the London *Financial Times's World Business Weekly* entry into the American market. His remarks were almost identical to the *Executive Intelligence Review's* interview the week before with *Economist* representative Clive Greaves. Greaves was pushing his plan to double *The Economist's* circulation in the U.S. It remains to be seen if American corporate stupidity proves as boundless as they apparently hope.

"Our unique role"

Economist

"*The Economist* is unique in the U.S. Only 17 or 18 publications are remotely competitive. And none are competitive editorially — none. None are in the position we are, domestically or internationally. Businessmen in the U.S. want to have the European viewpoint. Publications in the U.S. just report the news. We also give our viewpoint."

Financial Times World Business Weekly

"We will be giving American business what it is not now getting from its financial press. The press here does an excellent job of coverage of business activity here. But those publications are almost devoid of any international business news. If a U.S. company plans to expand it must be sensitive to financial activity worldwide."

On qualifications

Economist

Greaves: "We are the most luxurious, finest, and most expensive in the world. We appeal to the elite." . . .

Executive Intelligence Review: "Can you tell me about your background in British 'national intelligence services'?"

Greaves: "Oh, that's very interesting. Your readers wouldn't be interested in that. I guess it's an excellent regimen if one wants to join *The Economist*. . . ."

Financial Times World Business Weekly

"Our audience is not large but very exclusive. It is aimed at corporation chairmen, presidents, CEOs. I think we have the right tone to relate to the audience we want to reach. If we find we do not, we will change accordingly."

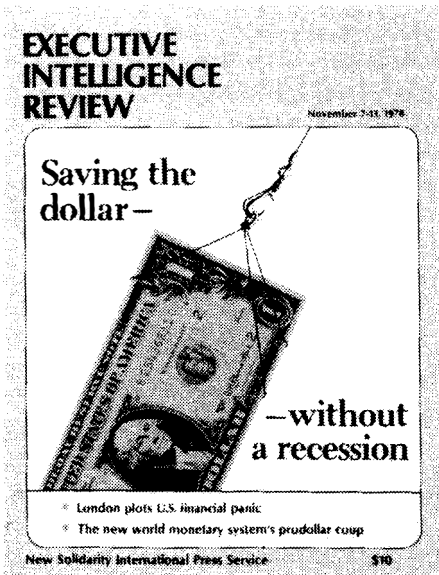
The future of America

Economist

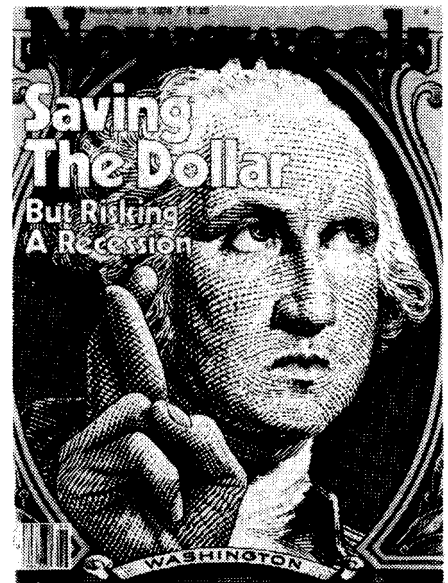
"The dollar will go up when U.S. growth goes down. There will be a recession in the next year in the U.S. and imports will go down and exports up . . . slower growth. Then the dollar will go up. America is a very cheap place to buy corporate assets now. That's why so many foreigners are buying."

Financial Times World Business Weekly

(*In article for the American market entitled "True friends should not support the dollar"*): "The potential tragedy of the U.S. situation is that no one in authority gives any sign of understanding the causes of deficit and depreciation, which are at the heart of the problem. The basic truth is that a nation can only live consistently above its means through borrowing; and if credit creation remains excessive, deficit and depreciation will persist."



Cracking the great recession obsession



This week *Newsweek* magazine, like the *Executive Intelligence Review*, hit the newsstands with a cover-story spread on President Carter's Nov. 1 dollar support package. Like the *EIR*'s, *Newsweek*'s cover was dollar-green, and headlined "Saving The Dollar." There was just one little difference: *EIR* presented a program for American recovery and economic growth, while *Newsweek* called for a depression. *Saving The Dollar — Without a Recession*, said *EIR*. *Saving The Dollar — But Risking a Recession*, said *Newsweek*.

At issue is the mental disorder deliberately engendered in the credulous reader by *Newsweek*'s slick package of economic lunacy, namely that a "recession" is a not only inevitable, but desirable and necessary policy option "to save the dollar," the timing of which is the proper subject for intelligent debate: "Should we have our recession now, or later?"

Newsweek trotted out a chorus line of Wall Street heavyweights and think-tank sages to retail this folly, a veritable bazaar of "authoritative opinion." Do you prefer the "agnostic" view of Nobel Laureate Samuelson, that the British "social contract" model of wage and price controls is the way to halt inflation, and that the dollar should not be defended in any case? Or does the "hang tough" approach of Peter Peterson, Lehman Brothers Kuhn Loeb chairman — "If signs of recession appear in those sectors most directly affected by high interest rates . . . will the President hang in there for the longer run?" — grab your fancy? Or, maybe the Lane Kirkland trade-war line — "He should have regulated imports to curtail high trade deficits" — sounds better.

Or, for the diehard esoterics, the opinion of the so-called Banque de Genève's chief executive officer is thrown in: "The U.S. is living way beyond its means and doesn't know how to bring its life-style under

control . . . President Carter is not trying to avoid or postpone a recession any longer, but to precipitate one because he now knows it's unavoidable in order to avoid something far worse later on."

Any way you look at it, *Newsweek*, aping the British press of the recent period to a tee, is riding shotgun for the "inevitable" depression in the U.S. You can choose how you want it, but you're gonna get it, is the precise message — "to save the dollar," of course.

In point of fact, *Newsweek* might as easily have written a 10-page feature on saving hospital patients with arsenic. It is the persistent dwindling of productive economic activity, technological development, and capital formation to the account of larger and larger volumes of speculative credit flows — the poison of "slow growth" — that has hobbled the dollar.

As *EIR* emphasized, the \$32 billion central bank dollar-support agreement can perform admirably to its stated purpose, *provided* it is backed up with a vigorous program of government-directed expansion of high-technology capital formation and exports trade, in the framework of close U.S. collaboration and support for the European Monetary Fund "Grand Design" initiative, and *provided* that the high-interest rate measures are promptly transformed into the upper tier of a "two-tier" credit arrangement, such that the penalties against speculative investments are complemented by extensive long-term, low-interest credits for productive investment in industry and trade.

But "backing" the dollar support package handed Carter by Europe and Japan with a "controlled recession" — double-digit interest rates, a squeeze on the money supply, budget-cutting, with or without wage-price controls — is a commitment to kill it, and the U.S. economy too.

— Susan Cohen

The Shah's cleanup—BP and Shell next?

Countering London with a purge of Iran's corrupt Bahai elite

The Shah of Iran took decisive action last week to end the crisis tearing apart his country, imposing a military government on the country for the first time in 25 years and expediting an unprecedented anticorruption campaign that has resulted in the arrest of some of Iran's most prominent political figures.

The Shah's actions have halted an orgy of destruction and bloodshed, which has been led by exiled Iranian religious leader Ayatollah Khomeini. Acting as an agent of Israeli and British intelligence, Khomeini, in connection with urban terrorists and Iranian students, called last week for a holy war against the Shah in order to establish a reactionary "Islamic Republic."

Underlying the Shah's imposition of military rule is the powerful backing of the prime movers of the European Monetary System — West Germany, France, and Japan. Since the Nov. 6 announcement of a military government, the Shah has broadened his crackdown against powerful royalists associated with the Bahai sect, a secret society created by British intelligence and headquartered in Haifa, Israel. The arrest of former Prime Minister and Minister of Court Amir Abbas Hoveida Nov. 8 is the latest in a roundup of numerous political and business figures over the last 48 hours on charges of corruption. Numerous figures associated with the Iranian secret police SAVAK, including its former strong man General Nassiri, have also been detained.

British colonial domination nears end

The Shah's current crackdown is seen by Iranian diplomatic sources as the opening to finally completing the 1953 "first phase" of Iran's oil nationalization, by expelling both Royal Dutch Shell and British Petroleum, the majority holders in the 14-company consortium that still markets most of Iran's crude oil. Well-placed sources reveal that numerous powerful Bahaiists still have close contacts with BP; some, such as Hoveida, are still on BP's payroll from the days before the nationalization.

According to a source in West Germany's Economics Ministry, Iran could easily complete nationalization within a 24- to 48-hour period. But, the source warned, the key to the success of the move would rest on whether other oil companies with large international marketing capacities would make the

political commitment to aid the National Iranian Oil Company (NIOC) in marketing its crude. The danger in forcing out BP and its sister company Royal Dutch Shell, he said, is that the two companies would organize an international boycott of Iranian crude.

Iranian sources concur that the Shah could instantly rally tremendous support behind his regime and undercut the opposition, if he were to announce to his nation a move against BP and Royal Dutch. Such an action would solicit the strong nationalistic sentiment of most Iranians, who still strongly resent the dominant presence of British Petroleum advisors and managers in Iran's oil-fields, as a vestige of the intensely hated period of British colonial domination of Iran. It was in that era that many of Iran's most corrupt oligarchical families first established their predatory relationship to the nation.

European diplomatic sources say that Iran has been hit unsparingly with one destabilization after another precisely in order to destroy "the model of Third World development." While the same London-centered political and financial interests have maneuvered to undercut the European Monetary System are running the anti-Shah campaign, participants in the EMS have made no secret of their intentions to expand their aid to Iran's modernization campaigns as a crucial priority.

Both the Soviet Union and Eastern Europe are also working behind the scenes to support the Shah, and have publicized their concern for the Shah's survival in numerous press statements. Significantly, *Pravda* last week likened the Shah's current domestic policy to his "White Revolution" of the early 1960s, when the feudal religious and landed aristocratic classes were expropriated through land reform. Since then these interests have maintained power through both speculative business ventures and high government and military positions. Now the Shah's anticorruption purge is forcing these figures out of power. In this connection, both *Le Figaro* and the *New York Post* report an exodus of prominent wealthy Persian Jewish families, who are known to have a longstanding alliance with Iran's decadent royalist families.

Arab and Soviet support for the Shah

According to Arab diplomatic sources, the heads of state that recently attended the Arab summit at

Baghdad discussed support for the Shah. Iraq and other Arab states agreed to take behind-the-scenes action to ensure the Shah's survival. In particular, the Arabs are fearful that a full-scale Shi'ite Muslim "holy war" in Iran would spill over into the vital oil-producing region of the Persian Gulf. Iraq has a large Shi'ite population which would easily be affected, and a growing population of Muslims resides on the Soviet southern border.

The Arab oil-producing states have, moreover, acted forcefully to quell all fears of an international oil crisis as a result of widespread labor strikes, which had closed down Iran's oil fields up until Nov. 8. Saudi Arabian Oil Minister Zaki Yamani, in a statement that went almost entirely unreported in the Western press, vowed this week to increase Saudi production to offset Iran's diminished output. The Saudi move was meant to throw cold water on oil-crisis-mongering both from Britain's Foreign Secretary David Owen and his cothinkers, U.S. Energy Department head James Schlesinger and Henry Kissinger.

According to French radio in a Nov. 7 broadcast, a close confidant of the Shah announced that it was neither the Soviet Union nor the U.S. which was destabilizing Iran, but a "third force." This is as close as the Shah has come to openly naming Zionist and British intelligence for their crimes against Iran. The quick expulsion of BP and Royal Dutch Shell would assuredly get the message across.

— Judith Wyer

Who's protecting Khomeini in France?

French diplomatic sources say that there is an intense fight on between "various intelligence services in France" over the continued presence of Ayatollah Khomeini there.

A clue to who's sponsoring the anti-Shah religious leader is the solid support which France's daily *Le Monde* has given him since early this year, while also consistently publishing propaganda against the Shah. *Le Monde* is closely associated with powerful French Zionists, in particular the Rothschild family. And significantly, the director of the N.M. Rothschild Bank, John Loudon, was until last year the head of Royal Dutch Shell. Another link in the chain is the fact that it was Morocco's King Hassan who personally arranged for Khomeini to seek exile in France; Hassan is known for his longstanding ties to the same French Zionist networks.

Zionist support for Khomeini may at first seem paradoxical, given Iran's close ties to Israel. But these Zionist circles, and their friends in the City of London, have been publicly demanding the establishment of an anti-Soviet military pact dominating the Mideast, conforming to Henry Kissinger's scheme for an Israeli-Iran military axis. Khomeini is providing one way to either force the Shah into line or replace him with someone more amenable to the Kissinger gameplan.

French, Soviets warn Khomeini

In his "Letter from Baghdad," Philippe de Bausset, Le Figaro's Mideast correspondent, warns Khomeini that his provocative organizing, which the French government is closely monitoring, may result in his expulsion from France:

The Baghdad government is astonished by the fact that the French government has granted asylum to Ayatollah Khomeini. Iraq had taken care of him by expelling him, "manumilitari." Whatever the cost, the Baghdad government wants to preserve its relations with Iran for economic as well as political reasons.

Baghdad especially wants the Shah to remain in power, consi-

dering on the one hand, that if the army were to replace him (the lesser of two evils), it would lead in the short term to a resurgence in tension between Teheran and Baghdad, probably through some Kurdish uprising. And, on the other hand, a fanatical religious Shi'ite revolution — a holy war — would engender indescribable economic chaos in Iran, which would fatally devolve into political warfare....

In such a situation, there are question marks concerning the French attitude. Even though he was put under close surveillance at his residence, Ayatollah Khomeini succeeded, from the holy city of Nadjai (Iraq), where he was living for 15 years, in publishing incendiary messages, which passed through a very organized network of Mullahs....

Teheran had asked, after the events of August, that the Ayatollah be more closely surveilled, which

was done, but without success. It was then decided in Iraq to expel him, but allow him the choice of his exile. Kuwait was asked but refused. Turkey delayed its answer. Algeria and Libya offered, on the contrary, to grant him asylum, and the Ayatollah refused.

It was finally through the mediation of Morocco and a special envoy of King Hassan, a man who is interested in playing a role in the present evolution of this region of the world, that Ayatollah Khomeini landed in France, with, it appears, only a three-month, but renewable, visa.

Gaullist: Expel Iranian provocateur

Gaullist RPR Party Deputy and member of the National Assembly Foreign Affairs Commission, Didier Julia has asked the French government to throw Ayatollah Khomeini out of the country.

Britain yells 'oil crisis,' Saudis show it's not so

Following the outbreak of civil strife in Iran, and an unprecedented strike by Iranian oil workers, the same British intelligence networks that fomented the crisis in the first place rushed to the presses with fabricated stories of an imminent 1973-style oil shortage and warnings of "Russian takeover" of the Gulf oil fields, beginning with an invasion by a mythical Farsi-speaking army division.

Leading the hue and cry was the British press, with features by columnist Robert Moss falsely implicating the Soviets and their allies in the current crisis. No less than three front-page lead articles of the Nov. 6 Daily Telegraph loudly warned of "Russians massing on the Iranian-Soviet border" and the "growing threat to British supplies of oil." Significantly, British Petroleum and British-Dutch-controlled Royal Dutch Shell are at the center of the efforts to pull off another oil embargo. Here are portions of these articles, beginning with John Bulloch's "Threat to Britain's Supplies of Oil":

Leading international oil companies have begun cutting back on deliveries as a result of the growing Persian crisis.

British Petroleum and Shell, with some smaller companies, have already declared *force majeure*, a

legal requirement to prevent them being sued for not fulfilling contracts when they decide to reduce supplies.

Both British Petroleum and Shell emphasized adequate supplies were available at the moment and that it would take some time for lack of exports from Persia to be noticed.

A BP official estimated it would be a month before any effect was felt. Oil to supply that month's requirements was already in the ships, he said.

But both companies have already begun cutting back supplies to Western Europe, America, and Japan. And this has raised the possibility that the international "sharing agreement" might soon come into force.

Aside from fabricating an oil-shortage scare, the Telegraph moved ahead to gain mileage toward wrecking U.S.-USSR relations in "Premier Quits in Persia: Martial Law is Extended: Russians Mass on Border" by Kenneth Clarke:

... Tension in the capital was heightened by reports of massive Russian troop movements on the Persian border to the northeast in the area of the Atrak river. There is acute Western concern about Moscow's

According to the daily *Le Figaro* Nov. 8, Julia has asked the French Foreign Minister "to take measures to quickly put an end to the activities of Ayatollah Khomeini in France. Mr. Julia underlines the absolutely abnormal character of the declarations, calls to revolution and to disorders and holy war in Iran, put forth by a foreigner residing in France," and "questions whether such activities pursued amidst silence — and thus one may think, with the connivance of certain French authorities — are not likely to undermine France's interests and even to jeopardize the French principle of nonintervention into the internal affairs of another state."

Soviets score Britain and the Mullahs

Pravda of Nov. 3 and 4 expressed Soviet condemnation of the reactionary Islamic Shi'ite Mullahs

which have provoked rebellion in Iran over the recent months. Pravda has consistently juxtaposed moderate opposition figures of the National Front — who have formed a loose alliance with the Mullahs — with the religious establishment. The Soviet daily's coverage reflects Soviet interest in seeing the Shah form a coalition government with moderate opposition leaders, a move which would decisively isolate Khomeini and company.

A commentary by Pravda Teheran correspondent A. Fillipov, published Nov. 3, attacks the Islamic religious leaders known as Mullahs:

It has been almost a year now since Iran began to shake from internal unrest. The beginning of the massive mobilization took place in January of this year during the events in the city of Qom, a big religious center, where at that time the

prices of many commodities such as water and rents were increased. Incited by the preachings of the Mullahs, tens of thousands of people went out into the streets of the city. The demonstration, moreover, coincided with the 16th anniversary of the voting of the law for agricultural reform, which essentially hurt the interests of the priesthood. The clergy tried to use the discontent of the masses caused by economic conditions and other factors for its own goals, to protect its own interests.

Pravda Nov. 4 also writes:

England and other imperialist countries looted Iran for a long time. Now the international oil consortium is continuing to do this by paying a price for the oil which is under the world price. Therefore, the country is in a recession, and is forced to import basic food from abroad.

interest in events inside Persia.

The Soviet Union shares a 1,600-mile frontier with Persia and the Russians have formed a Farsi-speaking army division, deployed on the border.

To the east, Afghanistan has now been drawn into the Soviet bloc. America has been showing particular anxiety about affairs in Persia which is regarded as a pro-West buffer in the region and rich in oil as well.

"Russians Ready to Reinforce" by Clare Hollingworth:

Normally, the Russians deploy eight to 10 infantry divisions in the Turkistan military region. This covers the border with Persia, Afghanistan and the vital railway line connecting Tashkent via Samarkand and Ashkabad, on the Persian border, with the Caspian Sea.

In the Caucasus military region, the Soviet Union deploys 12 infantry divisions. They are supported by one armoured division at full strength.

Russian infantry divisions have three degrees of combat readiness and it is generally assumed that most of those in the Caucasian and Turkistan regions are of the third degree — half-strength, though complete with fighting vehicles in readiness to be brought to full combat strength in a few weeks. . . .

Helping to give credence to the British oil scare line, Energy Secretary James Schlesinger tried to convince doubting Japanese leaders in Tokyo that the Iran crisis could bring about an oil crisis like the one in 1973. The Nov. 7 London Times carried the story:

Mr. Schlesinger was quoted by the Japanese International Trade and Industry Minister, Mr. Toshio Komoto, as saying that Iran's oil production has fallen from 6 million to 4 million barrels a day because of the disturbances.

At a press conference, Mr. Komoto said that Mr. Schlesinger had told him that if output was not restored to normal before the organisation of Petroleum Exporting Countries' meeting in the middle of next month, it would "seriously affect" OPEC's decision on oil prices.

The U.S. Energy Secretary, who arrived in Tokyo on Sunday from a tour of China, believed that — with or without any OPEC action on prices — world oil supplies would be disrupted by the reduction in Iran's oil output. Mr. Schlesinger, who met the Japanese Foreign Minister, Mr. Sunao Sonoda, earlier in the day, indicated that he foresaw another oil crisis developing, causing international difficulties.

Japanese leaders were given to understand that

Washington views long term prospects for oil supply and demand as gloomy (despite a temporary glut in supplies) and believes the troubles in Iran may continue.

The Saudis deflate London's lies

But although it has yet to be widely reported in this country, the Saudis immediately gave the lie to the 'oil crisis' talk. These comments from an official at the State Department Oil of Fuels and Energy on the reports of international repercussions from Iran's oil shutdown reveal the factual absurdity of London's impending oil crisis:

There is no way the International Energy Agency would be brought in to handle the shortages provoked by the Iranian oil strikes. It simply is not that bad of a problem, the dimensions of the shortage are not that great.

Beside the fact that the consuming nations have enormous stockpiles of oil, Yamani gave an important statement to the press yesterday which was meant to assure the consuming nations.

He stated that his country could produce more crude if the Iran strike continues and that the Saudis are prepared to go up over 10 million barrels a day if necessary. Yamani said this will not affect that production ceiling which was imposed last year since Saudi output was lower early in the year and it would all average out.

. . . The Journal of Commerce of Nov. 8 also threw cold water on the Schlesinger-British argument that an oil crisis is in the works. According to a sharply worded article by Sam Glasser titled "Critical Oil Shortages Not Yet Apparent":

The sharp escalation of world spot market prices of petroleum and refined products, brought about by the political turmoil in Iran, is "99 percent psychology" at this point because critical shortages of material have not had time to develop, informed industry sources say. . . .

Informed observers feel that a real supply crisis would not develop unless the Iranian oil supply situation continued for four to six weeks. . . .

While total Iranian production was reported Tuesday to have dropped as low as 1.2 million barrels a day, less than last week's figure, exports remained steady at about 700,000 barrels a day, according to a member of the consortium of major companies which produce and export most of Iran's oil.

Moscow to U.S.: 'We're coresponsible for peace'

Soviet leaders took the occasion of this week's celebration of the anniversary of the October 1917 Revolution to appeal to the United States to live up to its responsibility as a great power and reverse the suicidal, Brzezinskiian drift in America's policy. Speaking on the eve of the Nov. 7 holiday, Soviet Premier Alexei Kosygin emphasized that the United States and the Soviet Union share an awesome "responsibility before all mankind" to ensure that the threat of war is eliminated. At the traditional military parade past the Kremlin there were no intercontinental ballistic missiles on display this year, interpreted by observers in Moscow as a "clear signal" to the United States.

This Soviet challenge is part of a concerted effort by the leaders of continental Europe, Mexico, and Japan to bring the U.S. into an emerging "Grand Design" for economic development and world peace. It comes as Mexican President Jose Lopez Portillo was in Tokyo, telling Japanese Premier Takeo Fukuda "let us think big together," and "the problems in the world economic arena must be tackled from a global perspective." Soviet Foreign Minister Andrei Gromyko, speaking at a press conference in Paris Oct. 28, took the same standpoint, calling on the U.S. to display "global imagination." He attributed the failure to reach a strategic arms limitation agreement to the fact that "the United States is divided between people who have a vast concept of the world and those with narrow views." And during his talks with French leaders in Paris, the Soviet Foreign Minister proposed that all nuclear powers join in the Strategic Arms Limitation Talks — a suggestion clearly intended to increase pressure on the United States by France in particular.

Joining Portillo, Fukuda, and other world leaders who are publicly urging the United States to join a worldwide cooperative effort to develop fusion energy, Premier Kosygin declared that the human race now stands at "the threshold of one of the greatest accomplishments of mankind — the creation of thermonuclear energy, whose sources are unlimited." He pointedly informed the Carter Administration that most of Western Europe has now rejected 30 years of mythology about Soviet aggressive intentions against it, and is instead committed to a policy of detente with

the socialist countries. This is a reference both to the 25-year cooperation agreements signed between West Germany and the Soviet Union in May of this year, and to the rampant West European disaffection with the British-dominated policies of the NATO alliance — exemplified by recent open conflicts between NATO Commander Gen. Alexander Haig and the West German government.

Middle East emphasis

Soviet foreign affairs specialists have backed up these appeals from the top government level via several interviews given to American journalists in Moscow. Foremost was Valentin Falin, the former Soviet ambassador to Bonn who is now working in the newly created Central Committee Department for Information.

Among "a whole complex of problems ... where U.S.-Soviet mutual interests coincide," Falin particularly cited the fall 1977 Soviet-American joint statement on a Middle East settlement, wherein the two cochairmen of the dormant Geneva Middle East peace conference charted a shared perspective for the region. A short time later, Washington shifted its eggs into the Sadat-Begin "separate deal" basket, and Falin observed that the right kind of Soviet-American joint effort had thereby been cut short.

Coinciding with this Soviet pressure on Washington is an increased awareness of the British role in manipulating America into confrontations with the Soviet Union. A Radio Moscow broadcast to the British Isles Oct. 20 labeled Great Britain "the most zealous exponent of NATO policies in Europe," and charged Britain with willful efforts to sabotage the U.S.-USSR SALT talks.

"Unable to attack SALT openly, the NATO strategists are trying to torpedo these vitally important negotiations by a further nuclear buildup in Europe, by the long-bankrupt policy of military pressure," said commentator Konstantin Zabrodin. "It seems no mere coincidence to me that this drive ... to neutralize the SALT effort has been initiated by British generals. Britain has long been the most zealous exponent of NATO policies in Europe, policies by which it is trying to bolster up its eroded prestige in international affairs."

— Susan Welsh

Kosygin: 'A great responsibility rests with both our countries'

Pravda of Nov. 5 carried the speech by Soviet Premier Alexei Kosygin at the Nov. 4 Kremlin Palace of Congresses, excerpted here:

... The future of our economy is based upon a reliable energy and fuel base. Our planned system, the achievements of the scientific-technological revolution create favorable conditions for the growth and rational use of energy resources. . . . We have entered a period of wide construction of atomic power stations with thermal reactors, which will play a continually growing role in providing electricity for the European part of the Union. The achievements of nuclear physics and related sciences have brought us right up to the threshold of one of the greatest accomplishments of mankind — the creation of thermonuclear energy, whose sources are unlimited. . . .

The Soviet Union wants our relations with the United States, as with any other country, to be an effective factor for peace. We are prepared to do everything that depends on us, since we are aware of the significance of our relations for the peoples of both countries, for the general situation in the world and for the prospects for settling many international problems.

I would like to express the hope that the efforts being undertaken now by both sides at the Soviet-American negotiations on limiting strategic offensive weapons will lead to a mutually acceptable solution to this most important question. Such an agreement, very important in itself, would also make possible a serious step towards creating conditions for the smoothing out of Soviet-American relations and their subsequent positive development.

We proceed from the standpoint

that a great responsibility rests with both our countries for ensuring general peace and eliminating the threat of war and, consequently, both the Soviet Union and the United States must make their actions in international affairs commensurate with the scale of this responsibility before all mankind.

This fully applies to all regions of the world, including, of course, to Europe. American policy on that continent for over three decades now has rested on the fiction of the "aggressiveness" of the Soviet Union and, in correspondence to that fiction, on securing the West European NATO members from the so-called "Soviet threat." Over the years this myth has pretty well fallen into disrepute, and Western Europe's belief in it has declined. This is the result of the peace policy of the Soviet Union and the other Warsaw Pact countries, our major initiatives for strengthening European security. But nevertheless the NATO leadership is continuing to whip up fear of Soviet policy, purposely distorting its goals. Such a line can serve the cause of peace neither in Europe, nor in Africa, nor anywhere else....

We are for the broad development of political, economic, cultural and scientific-technological ties between all countries of the world, in order to bring together on an international scale the efforts of states to solve the most complex global problems involving rapid population growth, the satisfaction of growing needs for food, raw materials and energy resources, the protection of the environment, the struggle against diseases. Naturally we as communists have our own views about the social-economic and other preconditions which are necessary for the most successful solution of these questions. But we

are ready for equal and mutually advantageous cooperation with other countries, independent of their social system. The most important and necessary condition for this is detente, and the cooperation among states has been and will remain its reliable foundation.

Peking problem

Speaking of the international situation, it is impossible not to mention the activities of Peking. Preaching the inevitability of a new world war and fanning the flames of anti-Sovietism, the present Chinese leadership has gone over to an unprincipled bloc with the most reactionary forces in the world. . . .

The Soviet Union takes the policy of the Chinese leadership as it is, and evaluates it accordingly. As in the past, we are for normalization of Soviet-Chinese relations, which would answer the basic interests of the Soviet and Chinese peoples, as well as peace and international security. We are not, of course, opposed to other countries maintaining normal relations with China. But we cannot close our eyes to one side of Chinese policy, as some do, seeing only that which does not affect their current interests. History teaches that such an approach is fraught with dangerous consequences. A policy whose aim is to destabilize the world situation cannot but evoke condemnation; it demands a firm rebuff. . . .

Correction

A typographical error in Table 2 of the article "East bloc debt: why the scare?" in our last issue disarranged the rate spreads above the London interbank overnight rate (LIBOR) on syndicated credits charged to Comecon and Western borrowers. The first rates listed, .625-.75, should have been matched to prime Western borrowers, not Bulgaria, and the rest of the rates move up one place, accordingly. But the rate for Comecon banks was correctly shown as 0.75.

López Portillo's trip to Asia prepares 'Pacific Basin' development region

Cynical observers in the United States, Great Britain, and even in Mexico who had predicted that little would result from Mexican President José López Portillo's just-concluded trip to Asia were in for quite a shock. The trip led to the consolidation of significant agreements with Japan for the exchange of Mexican oil for technology. But, as the Mexican President stressed, he is "not an oil salesman." Most broadly and importantly, López Portillo's trip can be credited with providing a key link in the chain of long-term international agreements for development which stretch forward from the historic Schmidt-Brezhnev economic cooperation treaties in May and the Bremen meeting of European leaders in July.

The stage for the successful outcome of López Portillo's trip had been set two weeks earlier during the visit to Japan by West German Chancellor Helmut Schmidt, which furthered coordination between Japan and the European Monetary System, consolidating the

Tokyo capital markets as the "Bremen East" of the emerging new economic order.

Mexico will now link its Pacific strategy to new advances in its previous Atlantic focus, bringing the arrangements full circle. Visits to Mexico by Spanish King Juan Carlos later this month and French President Giscard d'Estaing in February will further consolidate Mexico's role as a leading Third World participant in this "Grand Design."

China cannot live behind a wall

During López Portillo's six-day visit to China, the first stop on his two-week tour, the Mexican President repeatedly discussed and explained the importance of the "Pacific Basin" — because of its vast population and immense natural resources — for world development efforts in the decades ahead.

The response to the trip within Mexican progressive circles is evidence of its overall success. In a state-

Mexican legislator ties nation's growth to EMF

Mexican Congressman Julio Zamora Batiz called for Mexico to base its economic development strategy on the developments centered around the European Monetary Fund and the Soviet Union, in a speech before a political rally Nov. 6. Zamora, who doubles as President of the League of Revolutionary Economists, also blasted U.S. Energy Secretary James Schlesinger, according to the daily Diario de Mexico, which reported:

Julio Zamora Batiz called upon Mexico to make a 90 degree turn in its economic policy, in light of "the contacts that have been established with the Soviet Union, with the development of the European Monetary Fund, (and) the strengthening of relations in general beyond the treatment being shown by the United States to our country and its oil."

Zamora Batiz further referred to "the various

pressures that the United States government has exerted to prevent Mexico from embarking on a course of full industrial development." As proof, the congressman stated, "the recent statements of James Schlesinger, a secretary in the U.S. cabinet, to the effect that his country will not accept another Japan south of the border, are clear in this respect."

Zamora continued by formulating a policy of unity through the Pacific basin, the development of the European Monetary Fund, through the contacts that Mexico has established with the Soviet Union, and through the strengthening of relations with France, which are underlined by the coming visit of the French president to Mexico. "A whole new game of international politics is taking shape, and it is one in which Mexico, for the first time in many years, is playing a protagonist's role on the international level."

ment one day prior to the President's return, Mexican Congressman Julio Zamora Batiz called for Mexico to join fully in the consolidation of the new monetary system emerging in Europe (see box).

In particular, López Portillo pointed to the concurrent signing of the China-Japan Friendship Treaty as a first step towards unity of the region for development — what he termed the “Asian logic.” Near the end of his trip he located the international significance of the Pacific Basin when he stated that “the event of the end of the century could be the logical unity of Asia, represented by China and Japan,” much as “the First and Second World Wars and the Russian revolution shaped the beginning and-middle of the century.”

With the clear purpose of drawing China out of its isolation and strengthening the proindustry factions within its leadership, López Portillo offered China a “21st century of development” if it joined the rest of the world in a commitment to massive regional development. Speaking as the Chinese continued their invasion of Vietnam, López Portillo bluntly told the Chinese that a nation “cannot live confined by a wall,” and he warned against the “sentiments of chauvinist, revanchist aggression” which have continued to characterize Chinese policy outlook.

López Portillo's warnings were timed to counter the efforts by Kissinger ally James Schlesinger, who was also visiting China, to draw the Peking leadership into the “China Card” of regional destabilizations and war with the Soviet Union. The Mexican press reported that López Portillo had sharply turned down a request by Schlesinger — who has been denounced strongly in Mexico for sabotaging development agreements with the U.S. — for a private meeting.

“A relation of great vision with Japan”

It was in Japan that the details of what is involved in the “Pacific Basin” strategy outlined by López Portillo were not only discussed but also implemented. On repeated occasions the Mexican President emphasized the need for establishing broad, long-term relations, calling for “a great link, a great relation which extends into the long term. We are thinking of the next century.” He also made clear that any specific agreements could only be worked out if a clear commitment to this type of “global” approach was agreed upon.

Japan responded favorably to this approach. While the final communiqué clearly stated that both countries expressed “their joint determination to define relations within a global perspective,” Prime Minister Fukuda pledged that Japan was ready to provide “everything possible” for the development of “new industrial sectors in Mexico as well as for those already in operation.” Fukuda placed the question of exchanging Mexican oil for Japanese technology in its larger setting: “the necessity to seek a solution to the

world economic crisis, fundamentally the North-South question.”

López Portillo's insistence that he was not there as a mere “commercial agent” to sell oil, and that questions such as the price of oil were secondary problems to be resolved within the overall “great link” between the two countries, apparently was successful in breaking through reservations by some Japanese business circles who had previously fixated on the oil price issue. Toshio Doko, the head of Keidanren, the Japanese Federation of Economic Organizations, welcomed the Mexican proposals “with pleasure and respect.”

Oil for Technology

The commitment by both countries to establish an “alliance for the 21st century” was clearly reflected in the extraordinary series of agreements reached during the visit. At the conclusion of the visit Jorge Diaz Serrano, the head of Mexico's national oil company (Pemex) announced that Mexico will provide Japan with 200-250,000 barrels of oil per day beginning in 1980, the first year that Mexico's existing contracts will permit an additional export capacity.

The return flow of financing, capital goods and technology was started with an enormous \$1.2 billion dollar Japanese credit signed by Mexican Finance Minister David Ibarra on Nov. 1. Half of the loan, put together by both public and private banking circles in Japan, is slated for the acquisition of heavy equipment for Pemex, Mexico's Federal Electricity Commission, and other state enterprises. The remaining \$600 million will constitute an open credit line to be used as Mexico deems necessary. Ibarra called the terms of the credit “exceptional.” It is the largest single injection of credit into the industrialization plans of the López Portillo government.

“Sharing of energy technology”

Mexico has also requested Japanese technological and financial assistance for a series of large-scale development projects within Mexico which will undoubtedly be discussed in the weeks and months ahead. One, presented by Diaz Serrano prior to the presidential tour, involves the construction of a massive industrial and petrochemical complex tied to a new port facility on the southeastern coast of Mexico where most of the oil deposits are located. A second proposal calls for the construction of offshore oil supply platforms in the Pacific as well as the improvement of the port facilities at Salina Cruz. Both projects will break present infrastructure bottlenecks and allow vast exports of Mexican oil.

However, at the same time, President López Portillo made clear that Mexico wants to ensure that the new energy sources developed by the industrialized nations — such as fission and fusion energy, which Japan is promoting strongly — are shared with the Third World. After warning that “oil

will not last forever," the Mexican President appealed for "full sharing of energy technology."

Bringing the Philippines in

While López Portillo's final stop in the Philippines was a brief one, it served to underscore Mexico's commitment to bring the rest of the Third World into grand design policies. In particular, because it has one of the

largest pools of skilled labor in Asia and vast natural resources, the Philippines is in a key position to make the "Pacific Basin" development perspective a reality. While in the Philippines, López Portillo set an example for the industrialized nations by agreeing to provide assistance to the Philippines in Mexico's area of expertise: "transfer of Mexican oil technology."

—Pablo Silva

President López Portillo on 'winning the peace'

Mexican President López Portillo's speech at the banquet given in his honor by Chinese Prime Minister Hua Kuo-Feng on Oct. 23, and excerpted below, emphasized the necessity for China to drop its confrontationist politics and become an equal partner in the development of the Pacific basin:

If we are to win the peace, we have to wipe out the iniquitous disparities between nations. To continue the world system of impoverishment is to feed tensions and social explosions which help no one in the long run. When the political and economic understandings of populations are awakened, the industrialized countries will no longer be able to go on sucking up raw materials for their own exclusive benefit, nor will they be able to unilaterally keep exclusive markets for themselves. The arsenal of imposition is wearing out. Contemporary history shows that weak peoples become strong when defending their integrity; that the game of subversion, of sowing division to change political alignment . . . violates sovereignty at the expense of preventing peaceful solutions to controversies. The often demonstrated resistance of nationalist sentiments prevents the world from being simply divided into empires. On the contrary, it marches inexorably toward a community of responsible, free and equal nations.

One does not advance towards peace through threats of war. The artifacts of violence incite violence. The road to peace is built with peaceful tools, not with either

complacent or fearful passivity but with an energetic activism which gathers the forces open to peace, which sets up mechanisms to quash provocations, while stimulating cooperation in development between all nations. That, when all is said and done, is the unsubstitutable security for peace. . . .

Cooperation between peoples generates communities of interest at a global level. By satisfying mutual needs, they eliminate pressures and put in check feelings of chauvinist, revanchist, or messianic aggression.

. . . We are a part of the Pacific basin, an area of enormous potential due to its human and material resources and whose easy communication permits forming a community of mutual support, peace and development. Because of its resources and its internal organization, China should play an important role in peaceful and productive relations between nations.

A Global Perspective

Speaking at a luncheon given by Japan's Premier Takeo Fukuda Nov. 1, López Portillo outlined the humanist perspective underlying the Mexico-Japan alliance:

There is a growing concern among developing countries that the limited resources of the world may continue to be allocated for the international security objectives of the great powers. Thus, the need to revise global priorities in order to find the means of guaranteeing the well-being of humanity becomes ever more pressing.

The problems in the world economic sphere must be tackled from a global perspective. It is not possible to resolve one conflict while leaving others which are equally grave unresolved.

The perspective must be global in terms of participation because it is neither democratic nor feasible for one country or a group of countries to enjoy partial solutions; . . . formulas are required that are the fruit of worldwide negotiations. . . .

The energy problem is one of these primary issues that confirms that the interests of nations are intertwined. In wealthy nations as well as in developing countries, industry, food, etc. depend on energy. The elimination of extreme poverty in which a broad part of the world population lives also depends on energy. Energy should be the point of agreement for the international community to find solutions to their problems in a shared and equal way.

We energy producing countries view the problem from a humanist perspective, and we are open to the indispensable exchange.

We also want energy technology to be shared so that all present and future energy sources may be exploited by the countries where they are found, so that the sale of oil does not lead to the exhaustion of this nonrenewable resource in one part of the world while in another part of the world, development is oriented to the creation of alternate sources not available to those who made (that rate of development) possible.

“Think Big”

Speaking to a group of Japanese businessmen on Oct. 31, López Portillo stated the following:

We did not come simply to sell oil, though we could if we wanted. The trade relations between our two countries should be more than merely commercial relations.

The specific characteristic of each of the two economies must be utilized optimally in order to associate in much more ambitious undertakings.

We need projects; we need technology; we need financing; we need access to world markets.

Mexico is beginning to “think big.” Japan has thought big for a long time. Let us think big together, combining business and interests with friendship and peace. . . .

. . . Mexico and Japan could together write some of the most important pages of the history of the future. This history will be written with the peace and friendship between China and Japan. The next century will be the century in which a new force, which I call “the Asian logic” will surge forth. In this, the tradition of the present and the projection of these two great peoples of the Orient will combine.

Final Communiqué

The following are excerpts from a summation of the joint communiqué issued on Nov. 2 by the governments of Mexico and Japan following Mexican President José López Portillo’s visit.

The president of Mexico expressed the urgency of establishing a new international economic order, as defined by the UN, to achieve equitable economic relations among all nations. The Japanese Prime Minister listened intently and responded with a detailed discussion of his country’s conception of this important question.

Both heads of state declared their belief that the visit of the Mexican president would serve to give new dimensions to the friendly relations between their two countries. Taking into account their joint determination to define relations within a global perspective which can assure exchanges of reciprocal aid, they both agreed that there exist ample possibilities to establish a fruitful association. They both agreed as well that the global conception of their relationship goes far beyond the mere strengthening of commercial exchanges, to encompass a commitment to joint investments of mutual interest, within the possibilities of both nations, in different economic sectors and in the systematic search for complementary areas of concern. . . .

The heads of state discussed with interest the possibility of cooperating on development projects for Mexico, such as improving ports, transport, tankers, steel, secondary petrochemicals and machine tools. . . .

During their conversations the heads of state agreed that science and technology can serve as important links of friendship between countries and that it is

therefore important to increase scientific and technological interchange between Japan and Mexico. . . .

López talks to reporters

The following are excerpts from a press conference given by Mexican President José López Portillo on Nov. 3, during his six-day visit to Japan:

Q: What was the result of the negotiations on oil?

A: The President of Mexico does not need to go out to sell oil, nor has he come to Japan to sell oil, nor (to act) as a commercial agent. He has come to strengthen intelligent and full relations between two countries with complementary economies, who are ready to deepen their relations and make them more permanent. . . .

And this is what we have come for: to propose to Japan an intelligent and meaningful relationship; that considering Japan’s interest in oil and Mexico’s in the advantages Japan offers — financing, technology and a market — they are joined in their great vision to create a complementary association, which can take advantage of their differences, their possibilities, their capacities and that these be viewed with a long-term perspective. This is what we have come for. And this proposal, which in the joint communiqué we called global, has been understood and accepted by our Japanese friends. . . .

Democracy and austerity don't mix

Colombia faces a coup thanks to Carter-style economics

Few Americans haven't had occasion to curse the Carter Administration's economic policy recently. But what would happen if the same disastrous program of tight money, government-funded make-work jobs programs, and no-energy policy were to be implemented in a democracy weaker than the United States?

President Julio Cesar Turbay of Colombia has, unhappily, provided an answer to this question. Just weeks ago the newly elected Turbay announced an economic policy which he has privately described as modeled explicitly on U.S. President Carter's. Now Colombia, until recently considered one of the stabler democracies in Latin America (it is the largest of three remaining democracies on the South American continent) is closer to a military coup than ever in recent history. A constitutional crisis now wracking the country is the latest evidence of how imminent a "Chilean solution" may be.

How this came about is a case study in the operation of austerity economics — the same sort of economics that Blumenthal, Miller, and the rest are imposing on the U.S. under the dazed view of President Carter.

Two choices for Colombia

When Turbay was inaugurated last Aug. 14, it was an open question whether the new Liberal President would move in the direction of a Mexican-modeled high-technology development program, aligning the country with Mexico, Japan, and Europe as a participant in the new European Monetary System, or stick with the World Bank-oriented policies of his predecessor, López Michelsen. A faction in the *Turbayista* ranks was strongly pro-Mexican, and the timing of the beginning of the new presidential term, coinciding as it did with an EMS organizing campaign radiating into Latin America via Spain, Italy, and Japan, gave hope for their policy.

But from the beginning the Turbay government was also under siege from World Bank-trained economic advisors, the Brzezinski crew at the National Security Council, and the pro-Nazi, pro-Falange layers of the Colombian military. They demanded a slave-labor public works jobs program on the World Bank's "appropriate technology" model, tight money, and a confrontationist labor policy, including hikes in fuel and transport prices with no concessions on wage demands. If Turbay failed to put these measures into effect, they let it be known, he would face terrorist destabilization and imminent military coup.

As early as June 1978, on the eve of the almost-sure Turbay electoral victory, *Business Week* magazine telegraphed the coup threat. In an article which the magazine's editors privately admitted was based on a National Security Council intelligence evaluation, reporter McCrary wrote: "As the truce expires between the parties (the National Front — ed.), the key question is whether they can respond to today's challenges. If not, the stage can be set for a Marxist-style demagogue, terrorism, or, more likely, a military coup ... Yet there is no evidence that the necessary reforms are going to be given the priority they deserve ..." October's *Atlantic Monthly*, in a feature on Colombia which was transcribed and prominently covered in the Bogota press, warned of "rumors of a coup" and cited the military as saying, "We'll give him six months, and then we'll see."

In early October, Finance Minister Garcia Parra returned from the International Monetary Fund-World Bank group annual meeting in Washington, D.C. with the promise of some \$600 million in new credits to be used partly to pay off past debt, partly for infrastructural development focused on aiding development of export-oriented agriculture and agroindustry. In elaborating the policy, President Turbay made some obligatory gestures to those who favored industrial and skilled labor force development, but left no doubt as to his true intentions when he summed up national policy: "We are going to exploit our most precious and abundant resource — labor."

Within two weeks the nation learned of the "small print" in the agreement that had been signed in Washington: a 33 percent increase in the price of gasoline and cooking fuel, 16 percent hikes in public transportation. Simultaneously, the Mines and Energy Ministry issued a statement attacking alleged "energy waste" and advocating solar power while simultaneously proposing export of uranium — this, in a country with an impressive national Institute of Nuclear Affairs that has documented the feasibility of its first nuclear-powered reactor utilizing domestic uranium supplies by 1985.

Confrontation with labor

How could a newly elected president get away with a head-on assault on the two most volatile issues in the country — fuel and transport costs — at a time when the powerful labor movement was more tightly organized and unified than ever before?

The way had been prepared several weeks earlier with the issuance of a Security Statute providing for heavy penalties against civil protest, including two highly controversial sections outlawing "illegal strikes" and distribution of "subversive literature." The measure had been virtually forced down President Turbay's throat by the military, using the terrorist murder of a former Conservative cabinet member as the pretext, a move widely described as a partial coup.

When the price hikes were announced, labor spokesmen violently denounced them, and described the hikes as a direct consequence of the Security Statute which, they charged, was designed to prevent popular protest, not to combat criminality.

Over the last week Colombia has been plunged into the throes of a major constitutional crisis over the Statute. The Justice Minister has proposed the resignation of two Supreme Court Justices who were among the minority of five who ruled against the constitutionality of the Security Statute. Although the President has called for an end to polemics on the issue, the Justice Minister, who is politically tied to the forces favoring a military coup, is pressing ahead, against all legal precedent requiring that he remain neutral, to have the dissident Supreme Court Justices removed.

Turbay's policy has been to attempt to split the National Union Council — the coalition of four major union federations which formed in September 1977 in protest over exacerbated increases in the cost of living and antilabor measures — by refusing to meet with the two Marxist-influenced federations in the coalition, while the American Institute for Free Labor Development has carried out an inside wrecking operation against the coalition. Yet despite these efforts, labor unity has remained strong. Labor leaders who years ago would not have been caught dead in the same room with a Communist unionist, who in fact built their reputations on anti-Communism, are now propelled by pressure from their base to stay in the coalition, or face the discrediting charge of having split the labor movement unity at a time of national crisis.

Perhaps the reader is thinking that an even tougher policy against labor could be tried? Strikes are already met with militarization, union leaders and members are being jailed, newspapers suppressed; torture is not uncommon. The only still tougher labor policy left to be tried is death squads, and these have already begun to appear in the countryside.

The battle lines have been drawn. The next step down this road is Chilean-style militarization and outlawing of the labor movement. Under the special conditions of Colombia, where the Communist Party maintains an armed peasant guerrilla force, this would inevitably lead to a protracted civil war. The majority Liberal Party would be split, with a probable majority forming a tactical alliance with the Communist forces in opposing a military coup. The result would be a replay of the *Violencia* of the 1940s and 1950s. This is the near-term future awaiting Colombia under continued economic policy guidance from the austerity school of economics.

— Laurence Hecht

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Cornered Britain moves to join the EMS

But change of heart was ordered by the crown's top think tank

For the first time British Prime Minister Callaghan has hinted publicly that Britain will seek membership in the European Monetary System. As reported in an early Dow Jones wire today, Callaghan told Parliament that "a zone of monetary stability" is absolutely necessary and that Britain will play a "constructive role" in developing the European Monetary System.

Callaghan's change of heart is implicit testimony to the unstoppable momentum created by West German Chancellor Helmut Schmidt and French President Giscard d'Estaing's organizing efforts which have swept a large chunk of Western Europe, Scandinavia and Japan into the EMS camp. Over the past two weeks, Greece, Switzerland, and Denmark have expressed their eagerness to join the new monetary system, while the two countries which Britain had hoped to draw into a "united front" of opposition to the EMS — Italy and Ireland — have also been won over by the obvious advantages of the Franco-German plan to their faltering economies. Britain, now completely isolated, has been forced to make an abrupt policy turnaround — at least publicly.

The British have been literally "cornered" by Franco-German diplomatic initiatives which have led right into Britain's own backyard. The Republic of Ireland is quietly being wooed with the promise of "soft," (i.e. low-interest) EMS-style loans by Schmidt and French Finance Minister René Monory who arrived in Dublin Nov. 6. Irish Finance Minister Colley is scheduled to visit Bonn this week to iron out the details of Ireland's EMS membership while Irish Foreign Minister O'Kennedy travels to Japan for talks with his Japanese counterpart, Sunao Sonoda.

Greece (which now has a high-powered delegation in Brussels for discussions on entering the European Economic Community) is also holding simultaneous talks on aligning the drachma with the European currency bloc in preparation for EMS membership. Greek Foreign Minister Rallis announced this week after talks with West German state secretary Dohnyani that Greece is very enthusiastic about joining the European Monetary System.

Whither the British?

Callaghan's sudden change of heart reflects little more than a repackaging of London's old "wreck the EMS" line, this time with slightly more attractive

wrapping. At bottom, British policy was and is geared toward sucking the European Community into deflationary policies and schemes for "dethroning" the dollar. Callaghan's expression of support for the EMS can be easily explained. It comes within a week of an important meeting of the Royal Institute for International Affairs during which Her Majesty's policy makers put together a new British public relations package on the EMS. Attendees at the meeting — including top financial figures, journalists and government advisors — agreed on a strategy of wrecking the European Monetary System from the inside, but shift-

Schmidt on the 'Grand Design'

An article by West German Chancellor Helmut Schmidt, published in the Nov. 9 edition of Le Figaro on the occasion of the 90th birthday of Common Market architect Jean Monnet, included the following comments:

The European Community corresponds to the economic and political necessities of our times. . . . There is no possible other choice. The states of Western Europe must unite if they want to affirm their identity vis-à-vis the East, the West, the North and the South, and efficiently defend their political, economic and cultural interests. Our first task is to preserve the dynamic of the process begun and keep in mind the 'Grand Design' of European unification. . . . Whenever the Commission of the Council of Ministers of the European Community is not able to reach agreement on definite orientations, the chiefs of state and of government must take the necessary decisions with all the weight of their authority. . . . The mandate of Bremen, in which the indispensable rules of a European Monetary System must be elaborated before December 4 and 5 so that a decision can be made, constitutes a first initiative in the sense of deepening the community

ing the blame off themselves by appearing to endorse its early implementation.

The strategy is to take advantage of the "dumb giant" United States and especially of London's control over U.S. economic policymaking to wreck the EMS through manipulated dollar crises. The failure of the EMS could then be blamed on the U.S. for contributing to currency instability while refusing to pursue the required deflationary policies. The dollar collapse, on the other hand, could then be pinned on the Europeans who had put together an "antidollar" bloc.

London's new line on the EMS was enunciated for public consumption by Lloyds Bank Chairman Sir Jeremy Morse, a former director of the Bank of England and of the International Monetary Fund. Morse cut through the fog on the EMS issue by asserting "I personally am quite clear that Britain should be involved from the start for our own good and Europe's good." In his speech before the Royal Institute for International Affairs, Sir Jeremy explained that British membership in the EMS would be "good for Europe" because sterling could be "a significant stabilizer in the currency mix." It would be good for Britain because it would reinforce the government's anti-inflation (i.e. austerity) policy and it would benefit the Common Market because Britain

could "work for advantages in other areas of Common Market financial policy and help to rebuild a better base for the world economy." The EMS would also be able to create a major reserve pool for medium term credit and the "embryo European currency unit could one day rank as a world currency alongside the dollar."

Within three days of the RIIA meeting, City of London bankers by the score had changed their views on the EMS. Appearing before the Commons Select Committee which is considering the technical questions of EMS membership, Anthony Tuke (chairman of Barclay's bank) and Robin Leigh Pemberton (chairman of National Westminster Bank) joined Sir Jeremy to extol the new system's virtues.

Britain's moves to steer the monetary system to London's ends will not be permitted by the French and West Germans, however. Schmidt's government took a major step in integrating the U.S. into his program via support for the dollar by having the West German central bank, the Bundesbank, purchase the first-ever issue of U.S. Treasury notes denominated in deutschemarks. The Bundesbank gave deutschemarks in return for the notes, giving the U.S. a war chest to support the dollar.

—Marla Minnicino

'The EMS means growth — the opposite of what Britain's achieved'

The economics section editorial in the Nov. 6 Frankfurter Allgemeine Zeitung, was titled "They're out to enslave us": How the British view Europe," by Jochen Rudolph:

Whenever England faces the question of joining an international economic alliance, half her politicians scream bloody murder. This was the case over entry into the European Community — and the lamentations still continue. It is now once more the case, now that a link with the new European Monetary System is up for discussion. The protests are not confined to a single political group, but the spokesmen and a large part of their following come from the left wing of the Labour Party.

They are not prissy about their choice of words. The Germans want to "cripple" their inter-

national competitors with the monetary system, left-socialist energy minister Benn recently charged . . . These days the Fabian Society, so rich in tradition, a group devoted to the peaceable attainment of socialism, has also begged leave to oppose the European monetary plans . . .

In the midst of political debate, nobody with a hide of average thickness would dwell on a couple of harsh, extreme expressions. But in this instance the actual economic state of affairs has already been stood on its head for years, and an entire nation has been deceived . . . Their stubborn insistence (about British autonomy from Europe — ed.) enables them to forget that the free flow of goods, capital, services, and manpower across the borders — something partially achieved and partially

still sought after — has given a powerful impetus for the Community's economic performance, resulting in lower prices for innumerable goods.

British economy: a "sick dwarf"

They forget a great deal more: for example, that under the influence of Keynes's epigones they have for 30 years conducted . . . incessant rounds of artificial state heating-up and cooling-down of the business cycle. Their legendary "stop-and-go" policy has mutilated their once weighty and admired industrial sector into a sick dwarf . . . Yet they talk about the utmost jeopardy to these "heavenly" conditions if the European Community requires some sacrifice of sovereignty. Suddenly everything looks endangered . . .

If within a European monetary association they were now to lose the privilege of adjusting their currency parities — read: further devaluation of the pound sterling — the "last possible escape route

Schmidt spokesman on the theory of the EMS

Executive Intelligence Review correspondent Muriel Mirak interviewed Armin Grünewald, the official Economic spokesman of the Chancellor of West Germany, on the European Monetary System, while Mr. Grünewald was accompanying his boss,

EXCLUSIVE INTERVIEW

Chancellor Helmut Schmidt, on a trip to Sienna, Italy, Nov. 1. It was as a result of Schmidt's discussions with Italian Prime Minister Giulio Andreotti in Sienna that Italy announced it would join the European Monetary System.

In frank and forthcoming comments to our correspondent, Grünewald took pains to debunk the claim that the EMS might harm the dollar, and vigorously stressed the benefits the system would yield for the entire world community. And he also discussed in

depth the theory on which the EMS's architects have based the new economic organization.

EIR: Mr. Grünewald, let me make my position clear from the outset: the magazine I represent supports the ongoing European Monetary System arrangements in the interest of monetary stability, economic cooperation, and growth. We have dedicated several lead articles to the EMF (European Monetary Fund — ed.). One of our immediate concerns, in fact, is that American businessmen, bankers, and politicians have the facts on the EMF. As you know, one of the major problems facing the EMF is American ignorance or misunderstanding of the effects it will have on the dollar. Yet, at the same time, the measures being taken by the Carter Administration to defend the dollar will have the opposite effect. Deflation, raising the prime rate and so on will not save the dollar. What do you think?

from the danger of German economic domination would be closed off." These politicians have not only eccentric ideas about economics and economic policies, but evidently have a deranged relationship to the outside world as well. With a certain lessening of their arbitrary control over their economic affairs, they would be spared a good deal of their inflation and unemployment; they would get an external strengthening of their currency, and a body politic would come into being that would enable them to confidently forget about their "welfare state."

... For decades, minus any European responsibility for it, a large-scale, government-primed annihilation of capital has taken place in England. The planned European monetary system is certainly no ideal solution of international problems. It is an effort to occasion greater monetary discipline in countries which have allowed their currencies' values to decline domestically and abroad.

More monetary discipline can generate more exports and more domestic purchasing power. Both mean greater employment, and increased jobs — the opposite of what England has achieved up to now with its frivolous monetary policy and its multiple devaluations. It is naive to think that anybody whatsoever is slated for an economic yoke. The Labour left can tuck away its runny pocket handkerchiefs.

'With or without Britain'

What follows are excerpts of an article by Le Figaro's chief economist, Alain Vernay, published Nov. 9 under the title, "The Birth of the European Monetary System, With or Without England."

It seems that the cards have been played and that England will not accept the European Monetary System which will be put in place in the first days of January. . . . So the

conditions will be united for a new crisis of the pound comparable to that of the year 1975 . . . As soon as it has a daily value vis-à-vis the dollar, it is the ECU which will be the butt of speculation. Great Britain will thus try to benefit by being the arbiter of the great monetary disorders, even if it can no longer hope to be the arbiter of the great political disorders which used to result from the division of the continent.

It is estimated in London that to not join France and Germany is to profitably play the devil's advocate by accelerating the formation of a diumvirate which, very quickly, will annoy the other Europeans, even though they today are pleased with the accord between Paris and Bonn. France, it is said on the other side of the Channel, will not be able to take the prolonged discipline which the EMS implies, and will have to secede from a system which more and more resembles a super-snake. . . .

Grünwald: The basic error is in the argumentation, both in Europe and in the USA, against the EMS. People imagine that the only alternative posed for economic policy-makers is between deflation and inflation. But these are merely theoretical models, and don't hold up in practice. The examples of the German economy and the Swiss show that economic growth is possible without inflation or deflation.

EIR: *You know, of course, that in the USA, however, the main concern which anti-EMF spokesmen have brought forward, is that the EMF will turn out to be an anti-dollar mechanism.*

Grünwald: Nothing could be further from the truth. The EMF was not intended by President Giscard and Chancellor Schmidt to bring the dollar down. It would be silly if that were the case. For months, and even years, they have been trying to make clear that the devaluation of the dollar, even though it might appear profitable for economic growth within the USA, is a danger for world trade and for economic development — in the advanced economies, not to mention the developing countries. Now, it would be wholly contradictory if Chancellor Schmidt, who has been trying to make clear to responsible U.S. officials that a devaluating dollar is a danger to the Western World, should invent a system which would perpetuate this dollar devaluation.

EIR: *You mentioned the success which Germany has had in maintaining economic growth without inflation or deflation, which has been achieved as a result of capital-intensive investment policies oriented toward increasing production of high-technology goods for export. Don't you agree that the same approach toward the U.S. industrial potential is actually the answer to stabilizing the dollar?*

Grünwald: But that is, of course, the traditional American approach, isn't it? The U.S. is, after all, a great industrial power.

EIR: *It was in the past, but the commitment to industrial development that is embedded in the American Revolution has been forgotten by the current American administration. Recent legislation put through the Congress has explicitly reversed traditional U.S. policy toward deindustrialization.*

Grünwald: What legislation are you referring to?

EIR: *The energy bill, the Humphrey-Hawkins bill.*

Grünwald: What's that?

EIR: *It's a bill providing for labor-intensive jobs creation at the expense of the technological levels and skill levels of the work force. This legislation would deindustrialize the economy and destroy the work force.*

Grünwald: The U.S. has problems similar to Germany and other advanced industrial nations.

Competition: competitiveness means better products at lower cost. Now, our countries have seen other industrial areas like Korea, Hong Kong, Singapore, arise on the international markets as competitors with less sophisticated goods. Now, to be able to stand this, the more advanced economies must concentrate on more sophisticated goods. This can be accomplished through two measures. Increasing capital investment, and improving the skill levels of the labor force. This leads to a problem, however. Increased capital investment tends to save labor, and the labor market itself becomes divided into skilled labor, which is bound to be lacking in desired quantities, and unskilled, which is in surplus. The same thing is true for the U.S., but this problem is hidden by the discussion around the rate of unemployment. The unemployment rate cannot be brought down by economic growth only, but by restructuring and professional training of labor to increase its skill level. It is clear that you cannot expand industries which require skilled labor if you don't produce skilled labor. On the other hand, you cannot force people to acquire skills. Some people cannot, or will not, seek high skill levels. Yet, these people cannot be allowed to remain jobless. Thus, some industries capable of using unskilled labor should be induced to hire them.

The Carter Administration

EIR: *The problem is that the U.S. is not moving in that direction. The U.S. — or rather, the U.S. administration, since the U.S. industrialists obviously have the opposite view — the U.S. administration has been deindustrializing. Look at New York City which has been destroyed as an industrial center. Now the rest of U.S. industry is headed in the same direction because of the anti-industrial commitment of certain layers in the administration. I'm talking about Blumenthal, Miller, Schlesinger, and, though not in the government, Kissinger.*

Grünwald: You know what I call them? The "generalists." I've talked to people in the administration, and all I've been able to get is generalities. These generalists talk and talk in broad terms, but they never get down to concretes. It was very enlightening for me to realize this. You know, I have talked to the people in the administration in Washington and heard only generalities. We agreed nearly on nothing. I also had talks with business economists and agreed on nearly everything. There are two different worlds as policies are concerned.

EIR: *The problem is that the healthy industrial layers are not represented in government, and have no access to policy-making. Had Ford won the election, or had he fought against the vote fraud he knew to have been organized against him and his victory, the situation in the U.S. would be different today. But Carter, different from Ford, does not have industrial interests behind him. He is, rather, the pawn of anti-industrial interests.*

Grünewald: It's not Carter's fault. I am convinced of that. He is surrounded by advisors, and many of them are, as I call it, "generalists."

Britain and the EMS

EIR: *Yes. And his advisors are representatives of Anglophile financial interests who are ready to sacrifice U.S. industrial growth to maintain speculative paper values associated with the IMF and the World Bank. This brings me to another question on the EMF, specifically, the strenuous British opposition to the plan. What are you planning to do about this? What would happen if Great Britain refuses entry into the EMF? Will Europe go ahead without the British?*

Grünewald: Let me answer by stating a fact, a simple fact. The devaluation of the British pound and the Italian lira has gone on over the past three years without the European Monetary System. The EMS is not intended to bring these currencies further down, but, on the contrary, to stabilize all European currencies, including the pound and the lira. At this moment the pound and the lira are not in the snake and nobody helps them. If they are members of the EMS, they will enjoy the solidarity of the European Community. I frankly do not understand the argument that the EMS could destroy currencies. It's a mutual drive to stabilize them. The British pound and the Italian lira have different values now than three years ago, but that is not the fault of Europe. The basic fault is that many governments and government officials believe in John Maynard Keynes's system, which was designed for a closed economy. They have forgotten that fact, and therefore believe that by devaluing their currencies that country's exports can be enhanced. This is wrong for a wide range of export trade. But devaluation actually increases import prices, as well as internal price levels. The first to see this happen was Great Britain, then Italy followed, and now the U.S.

EIR: *But if the British persist in their refusal to enter the EMS?*

Grünewald: Then they will find less help and solidarity. If one of the EEC countries does not take on the obligations of the system, it cannot benefit from its rights. We need a quid pro quo — there's a give and a take. The give is the obligation, and the take is the right. But this is Britain's decision. As far as I know, the British government has not yet made an official decision.

EIR: *Would British refusal to enter lead to their leaving the European Community? Something to that effect has been mooted in the British press, where de Gaulle's position on the British has been recalled.*

Grünewald: No, I don't think so. It would not mean leaving the EEC. De Gaulle, and I know many people in France shared his view, was not wholly right nor wholly wrong about the British. But that's not the way to approach the problem.

EIR: *Assuming the U.S. and British problems are solved in one way or another, how will the EMF proceed? I know that in anticipation of EMF implementation, especially those in the Arab world and the Japanese have been increasing their gold purchases, at the same time as Alex Mueller, Emminger and Leutwiller have indicated that there is a lot of talk about revaluing existing gold reserves, both in central bank holdings and the EMS. Does this mean that the EMF will be based on a revalued gold pool, and do Arab and Japanese moves towards gold indicate their intention to set up similar monetary blocs, or utilize existing ones, to institutionalize relations to the EMF?*

Grünewald: This question of revaluation has nothing to do with the free gold market. One feature of the EMF will be that nations will bring together some of their currency reserves into a pool. Some have more dollar reserves, and less gold. Some have more gold and fewer dollar reserves. How they evaluate the gold is up to them. It is a central bank decision that determines the balance sheet value of that gold. Some keep gold at the Bretton Woods value, for example the Bundesbank — this is at about \$40 per ounce. Others may choose the free market price. But if we pool our currency reserves and take in say 15 to 20 percent of each country's reserves, obviously the gold should be given a uniform value. That value should be realistic, which does not necessarily mean whatever it sells for on the Zurich market on any one day, but about \$170 or \$180 in our estimation. This uniform valuation would be established to create a currency reserve pool with an element of justice. It has nothing to do with the market price. Most central banks do not engage in buying and selling of gold on the market, so that the split in the gold market is now nearly complete.

EIR: *Why then such a rush into gold? Do you mean it is then totally unrelated to the gold and dollar-based EMF?*

Grünewald: The EMF is not based on gold or dollars, it is based on the ECU (European Currency Unit — ed.), which is abstract, just as the SDR is abstract. It is not necessary to have gold to be a member or affiliate with the EMF; for example the Swiss and the Austrians, if they want to enter the EMS, shouldn't worry about buying gold, but should exert monetary discipline, which is possible without gold, just as it is possible to have gold and not have any monetary discipline. Gold is being used by the EMF not as gold, but as a currency reserve.

The EMS and world development

EIR: *What about the Arab Monetary Fund and the Japanese?*

Grünewald: This merely shows that the EMS is not in contradiction to any monetary zones already in existence, like the dollar zone, the sterling zone, the Asia zone, etc. Nor is it contradictory to the IMF, it is a smaller grouping within the IMF.

EIR: *But the policies of the EMS seem to be quite opposite to those of the IMF.*

Grünwald: Now, we can assume that the IMF is in favor of monetary discipline and stability, can't we? Then the policies are the same.

EIR: *What about the differences in policies between the EMS and the IMF towards developing sector credit?*

Grünwald: The EMF is not intended for creating credits outside the Common Market. It is not a fund for credits for balance of payments credits except within the Community. There are other institutions for that; the Asian Development Bank and the World Bank, for example, issue credits for developing countries. For Europe we have the European Investment Bank, which has nothing to do with the EMF. These other institutions issue credits both to countries and to single firms. The EMF gives credit only to central banks within the EEC. For European credits to the developing sector, the European Development Fund can be used. The loans by the EMF will be only for balance of payments purposes. This is clear because you cannot create credit merely on the basis of currency reserves. For example, the Bundesbank creates DM credit on the basis of its capacity to create deutschemarks. A central bank can create credit even in the absence of reserves.

EIR: *But surely the EMF will have an effect on the creation of developing sector credit and economic growth?*

Grünwald: It will have an effect, but not a direct effect. The problem of the developing sector is not the lack of credit in the advanced sector, but there are other problems, like interest rates, willingness to give credits, repayment capacity, and political problems.

EIR: *How would you describe the effects of the EMS on world political stability, including East-West detente?*

Grünwald: The EMS, by establishing more exchange

rate stability in the EEC, will give national governments the possibility to reach better economic performance — growth and price stability, though not necessarily, or not directly jobs, in fact maybe, maybe not. This greater stability of performance in Europe will of course contribute to world stability, given the importance of the European Community in the world market.

EIR: *Looking back now on the American problem that we discussed in the beginning of our conversation, what advice or suggestions would you have for U.S. businessmen or politicians? Suppose you were to address them collectively on the EMS, what would you advise them to do? Here I'm thinking not only of economic questions strictly, but also of foreign policy questions that have divided the U.S. and Europe in the recent period.*

Grünwald: Though my job is not to give advice to the U.S., so let me just relate something of my experience. My country has been able to have such a rather good performance because it has based its activity on a broad range of contacts between government, the trade unions, and the business community, in a tri-lateral kind of job. We found that in order to succeed, we must find means of concerted action. An economy should not be managed by government alone, or by the unions or by business. There must be three-way cooperation. Investment decisions must be taken by business, wage decisions must be made through the collective bargaining process, and to avoid a trial and error approach, the government must contribute realistic targets and make available the instruments of economic policy. Only these three components in cooperation will bring solutions to the world's political problems. Political problems are really economic if you go to the bottom of them. Many foreign policy problems are economic. To solve them at home we need concerted action. I would say this is true also of solving the world's problems, and that, in fact, is the philosophy behind the economic summits of Rambouillet, Puerto Rico, London, and Bonn.

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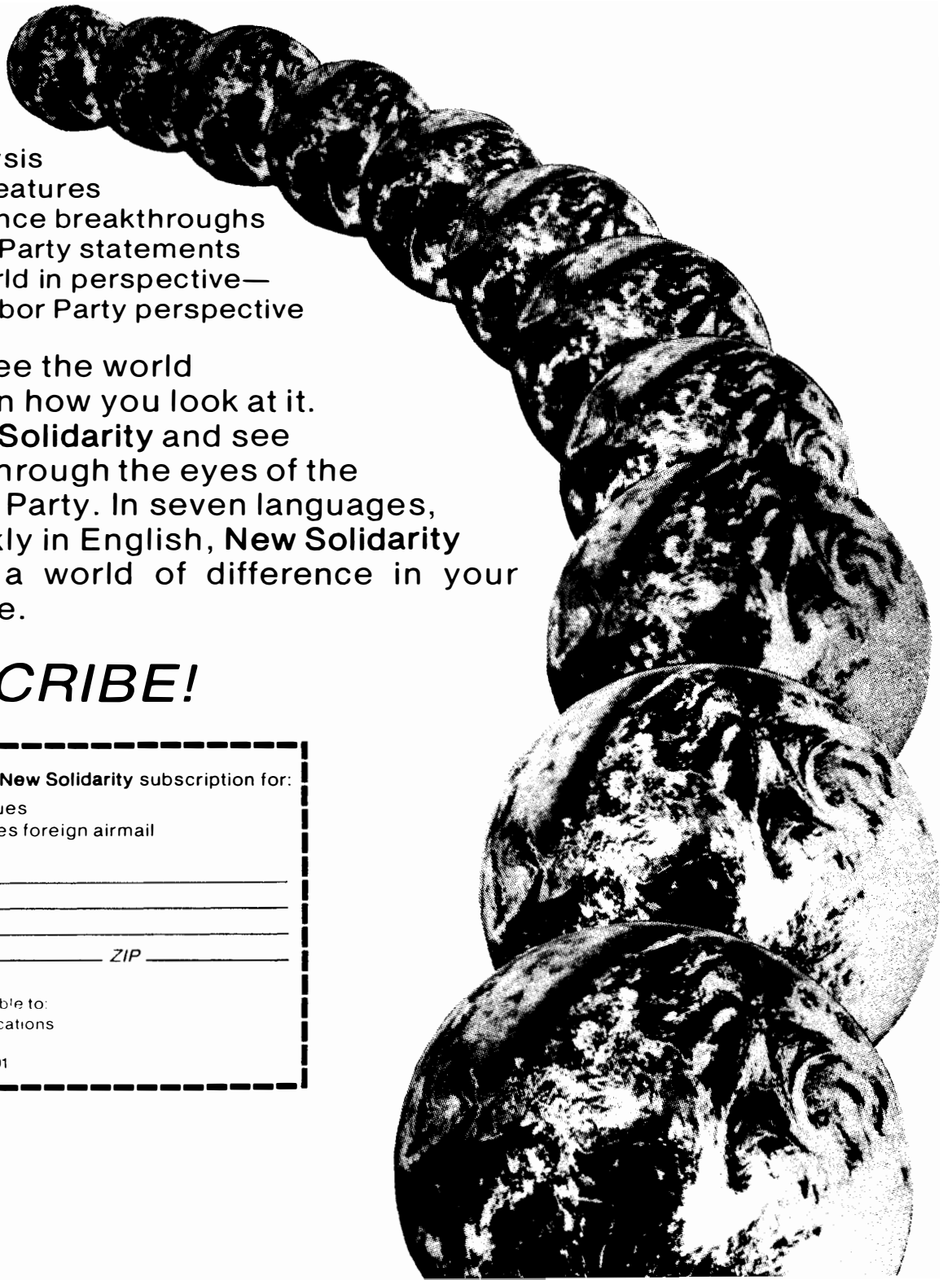
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Zulfikar Ali Bhutto and 'the

Awaiting death verdict, he reveals junta's torture in documents

The *Executive Intelligence Review* has received from confidential sources copies of two documents smuggled out of Pakistan from the jail cell of former Prime Minister Zulfikar Ali Bhutto, overthrown by a military coup on July 4, 1977. Mr. Bhutto, the foremost civilian leader in the history of Pakistan and a renowned leader of the Third World, sits in his cell awaiting the verdict of a Pakistan Supreme Court tribunal which, under the watchful eyes of the military junta, is considering an appeal of a death sentence imposed on Mr. Bhutto by a lower court. That verdict, which convicts Bhutto of murder in a case recognized by all objective observers as patently fraudulent, is hanging over his head.

According to well-informed sources in Pakistani exile circles, the junta aim to conclude their kangaroo court this month, and rapidly hang Mr. Bhutto before world opinion has a chance to affect their desperate aims. For three weeks, according to these same sources, no one has been allowed to see Mr. Bhutto. As the documents printed here dramatically demonstrate, Mr. Bhutto is being held in the most barbaric conditions, his health deteriorating rapidly, as he "wither away in his Death Cell."

The fate of former Prime Minister Bhutto, the only constitutionally elected political leader in Pakistani history, has great bearing on events in the region stretching from India to the Middle East. The overthrow of Bhutto is understood in informed circles to be part of the pattern which included the removal of Mrs. Indira Gandhi from power in March of 1977 and is now culminating in the threat to the stability of Iran and the rule of the Shah. The London *Financial Times* two days ago in a feature article proclaimed the situation as: "Tinder boxes all in a row in Central Asia." The leadership of Bhutto, Mrs. Gandhi, and the Shah collectively stood for political stability, regional detente and cooperation, and economic development; their destabilization means instability, chaos, regional tension, economic collapse and possibly war.

The junta, and its backers abroad, are determined to murder Bhutto, knowing full well that he remains the most popular leader in Pakistan and more so as the days of the junta's brutal misrule continue. These

documents are the first of a larger series which have come into the hands of the *Executive Intelligence Review* and together tell an incredible story. The first installment of "the Pakistan Papers" here consists of a telegram from Mr. Bhutto to UN Secretary General Waldheim, given to his jailers but never delivered by them; and an incredible account from Mr. Bhutto's hand of the conditions of his incarceration. Due to the conditions under which these documents made their way out of Pakistan (where thousands of Bhutto's supporters, including his wife and daughter, are also imprisoned), there are some slight gaps in the following document.

—Daniel Sneider
Asia editor

'The aim is that I wither away in this Death Cell'

Following is a copy of an Oct. 9, 1978 letter by Mr. Bhutto to the superintendent of the Rawalpindi District jail, where Bhutto is presently incarcerated in the Death Cell, detailing his treatment by the Pakistani junta since his arrest on Sept. 3, 1977. Gaps, apparently of two or three lines, in the photocopy of the letter obtained by Executive Intelligence Review, are indicated: (...).

In my urgent telegram to the Secretary General of the United Nations dated September 21, 1978 and sent through you, I did not mention the maltreatment inflicted on me in the various jails ever since my imprisonment on September 3, 1977. It is being done briefly in this separate complaint.

(1) In the early hours of September 3, 1977, in the month of Ramzan, our residence at 70 Clifton, Karachi was raided in massive strength by Commandoes, Army Jawans and personnel of the Federal Investigative Agency (F.I.A.) and I was dramatically

Pakistan Papers'

smuggled from prison

arrested at the points of sten guns and other automatic weapons. My young children were rudely awakened and harassed. My servants were given severe beatings and our house was ransacked.

(2) I was flown to Lahore and taken to an Army bungalow in the Cantonment. A Colonel and two Majors were in charge. The bungalow was fully guarded and barricaded. Military vehicles and light artillery were visible in the park opposite the bungalow. About fifteen to twenty Army Jawans paraded in the compound in rotation right around the clock. The ceaseless sound of their goose steps on the gravel and the noise of digging at nightfall made it impossible to get a wink of sleep. It reminded me of what Sheikh Mujib-ur-Rehman had told me in January 1972 about the digging done outside his prison cell. Every night, during his incarceration. He told me that it was a part of the psychological warfare to break his nerves. The bungalow was wiretapped. Except for a small blue bulb in every room, the place was a blackout. I was not allowed newspapers. I was not allowed to contact anyone, not even my lawyers. The colonel in charge was the nephew of General Yahya Khan.

(3) I was taken to a Magistrate on the night of September 3, 1977 for remand but without notice and without the aid of my lawyers. The Magistrate was falsely told that I was in the custody of F.I.A., whereas I was in the custody of the Fourth Corps of the Army. On September 4, 1977, Abdul Khaliq, the Deputy Director of F.I.A., warned me bluntly that if I did not "cooperate," I should be prepared to face the painful consequences. On hearing this crude threat, I lost my temper and gave him a bit of my mind. Thereupon he hastily apologised. Under the orders of Mr. Justice Samadani of the Lahore High Court, my lawyers were allowed to see me on September 5, 1977. On the following day, I was transferred to the Lahore Jail of Kot Lakhpat under heavy Army and Police escort.

(4) It would be difficult and time consuming to reproduce all the physical and mental tortures I had to endure in solitary confinement from September 3, 1977 to March 18, 1978. Fifty odd lunatics were lodged in the ward next to mine. Their screams and shrieks in the

dead of night is something I will not forget. About ten days before the Judgement of the Trial Court, the Military presence and activities in the Jail increased conspicuously and menacingly. The gallows were inspected on a number of occasions and given spring cleaning for the benefit of foreign and local photographers who were to be permitted to take photographs after the event. Ack-ack guns were placed on the towers of the Jail. The place was floodlit and turned into a concentration camp.

(5) These measures were followed by a total ban on political activities. It was announced that the slightest violation of the total prohibition would be visited by lashings and rigorous imprisonments handed down summarily by military tribunals. To demonstrate its earnestness, the regime made wholesale arrests. (...)

(...) to hear the anticipated Judgement, I was astonished to see the brute and naked show of force. After being gleefully told that I will hang by the neck until I die, on my return journey, the policemen in the van encircled me with automatic weapons. The barrels were touching my temples and my chest. Helicopters flew overhead. The Army had come in full strength outside the jail. Camps were put up in the open spaces and the road barricaded. When the gates of the Jail opened for the van to enter, the place was full of troops.

(6) The same afternoon, I was taken to the Death Cell and kept chained for twenty three hours out of twenty four. I still carry the marks on my ankles of those happy days. On April 21, 1978, Commandoes did some exercises on two separate occasions during the night. They stood provocatively on top of the Cell and also on top of the walls. The same war games were repeated on April 25, 1978. During the sweeping arrests, my Dental Surgeon, Dr. Zafar Niazi was arrested, with the result that my dental treatment was discontinued. Much earlier, my physician, Dr. Naseer Shaikh, had been arrested. In the Death Cell at Lahore, perhaps due to excessive heat, the unhygienic conditions, the suffocation in a tiny cell filled with flies and mosquitoes, I suffered an attack of vomiting, accompanied by high temperature which kept me in agony for two nights. This notwithstanding, the Public

Prosecutor told the Supreme Court that three rooms and a Courtyard had been placed at my disposal and that it was a misnomer to call the Death Cell a death cell. Even before being shifted to the Death Cell, I had two serious attacks of malaria and influenza during the winter. I was frequently troubled by stomach upsets and acute headaches. In addition, I developed severe pains in the chest. On three occasions, (...)

(...) Jail Authorities in inflicting psychological and physical torture on me. I was therefore compelled to go on a hunger strike on two occasions in the last four months. The other alternative was death. On the orders of the Supreme Court, a Board of two doctors was constituted to examine me. I believe that the Board of Doctors submitted their report on August 4, 1978 and recommended that about seven to nine thorough tests were required. It is obvious to the

meanest intelligence that such tests cannot be done in any place other than a hospital, most certainly not in a Death Cell. Since conditions in your Jail are far worse than those in the Lahore jail, and due to my debilitating physical condition, I am susceptible to recurring spells of fever, vomiting and bleeding.

(8) On the night of August 25, 1978, I found my gums swollen and bleeding. Pus was oozing out of them. When in the course of a weekly interview, my daughter met me on the morning of August 26, 1978, I was hardly able to open my mouth to talk to her. I was in considerable pain. She was aghast to see my condition. On her insistence, the Deputy Superintendent of Jail was called to see that I needed urgent dental treatment. The same night, Major Hanif Khattak, an Army Dentist, came to examine me. The Army Dentist said it was a serious condition. He gave

Bhutto appeals to UN for human rights

The following is a telegram which former Prime Minister Bhutto gave to his jailers for delivery to UN Secretary General Kurt Waldheim, which was never delivered.

Sept. 20, 1978

Urgent

To: His Excellency Dr. Kurt Waldheim,
Secretary General, United Nations
United Nations Headquarters,
New York, USA

Excellency: As yet another session of the General Assembly convenes in New York to discuss issues of war and peace and presumably human rights, it must know that the elected leader of Pakistan is being subjected to brutal hardships ever since the coup d'état of July 5, 1977. By now friend and foe alike know that a false murder case has been fabricated against me in which I have been in solitary confinement for over a year and in a miserable death cell for over six months in appalling conditions. I am not receiving proper medical treatment although I am urgently in need of it. The conditions are so unbearable that on two occasions I was compelled to go on hunger strikes to protect my honor. My wife was shamelessly attacked and injured on Dec. 16, 1977 at Lahore Gaddafi Stadium. Since January 1978 she has been in detention and solitary confinement. My young daughter was also under house arrest for over six months. My three younger children and a number of close party comrades are in virtual exile. Party leaders of the Pakistan Peoples Party and our workers are in jails by the thousands. Along with journalists, they have been mercilessly whipped in

public. To silence the working classes, the laborers in Multan were savagely killed in January this year.

The conscience of the world community gets aroused when the representative of a firm is arrested for alleged blackmarketing of currency but what happens to the same world community when the undisputed leader of his people is subjected to physical cruelty and mental torture for inter-alia waging a dauntless struggle against oppression, for valiantly upholding the banner of justice for the Third World and for equipping an Islamic state with nuclear capability?

Without exaggeration, I will tell you Mr. Secretary General that I have been treated worse than a Jew would be treated by Nazis or the victims of apartheid in Africa. I would request you to circulate this message to the debonair diplomats at the current session of the General Assembly.

Relevant world leaders are aware of the documentary evidence as to why my life hangs in the balance. This unimpeachable evidence of the last 14 years will show them beyond doubt that my blood, if it spills, will surely stain their hands and that in history they will owe me a debt of blood.

With my highest considerations,

Yours truly,
Zulfikar Ali Bhutto

Sent through the
Superintendent of Jail,
Rawalpindi District Jail
Rawalpindi

me an ointment and antibiotics and said that in a few days, he would visit me again to see if the swelling had reduced to give the necessary laceration in a dental clinic. When the ointment had finished and the antibiotics consumed, I reminded the Jail Authorities on September 3, 1978 to request the Army Dentist to see me again as assured by him on August 26, 1978. However, on the same evening of September 3, 1978, yet another dentist was brought to see me. I explained to the Jail Authorities that it was not fair to keep changing doctors on each occasion.

(...) ignored. The truth of the matter is that any doctor who has the professional integrity and courage to recommend that I should be shifted immediately to a hospital, falls foul of the regime. He is promptly stopped from treating me.

(9) As the condition of my teeth and gums was getting no better, I agreed to be treated by yet another dentist. As a result, a civilian dentist, Dr. Rashid, of the Provincial Administration was sent to my cell on September 9, 1978 at about 6 p.m. After having one look at the state of my teeth and gums, Dr. Rashid told me that there was no doubt that I needed to be shifted to a hospital for treatment. He added, that it was not professionally possible to treat me in the Death Cell. He assured me that he would make the necessary recommendation to the regime. After that visit of Dr. Rashid on September 9, 1978, I have not seen him again. Nor have I heard anything about my transfer to the hospital. In the meantime, the condition of my teeth and general health is deteriorating further. I am in genuine need of urgent treatment in a proper clinic. I am not asking to go abroad. I want to be shifted to a hospital in my own country. The Army can surround the hospital with tanks and armoured cars. It can bring the Armoured Division from Kharian to the hospital. No risk is involved but even if the hospital is not guarded, I will not run away. I do not know what is meant by running away. I cannot run away from my own people.

The aim is that I should wither away in this Death Cell. When senior civil servants have been detained and tortured to give false evidence against me and to become Approvers, when two of my personal doctors have been arrested and tortured, it is very difficult for individuals to come forward and speak on my behalf. The terror of Martial Law is all pervasive.

I have given this long account as I might have to take a decisive decision in the coming days. Before I conclude, I would like to mention the following:

(a) During the month of Ramzan, I discovered that the noises that I heard at night, after being shifted to this Jail were:

- i) throwing of stones on the roof of the Death Cell, and,
- ii) jumping on the tin of the parapet next to the Cell.

These noises occurred intermittently throughout the night from 1 a.m. to about 5 a.m. in the morning. I could not sleep at all during Ramzan right through the nights. With concentration and some discreet enquiries from my attendant, I was able to solve the puzzle. It was no longer a question of being suddenly awakened by the noises. It was a matter of waiting for them. The irritation of "rolling stones" increased in frequency when the Supreme Court adjourned on August 22, 1978. Since the night of September 15, 1978, a day before the Supreme Court was to reconvene, this menace stopped, and the other noises also ceased.

(b) In addition to my other ailments, I have developed boils and rash all over my face and body.

I have seen in an Urdu Daily that the Authorities intend to bring dental equipment into the narrow passage between the Death Cell and the toilet for my teeth to be treated. This is a degrading absurdity. The only object is to make propaganda to deceive public opinion. It is imperative that I be shifted to a hospital for proper medical attention, as recommended by the doctors. The regime and its collaborators will be responsible for any dire consequences.

It seems that my urgent telegram of September 20, 1978, for the Secretary General of the United Nations, has not been sent to him. You are duty bound under International Law to send it to him.

As the author of the Constitution of 1973, I am melancholy over its formal burial. Who ever is the Approver of this burial is a partner in the crime from the inception to the end. The Provinces did not enter the Federation to get raped in Nawabshah, Lahore, Mardan or Khuzdar. Nor did the people make the Nation to be driven by desperation to burn themselves in their youth to death. The gruesome realities of the moment have surpassed the worst fears of the pessimists.

On the morning of September 25, 1978, you were gracious enough to let me hear the cries of music of those who were whipped in this Jail on that fine morning.

Zulfikar Ali Bhutto
Rawalpindi District Jail

Scotiabank, NSA wage finance war

Canada banking networks caught stealing from organizations' bank

The following Counterintelligence report was submitted by Warren Hamerman, Director of Organization of the National Caucus of Labor Committees. It consists of four sections: a report by Hamerman detailing financial warfare operations against organizations associated with U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.; a release issued by the USLP on the operation; a letter by Hamerman to Attorney General Griffin Bell demanding an investigation; and a list of government agencies that have been asked to participate in the case.

Through comparing clues and various cross-checked patterns of information in catching the Canadian Imperial Bank of Commerce redhanded in stealing \$25,000 from the account of the National Caucus of Labor Committees (NCLC), the NCLC has conclusively pieced together a financial warfare, larceny and assassination operation against the organizations associated with Lyndon H. LaRouche, Jr.

Over the past three to four years the worldwide terrorism command and international drug-pushing ring has stolen hundreds of thousands of dollars from the Labor Committees, not including the \$110,000 robbed from the Committee to Elect Lyndon H. LaRouche and the U.S. Labor Party by the Federal Elections Commission (FEC) in 1976. The operation has been coordinated through the Bank of Nova Scotia, the special privileges of the National Security Council (NSC) to direct the National Security Agency (NSA) to open and reroute selected, targeted mail in the postal system, and other "specialists" in organized crime networks.

In order to launder the accounts of this magnitude of "hot money" into the international banking system special technical tricks perfected by the unregulated Canadian banking system to transform "dirty" drug money into apparently "clean" liquidity were employed. Officials of the U.S. Federal Reserve, U.S. Customs Service, and appropriate law enforcement and intelligence agencies who have been brought into the investigation have corroborated and confirmed the outlines of the illegal laundering features of the operation used against LaRouche.

There are four basic facts which describe the

picture of this financial warfare operation against LaRouche.

1. Nine incidents have occurred over the past four years in which large-scale single deposits have appeared in NCLC accounts. In most cases, the amounts were well rounded figures totaling \$1 million. In virtually all the instances the banks involved were either directly among the largest of Canadian banks, such as the Bank of Nova Scotia, or closely affiliated politically with them.

2. The officers of these banks are the most well-advertised mortal political enemies of Lyndon H. LaRouche, Jr. Many of these men or their associates have threatened to kill LaRouche or, variously, crush his organizing efforts. Five members of the board of the Bank of Nova Scotia and three members of the board of directors of the Canadian Imperial Bank of Commerce are members of the Most Venerable Order of St. John of Jerusalem (the Black Maltese Order). Individuals at the head of each bank are directly associated with the Bronfman organized crime empire. LaRouche is the most outspoken proponent in the Western Hemisphere for the replacement of the old International Monetary Fund-dominated world monetary system with a new world economic order based upon the European Monetary Fund. The officials who head these banks are the most outspoken opponents to the EMF policy.

3. These very same banks are in the center of worldwide drug-running and money-laundering operations that are addicting millions of U.S. youth on drugs and waging financial warfare for the British and Dutch monarchies against the United States dollar with the proceeds of their laundered opium sales. These facts will soon be released in a book commissioned by Lyndon H. LaRouche, Jr. entitled *DOPE, Inc.: The World's Biggest Business*.

4. Ongoing heists of funds from the organizations associated with LaRouche over the past three to four years correspond in magnitude to the accounting figures which suddenly show up and then disappear from Labor Committee accounts under the banks' claims that these sums were "clerical errors." The three principal sources from which funds are stolen are: heists of checks in the postal system; thefts of

on LaRouche

accounts

anonymous contributions; and fraudulent solicitations by phony or imposter LaRouche representatives.

How Kissinger and Brzezinski steal mail

Officials closely involved in the American postal system have been fully informed on the magnitude of postal thefts which LaRouche's organizations experience internationally. Many checks and letters known to have been sent to national or regional headquarters vanish from the face of the earth after they are posted, others take weeks to arrive; others come completely opened; and most significantly, studies show that checks of low denomination amounts got through while checks of several hundreds of dollars disappeared.

Who is stealing the mail? It is well known that Maoist drug-running cells exist in strategically located and important post offices. However, the sort of operations being run against LaRouche need top-down organization and reliability which the terrorist Maoists could not supervise (though we leave open for investigation their direct implication).

Many Americans will recall that the notorious James Angleton, who headed the Israel, terrorism, and counterintelligence "desks" for the CIA was ousted over a scandal involving mail tampering.

Most Americans, however, do not realize that both Henry Kissinger and now Zbigniew Brzezinski, in their capacity as National Security Council head, have the specific authority to direct the National Security Agency (NSA) to open and reroute targeted mail. It is well-known among insiders, that during the period that Watergate was being run to destabilize the Nixon Administration, none other than Alexander Haig was coordinating the postal theft and monitoring operation for Henry Kissinger. Similarly, during the Koreagate and ITT investigations the NSC-NSA apparatus made extensive use of mail swiping under the claims of "national security matters."

One official of the U.S. Justice Department has pointed out that the nature of an operation in which the National Security Agency (NSA) would be coordinating systematic stealing and rerouting of mails — or "flaps and seals" operations as they are known in the intelligence trade — are highly likely given the fact

British Monarchy and the Bank of Nova Scotia



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Dennis Mountain

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(Asst. Dir. Political Intelligence.
British Foreign Office. WW II)

Sir Kenneth Strong

(British Intelligence. WWII)

Worked with Sir William Stephenson
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that the NSA is the "dark area" of the U.S. intelligence community. In addition to its more well-known functions of monitoring communications globally, the NSA also has a "special" chain of command.

The Director of the National Security Council with the President's permission can invoke the pretext of "national security" to launch special "flaps and seals" and other operations through the NSA.

The NSA's special capability to conduct financial warfare can be traced back to the methods and networks of Walter Sheridan, former head of the counterintelligence section of the Security Division of the NSA. Sheridan, widely known for his coordination of attacks on the Teamsters Union, was Robert Kennedy's de facto chief of staff in running phony investigations of organized crime as a way of protecting the top levels of the syndicates: the very same British intelligence officers, Canadian Banking officials and Black Knights of Malta networks who run the opium and dope business as well as coordinating the financial warfare operation against LaRouche.

The fraud accounting side of the operation, to cover the stolen funds, involves such dirty tricks of the trade as "dummy" and "parallel accounts" for siphoning real deposits in one account off into a similarly named phony account. A close look at some of the methods employed by the Bank of Nova Scotia prompts the observation that in Canada they don't have banks, they just have Chinese laundries.

It is for this reason that a corrupted judge in the New York state court system recently granted the Bank of Nova Scotia a "Summary Judgment" against the National Caucus of Labor Committees, ruling that the appearance of a sum of \$90,000 in an NCLC account at the bank in December, 1976 was a "clerical error." The significance of the summary judgment, which was won for the Canadian bank by the intimidation of the judge by Citibank's law firm Sherman and Sterling, is that a summary judgment cuts off all chances of the NCLC to ask of Bank of Nova Scotia detailed interrogatories establishing the chain of evidence to uncover the fraud accounting tricks.

At least three different investigators with expertise in tracking through the financial "laundering" operations in drug trafficking, have *independently* had the same reaction after being briefed in detail on the evidence: "Such a financial warfare operation against the LaRouche organizations would be fully corroborated and represent existing capabilities by the networks you describe if two *technical* criteria were met: (a) A grouping of top bankers, no level lower than the Board of Directors in institutions such as Nova Scotia Bank, would have to be coordinating the operation; (b) The conspiracy against LaRouche would have to know in most minute detail the entire day-by-day cash flow patterns of the organization — including vendor situations, wiring methods and expected incomes."

Both of these criteria are already known to have

been proven in minute evidentiary detail. This is the admitted conclusion of various officials in the intelligence and administrative community of this nation, as well as the corroborative assessment of various government and intelligence officials of several Western European nations.

For example, in August, 1977 networks in one of America's best-known intelligence agencies "leaked" to the leadership of the Labor Committees a detailed memorandum describing a financial warfare and assassination operation under the code names "FIST and SWEEP." The operation described conforms in every detail to the ongoing nature of the Bank of Nova Scotia-led larceny ring against LaRouche. Specifically, the memorandum identified the financial warfare operations as emanating from the networks established by Sir William "Intrepid" Stephenson during World War II and later employed by the aforementioned Walter Sheridan against the Teamsters Union.

The SOE and Nova Scotia Bank

The board of directors of the Bank of Nova Scotia — and the other Canadian drug banks involved in the financial warfare and assassination operation against LaRouche — is a North American command and operations section for the political intelligence networks deployed by the British monarchy through such "umbrella" institutions as the Most Venerable Order of St. John of Jerusalem, the Mont Pelerin Society and the Jerusalem Foundation. Within the past months top leaders of these organizations have threatened to "kill LaRouche" or "crush his organization" to various investigators.

The North American command and operations center of Her Majesty's Britannic government can be traced *directly* back to the dirty tricks networks run by Max Aitkin (Lord Beaverbrook), MacKenzie King and Sir William "Intrepid" Stephenson who was Operations warfare officer for Winston Churchill in the Western Hemisphere. Churchill's Special Operations Executive (SOE) branch in North America was headed by Stephenson who in turn controlled the notorious Division Five of the FBI under Louis Bloomfield.

Eagle Star Connection

Bloomfield, a personal agent for the Montefiore family of London and Montreal, later became the essential chief of staff for the Bronfman empire of drug running and assassination. Bloomfield himself was the founder and director of Permindex, the Swiss-based assassination syndicate specifically identified by Charles de Gaulle as deploying at least two assassination operations against him.

It was the Bronfman-linked Permindex, in closest conspiracy with Mossad agent Tibor Rosenbaum, who ran the Kennedy assassination. New Orleans D.A. Jim Garrison's investigative trail led directly to the

How the theft works

U.S. Labor Party special investigations of fraud practiced against the organization by the Bank of Nova Scotia, have uncovered a large-scale several years long "milking" and theft operation against the party. The proof of the operation was established as a result of simultaneous maturing of several separate lines of investigation.

The front end of the "milking" operation is composed at present of two principal elements of theft and fraud.

Element 1: there is proof of a massive mail theft operation within the U.S. Post Office, through which the majority of all substantial denomination checks are stolen from the mails.

Element 2: dummy groups fraudulently representing themselves as affiliated with the U.S. Labor Party, the National Caucus of Labor Committees, or the Fusion Energy Foundation, solicit funds in the name of the organization fraudulently represented.

This combination of theft and fraud is represented chiefly in collections of checks. The next step in the operation is the clearing of checks.

Where the Bank of Nova Scotia enters

The checks are initially laundered through bank accounts in the USA, dummy accounts of the U.S. Labor Party, National Caucus of Labor Committees, or Fusion Energy Foundation. This leaves the thieves the problem of laundering this money into the desired target accounts through which the stolen and fraudulently secured sums can

be withdrawn under the cover of legality.

The aspect of the laundering operation presently uncovered by Labor Party investigations is as follows:

Substantial accumulations of such sums are routed through the Canadian banking system, and then transmitted on wire drafts to regular accounts of the U.S. Labor Party, or the National Caucus of Labor Committees. These show up in multi-thousand dollar deposit amounts, appearing as "anonymous contributions" made through wire draft. Once the money has been successfully "laundered" through the appearance of such deposits in Labor Party or Labor Committee accounts, the bank which has wired the transfer acts to recover the deposit by claiming an error. A deposit of the identical amount is created in another account held with the bank which made the disputed wire transfer, and the funds stolen from the Labor Party or Labor Committees are thus laundered into legal forms of payment.

The peculiarity of this complex operation is that the principal objective of the combined fraud and theft is not greed. The principal objective of the operation — which has been in operation since 1974 — is British-Canadian "Special Operations Executive" type financial warfare against the U.S. Labor Party.

That is the nature of the fraud and theft which the Bank of Nova Scotia has perpetrated against the U.S. Labor Party.

Permindex network before a massive coverup, assassination of witnesses, and intimidation operation was launched to "silence" his investigation.

The Bronfman, Permindex, old SOE network is *specifically* part and parcel of the apparatus which controls the Bank of Nova Scotia and Canada's other drug banks. Until his recent death Brian Mountain, a director of the Bank of Nova Scotia, was chairman of Eagle Star Insurance, Ltd. His brother Dennis Mortimer Mountain is still on Nova Scotia Bank's board. Two other Scotiabank directors, Sir Kenneth Keith and E. Jacques Courtois, are also directors of Eagle Star.

Eagle Star is London's largest insurance company whose board of directors encompasses a healthy cross section of British crown networks, including representatives of the monarchy, the venerable Knights of St. John of Jerusalem, together with representatives of the Rothschilds, Samuel Montagu, Baring and

Hambro's merchant banking interests, and representatives of the British political intelligence departments.

Eagle Star's direct subsidiary, English Property Corporation, is a major shareholder in the principal vehicle of the Bronfman empire: the real estate corporation Trizec, which in turn is administered by the legal firm of E. Jacques Courtois, himself a member of the board of directors of the Bank of Nova Scotia. In addition Eagle Star Insurance owns outright 25 percent of the capital of the Bank of Nova Scotia's major income-generating subsidiary — the Bank of Nova Scotia Bahamas — on whose board Sir Kenneth Keith also sits.

Kenneth Keith, from Scotiabank's board of directors, is also chairman of Hill Samuel Group Ltd. Back in 1945-46 he directly worked for Churchill's SOE when he was assistant to the Director-General of the Political Intelligence Department of Her Majesty's Foreign Office.

Fixing the books

All of the government experts working together with the Labor Party team preparing the book *DOPE, Inc.: The World's Biggest Business*, have confirmed that the large Canadian banks such as the Bank of Nova Scotia are "technical specialists" in accounting tricks to be able to transform dirty drug and crime money into apparently clean liquidity. Not unrelated to this capability is the fact that R.M. MacIntosh, executive vice president of the Bank of Nova Scotia, presently chairs the Canadian Banking Act revision committee or the fact that Arthur Hollins Crockett, deputy chairman of Scotiabank, was president of the Canadian Bankers Association (1969-1970).

In the two recent cases where Bank of Nova Scotia and the Canadian Imperial Bank of Commerce used accounting fraud to steal money from NCLC accounts, the special services of Walter Lockhart Gordon's activities are in the center of the operation (see *New Solidarity*, Nov. 7, 1978).

Walter Lockhart Gordon's auditing firm, Clarkson and Gordon, is listed as the auditor for both the Bank of Nova Scotia and the Canadian Imperial Bank of Commerce. From 1940 to 1945 Gordon was in the Canadian Finance Ministry where as part of Churchill's SOE he helped in the relocation of British banking to Canada. Gordon is a major spokesman for British "limited growth" economic policies in the postwar period, and was a key "godfather" to the Canadian environmentalist and Maoist movements. Gordon is a member of the Canadian Privy Council and therefore in direct chain of command to the British monarchy.

Therefore, the Bank of Nova Scotia and NSA financial warfare operation against LaRouche is controlled and deployed by the very forces who are desperately trying to force a recession upon the United States as a tactic to impede the creation of a new world economic order based upon the European Monetary Fund. LaRouche, acknowledged to be one of the principal architects of the EMF concept to link the economies of the European community, Japan, the Middle East, United States and Comecon into one global network for economic development, is the primary target for the financial warfare and assassination operations outlined above.

The names of the individuals described above are the very same as those who are on public record opposed to the EMF. These are the networks who killed Kennedy and Mattei, and tried to assassinate de Gaulle. These are the individuals who control the world's multinational drug trade from the top down as well as international terrorism. These are the backers of the International Monetary Fund genocide and austerity programs. All this LaRouche knows how to rid the world of, if he is given the public means to do so. Therefore, they are out to assassinate him and crush his organizations.

— Warren Hamerman

Massive probe sought

The NCLC has sent evidence on the Canadian bank fraud scandal to the following government agencies seeking their participation in the investigation:

Administrative and regulatory agencies

Board of Governors, Federal Reserve System, attn.
Division of Banking Supervision and Regulation
Office of the Comptroller of the Currency, Department
of the Treasury

Justice Department

Attorney General Griffin Bell
Criminal Division, attn. Fraud section
Federal Bureau of Investigation,
attn. Bank Fraud Section
Office of Professional Responsibility
Public Integrity Section

House Committees

Banking, Finance and Urban Affairs; Subcommittees on
Financial Institutions; Supervision; Regulation;
Insurance
Government Operations: Subcommittees on Legislation
and National Security; Commerce; Consumer Money-
Affairs; Government Information and Individual
Rights
Interstate and Foreign Commerce: Subcommittees on
Oversight and Investigation; Consumer Protection
and Finance
Permanent Select Committee on Intelligence
Judiciary: Subcommittees on Civil and Constitutional
Rights; Criminal Justice

Senate Committees

Banking, Housing, Urban Affairs: Subcommittees on
Financial Institutions; International Finance
Select Committee on Intelligence: Subcommittees on
Special Investigations; Intelligence and Rights of
Americans
Judiciary

State and regional agencies

All regional Federal Reserve banks
State banking commissions and banking regulatory
agencies in 20 states in which the NCLC maintains
bank accounts

NCLC leader requests federal investigation

The following letter was sent by Warren Hamerman, Director of Organization of the National Caucus of Labor Committees, to Attorney General Griffin Bell on Nov. 6. Copies were sent to the Department of Justice Criminal Division, Fraud Section; the Office of Professional Responsibility; the Public Integrity Section; and the FBI Bank Fraud Section. The letter was forwarded with documentation, which is outlined for EIR readers in Hamerman's lead report in this section.

This is a request that the Department of Justice, through its appropriate Divisions and offices, initiate an investigation of banking fraud and mail theft being directed against the National Caucus of Labor Committees and the U.S. Labor Party.

We have reason to believe that a large-scale, sophisticated operation is being conducted which involves the following elements:

1. Systematic mail theft and interception of monies flowing into accounts of the NCLC and U.S. Labor Party.
2. Creation and maintenance of parallel or "dummy" NCLC bank accounts into which stolen and diverted monies are deposited.
3. Deliberate and/ or accidental conduiting of these stolen funds through the regular NCLC

accounts, resulting in a pattern of large, unexplained amounts of money appearing and then disappearing from NCLC accounts.

4. Illegal surveillance and financial-warfare operations conducted by agencies of the United States Government, in particular the National Security Council and the National Security Agency.

The enclosed attachment, summarizing the incidents leading up to this complaint, will explain in more detail the pattern of events which prompts us to ask for this investigation. Suffice it to say that we believe that the operations we are describing involve violations of numerous Federal statutes, including statutes governing banking and bank fraud, mail fraud, theft, interference in political campaigns, and also violations of the guidelines governing the authority and practices of intelligence agencies.

The Legal, Security and Financial Intelligence staffs of the NCLC and the USLP have accumulated a great deal of detailed information which we will be happy to make available to you at the request of you or your investigators.

I will also be available to meet personally with you or your representative to discuss this matter further.

Thank you for your cooperation.

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