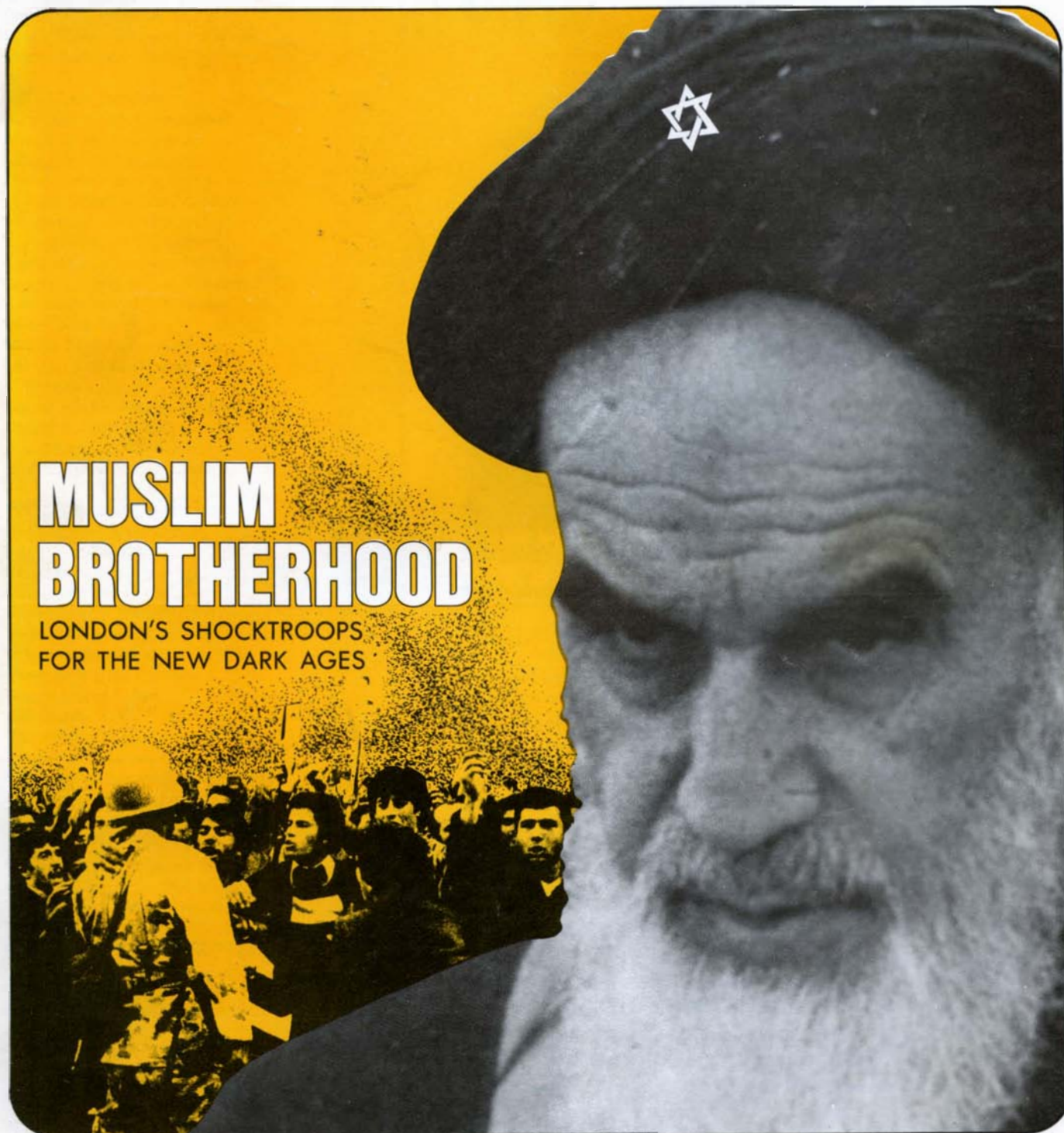


EXECUTIVE INTELLIGENCE REVIEW

May 8-14, 1979



MUSLIM BROTHERHOOD

LONDON'S SHOCKTROOPS
FOR THE NEW DARK AGES

New Solidarity International Press Service

\$10

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Production Manager:
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EXECUTIVE INTELLIGENCE REVIEW



Muslim Brotherhood: London's shocktroops for the New Dark Ages

The turbulence and bloodshed of the "revolutionary Islamic" Khomeini regime threatens to spill across Iran's borders into Turkey, Iraq, Saudi Arabia, and Afghanistan. But, the spread of sectarian warfare across the Middle East is no "sociological phenomenon." This process is carefully guided by British intelligence, its Zionist collaborators, and its academic fellow travelers, like Princeton University Professor Bernard Lewis.

The principal tool in this project for a new Dark Age is the Muslim Brotherhood, the fanatic cult that controls not only the Khomeini regime, but the murderous Pakistan junta of Zia ul-Haq and major antigovernment elements in Turkey, Iraq, and Saudi Arabia. Our COUNTERINTELLIGENCE report tells the exclusive story of the Muslim Brotherhood and its puppet, Iranian strongman Ibrahim Yazdi. Their aim: a 50 percent depopulation of the Islamic world and the capture of a generation of the Middle East's potential scientists and leaders by feudalism insanity. **Page 14**

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The making of John Connally

John Connally's race for the presidency may not be as Texan in inspiration as a candidate would like to put forward. In a series of interviews made available to the *Executive Intelligence Review* and published in our U.S. REPORT, a view of the candidate emerges that has not been portrayed by the American press. The question answered there is: What is Mr. Connally's relation to the New York Council on Foreign Relations, and some are wondering if Mr. Connally isn't Alexander Haig's Whitehorse? **Page 35**

Sen. Kennedy's health care plan: shut it down

Senator Edward Kennedy's much-touted plan to nationalize health care in the United States is billed as a cost-containment measure to cheaply provide health care to all Americans. Our SPECIAL REPORT this week conclusively shows that behind the noisy debate over cost containment versus inflation and over whether the federal government or the private sector can more effectively cut costs there is a much bigger story: Kennedy's plan, if implemented, will strip U.S. medicine of its world-renowned high-technology effectiveness in combating disease. **Page 48**

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**World steel in crisis
Part II: the U.S. cartel**

The U.S. steel industry is in collapse. Rationalized, diversified out of steel and into "more profitable" ventures, the industry can't compete with the superior technology of Japanese steel—except by imposing inflationary surcharges on Japanese steel imports. In our ECONOMIC SURVEY this week, we continue our report on the crisis in the world steel industry, focusing on the U.S. and the industry "giant" U.S. Steel—a company not run by industrialists, but by financiers, many of whom gained their executive status by climbing the ladder within the Scottish Rite of Freemasons. Plus: we zero in on the Trigger Price Mechanism as a case study in Keynesian economics—the outlook that has a lot to do with the collapse of U.S. steel production. **Page 40**

**Furor over Euromarket
controls deepens**

Last week *Executive Intelligence Review* blew the secret plans of the U.S. Federal Reserve to seek reserve requirements on the international Euromoney markets at an upcoming central bankers' confab at the Bank for International Settlements in Basle. This week's ECONOMICS report brings you the update on the furor touched off by our exposé, including hints by one central bank that it will veto the Fed proposal if it comes up. Plus, our reply to London economist C. Gordon Tether's touted article on gold and the EMS in the March 1979 issue of *Gold Newsletter*.

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EXECUTIVE INTELLIGENCE REVIEW

The U.S. can get in on the boom which the new European Monetary System will create. But where are the opportunities and how do you get in on them?

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The European election agenda

Following French President Valéry Giscard d'Estaing's dramatically successful Moscow summit with Soviet President Brezhnev, the prospects for continental Western Europe to stem the tide toward war have brightened for the first time in months. What comes to mind is the Bonn summit of one year ago between Brezhnev and Chancellor Helmut Schmidt, where Giscard's closest European partner committed his nation to detente with the Soviets and economic cooperation to develop the Third World.

That war-avoidance strategy was confirmed again in Moscow April 25-27, with the crucial new feature that the French and Soviets agreed to set up formal coordinating mechanisms to keep regional "hot spots" from flaring into full-scale war.

Just two months after the May, 1978 Bonn summit, Schmidt and Giscard led the European Community in establishing the European Monetary System, the key to which was the proposed European Monetary Fund to extend credit for great industrial projects in the developing sector. Yet, neither of the two leaders mobilized their nations around that policy for economic recovery and peace.

An eleventh-hour chance to do so, moving off the momentum of the Moscow summit, is provided by the June 10 elections to the European Parliament. And the strongest direction for effective action in that electoral forum is offered, ironically, by the small European Labor Party—the only political force organized on a continentwide basis that is backing Schmidt and Giscard's policies.

As is widely recognized, only a Europe led by the combined weight of France and West Germany is capable of enforcing the program of the still unrealized European Mon-

etary Fund, and defeating the City of London's aim to hurl the globe into a new Dark Age of economic and political disintegration.

The British oligarchy makes no secret of its plans to use the elections for Strasbourg and the May 3 British national elections as the combined lever against the "Gaullist illusions" of Schmidt and Giscard.

Legally, the Strasbourg assembly is only a consultative body consisting of nationally elected delegations from the nine Common Market countries. But both Tory Prime Minister-elect Margaret Thatcher and Otto von Hapsburg, the head of the Pan-European Union, have stated their intention of turning it into a forum for the cause of Europe's "regional ethnics," such as the Basque terrorists, and using these groups as a battering ram against the centralized European states and the Warsaw Pact. A top Thatcher advisor, Reginald Steed, regaled 250 Eastern European exiles and West European monarchists at the PEU's April 28 Congress in Wiesbaden with promises of a coordinated NATO-Peking war buildup.

What makes Hapsburg's gaggle of old Nazis and "greenies," danger-

ous is the fact that neither Schmidt nor Giscard can count on their own parties for institutional support. Topsy Willy Brandt is running the European Parliamentary campaign of Schmidt's Social Democracy so as to mirror the regionalist and environmentalist politics of the PEU on the "left." The candidate heading the Strasbourg slate from Giscard's coalition is Education Minister Simone Veil, who is opposed to every facet of Giscard's policy.

With 36 European Parliament candidates in West Germany and Belgium, and complementary national election races in Sweden and Italy, the European Labor Party is rallying the Western Europeans to insist that their leaders break openly with the bellicose lunacy of Washington and London and establish a "superpower for peace." The way to do this, argues ELP West German chairman Helga Zepp-LaRouche, is for Schmidt and Giscard to publicly support the 1980 presidential candidacy of the American economist who developed the theory on which the European Monetary Fund is based—Lyndon H. LaRouche, Jr.

—Nora Hamerman

The Week in Brief

As of May 3 both the *New York Times* and the *Washington Post* had totally **blacked out** French President Giscard's Moscow summit with Brezhnev and the text of their historic communiqué. A wag pointed out that the two newspapers delayed coverage of last year's Schmidt-Brezhnev summit until months after the event. *EIR's* exclusive report is in our INTERNATIONAL section.

But while the U.S. "newspapers

of record" were not informing their readers of the **best chance** of saving the nation from nuclear war, they did not fail to deliver **threats** to the **Western Europeans** should they pursue an independent foreign policy. Fresh from the April 27 meeting of the Bilderberg cult in Austria, **George Ball** in the April 29 *New York Times* ascribed the "**Angst**" of over-rapid **economic growth** to Western Europe, warning that an **Iran scenario**—i.e.,

terrorism—might soon engulf the continent.

* * *

Senator James McClure (R-Idaho) attacked President Carter's plan to divert production away from gasoline to heating oil. "What this means," McClure told Congress April 26, "is that the Administration is planning to create a gas shortage this summer. For what reason, we can only conjecture.

"We have here a clear pattern developing on the part of the Administration to create an energy shortage which will then drive up demand and trigger the necessity for gas rationing in the U.S. this summer. And that just happens to occur at the time the Senate Energy Committee is asked to approve the standby rationing plan; at the same time the Administration says, 'but we have to plan or desire to put rationing into effect'."

McClure noted that the Carter gas hoax also coincides with a letter the President just sent him repudiating the McClure-Carter agreement of last summer for continued funding of the Clinch River Breeder Reactor project. The Senator linked this to the overall reduction of nuclear power in the U.S. under conditions of tightening oil supply.

McClure's statement followed his personal ultimatum to Energy Secretary Schlesinger to produce for Congress in one week the data to back up the Carter allocation policy. On May 2 a spokesman for the Senator said he has acquired no reply from Schlesinger.

* * *

After arriving back in Paris from his trip to Moscow last week, French President Valery Giscard d'Estaing says he will tour France to tell his countrymen of their historical task—to turn Europe into "a superpower for peace." Using the vehicle of the June 10 elections to the European Parliament, Giscard is working to

win the French to his program for European cooperation based on the European Monetary System and an East-West detente axis that could lead to realizing a Europe "from the Atlantic to the Urals."

On May 4, Giscard goes to the southwest of France, where he will address the question of Spain's entry into the European Community. On May 8 he will attend the commemoration of France's national heroine, Joan of Arc, who led French armies to repel English invasion. From there, Giscard travels to Alsace, where he will issue a major speech on the European Monetary Fund.

International diplomacy will then take the French leader to Africa for the Francophone countries' summit May 12-22, and then to Greece May 28, where he will preside over the ceremonies for that country's entry into the EC.

Japan's Premier Masayoshi Ohira arrived in Washington this week for the pilgrimage that all new Japanese premiers must make to the shrine in America. Only a few weeks ago Ohira made a visit to the Yasukuni Shinto shrine which humors Japan's war dead, days after it was revealed that the shrine had secretly entered the names of Japan's top war criminals, headed by Premier Tojo, on its list of honored dead. Do the two visits have a connection?

The answer might be found in the ample expanse of Henry Kissinger, who passed through Tokyo on his way to Peking and stopped long enough to chat with his good friend Ohira. Kissinger let it be known that now is the time for Japan to rearm—not independently mind you but in close cooperation with the United States (and Peking...shush)—to meet the "Soviet threat" from the north. Ohira promptly announced that he wants a "qualitative improvement" in Japan's military muscle.

The press says the big agenda item for Ohira and Carter will be trade and economic issues. But Ohira's desperate offers to solve the outstanding economic questions be-

fore the June Tokyo economic summit have already been rejected. Trade is only the club. It is Japan's adherence to the continuation of the International Monetary Fund system, its separation from the emergent European Monetary System, and its shoulder-to-shoulder stand on such strategic issues as Camp David and the China card that the Administration really seeks.

Back in Tokyo, not a few Japanese politicians, like former premier Takeo Fukuda, and businessmen are angry over Ohira's "sellout" and are sharpening their samurai swords—looking for a chance to ambush Henry Kissinger's loyal friend.

* * *

South African Prime Minister P.W. Botha's government is in the process of expanding its military range of operations throughout southern Africa. Calling this the establishment of "a community of interest" against outside pressure, Botha and his faction in the South African military are setting up the machinery to extend their military presence into especially Rhodesia and Namibia in order to preserve the South African economic system of apartheid.

In January 1977 Botha proposed that South Africa had to "choose to live dangerously" by striking out in its own interests, regardless of reaction in the West. The South African newsweekly *To The Point* reported April 27 that an officially sponsored conference to establish this defense community will be held later this year.

Bishop Abel Muzorewa, who has been declared winner of the election staged recently in neighboring Rhodesia (Zimbabwe), pledged his interest in joining South Africa's defense community: "If we felt that the interest of Zimbabwe would be better served by even having a defense treaty (with South Africa) that is a thing we would look at, very seriously, too."

* * *

Euromarket Controls: furor deepens

When Western central bankers assemble in Basle, Switzerland, on May 6-7 for their regular monthly consultation, the top item on their agenda will be a highly confidential memo prepared by the U.S. Federal Reserve staff advocating the imposition of reserve requirements on the Eurocurrency market.

Should the central bankers agree to implement such measures—acting under the guise of “fighting excessive credit expansion” in the Euromarkets—this could

INTERNATIONAL CREDIT MARKETS

provoke a major flow of funds out of the offshore market and back to the offshore banks' parent branches in (primarily) the U.S. Then, if credit conditions are simultaneously tightened in the domestic U.S. market, the resulting worldwide credit squeeze could set off a “Crash of '79”—a U.S. recession which spreads to Europe and Japan, debt defaults by developing country borrowers, bankruptcies of major commercial banks, mounting currency chaos, and, finally, the transformation of the International Monetary Fund into a full-blown world central bank to “restore order.”

Although the existence of the Fed's memo has so far been unreported by the nation's financial press, except *Executive Intelligence Review*, the Fed's staff has already begun a public relations campaign to prepare the U.S. business and financial community for Euromarket controls. Henry Wallich, a member of the Fed's Board of Governors, last week authored a two-part article series in the *Journal of Commerce*, a delphic, pseudo-objective assessment of the effects of the Euromarkets on domestic U.S. monetary growth.

Although Wallich did not explicitly endorse reserve requirements, he argued that the Euromarket had allowed an expansion in international lending which might not have occurred if the market had not existed: “Lenders of funds, and seekers of credit, would have had to go through other channels had the U.S. banking system not responded. But some of them might not have found an attractive source of funds. Consequently there might have been less lending and borrowing. Accordingly, inflationary pressures would have been less, interest rates would have been different, and a whole sequence of unforeseeable events would have

unrolled.” What Wallich really meant to say was: “The existence of the Euromarket is creating overly ‘easy credit’ conditions—both here and abroad. If we raise interest rates here, we simply pull more Eurodollars into U.S. markets and the domestic credit expansion continues. Therefore, to induce a U.S. and a world recession, we must eliminate the Euromarket.”

French resistance

The Fed's plan is likely to draw support from the British, West German, and Dutch central banks, but it may run into tough resistance from the French central bank chief at the upcoming Bank for International Settlements (Group of Ten) meeting in Basle. According to a high French official, if Fed chief G. William Miller puts a proposal to implement reserve requirements on the table, the Bank of France will simply veto it.

A source at one of the major French commercial banks angrily characterized the Miller plan as an effort “to extort a retreat on the European Monetary System.” Last year, many French and West German banking officials expressed the hope that the EMS might effect a “consolidation” of the Euromarkets—not to pull the plug on the world economy, as Miller and Wallich propose, but to provide long-term dollar and gold-based financing for advanced sector capital goods exports to the Third World.

If the French are really serious about stopping the “Crash of '79” scenario, however, they will have to take on Otmar Emminger and his clique at the West German central bank. Bundesbank chief Emminger—a man notable for placing his narrow-minded obsession with controlling West German monetary growth rates above all other national priorities—has been acting as a de facto agent of the Anglo-American financial interests who are planning the Euromarket shakeout.

The Bundesbank's 1978 annual report, issued two weeks ago, warned that Euromarket “over-recycling” posed a grave “danger to the international community” and called on major governments to draw up “a set of rules” guiding Euromarket operations. The meaning of the phrase “over-recycling” was explained by Bundesbank official Herr Rieke in an interview with *Executive Intelligence Review*. According to Rieke, one must distinguish between countries which incur “avoidable” and “unavoidable” balance of payments deficits. It is “unavoidable” that certain countries would go into

deficit as a result of increased oil prices. However, in the cases of "Turkey, Peru, Zaire," and other especially crisis-ridden countries, Rieke insisted that "if the Euromarket didn't finance them" then "the IMF could have moved in ... much, much earlier. ... Those deficits would disappear if they weren't financed."

In other words, the Bundesbank is demanding that private commercial banks stop financing the countries with "avoidable" deficits and hand them directly over to the IMF, where they will be subjected to the IMF's austerity requirements. But, as the case of Zaire (whose central bank is now being run by an IMF official) shows, IMF conditions are a cure that kills the patient.

Dutch central bank chief Jelle Zijlstra, who also heads up the Bank for International Settlements, has joined Emminger in calling for the imposition of some form of controls on the Euromarket. Zijlstra's views were published in the annual report of the Dutch central bank issued last week. The London *Financial Times* reported that Dr. Zijlstra "said there was an

increasing awareness that the lack of control over banks' foreign branches was unsatisfactory. ... Revised rules governing the consolidation of these foreign subsidiaries could extend controls across national boundaries."

Zijlstra's comments provide a hint as to the form which Euromarket controls may initially take. Banks will probably be required to "consolidate" their reporting of lending by their offshore branch offices with lending by their home offices, and a reserve requirement will then be slapped on all international lending. In this way, the central banks hope to get around the problem of how to police each presently unregulated offshore center. The Bank of England has already directed all British banks to consolidate their reporting and the Bundesbank annual report indicates a similar change in accounting practices is underway in West Germany.

—Alice Roth

BANKING

New York shows some fight versus British banks

The New York State legislature's passage on May 1 of the "Takeover Bill" proposed by New York Superintendent of Banks Muriel Siebert marks a new show of fight among New York legislators, banks, and citizens generally against the impending wave of predatory British bank takeovers of American banks.

This New York response has been sparked by the U.S. Labor Party's now year-old effort to expose the Hong Kong and Shanghai Banking Corporation and other British banks' involvement in the illegal world narcotics trade and their intent to politically influence the U.S. credit system on behalf of the British government. The USLP filed suit April 16 to stay the Federal Reserve's

recent approval of the purchase by HongShang of New York's Marine Midland and the purchase by Standard Chartered of the Union Bank in Los Angeles.

Rumors are circulating in Albany that the public outcry, capped by the passage of the bill, may give Superintendent Siebert the support she needs to deny the HongShang its application on the New York State level.

Arthur M. Richardson, president of the Security Trust Bank in Rochester, reflected this in his statement to the bank's annual meeting late last month. "Like Superintendent Siebert, I have questions about these trends... these foreign based institutions operate with different manage-

ment objectives and corporate philosophy than the unique 14,000-member bank system that has its roots in the American tradition. ... We are dealing with an issue that has an impact on the prosperity and quality of life of each of us..."

Mr. Richardson called upon Governor Carey to form a private sector committee "to chart the course for the state's banking system ... the very best people, experts in banking, members of regulatory boards, legislative leaders, nonbanking members." The committee must hold public hearings on the issue "to create opportunities for open dialogue among concerned citizens."

The Takeover Bill, which passed the New York Senate on April 23 and Assembly on May 1, will give the State Banking Board the right to prevent foreign banks from buying New York banks. Before, the law provided for oversight only on their voting of the stock once bought. The Board, led by Superintendent Siebert, will include five smaller New York State regional bankers, who will outvote the pro-British Chemical Bank Chairman Donald Platten nicely.

—Kathy Burdman

New York State Insurance Exchange touted as new "hot money" center

The New York State Insurance Exchange which went into effect on May 1, together with its connected Free Zone, is being mounted as the major institution of London banking directed reorganization of the \$800 billion Eurodollar market out from the European Monetary System (EMS).

According to top sources, the purpose of the Exchange is "to bring in new money," "to give the non-insurance people a crack at the insurance game." And David Winton, director and trustee of Johnson & Higgins insurance brokers describes it as "really big by 1985 and by 1990 the largest insurance power in the world." Since insurance is already the world's largest financial operation this would mean that the Exchange would be the largest single global financial power in the world. Donald Kramer, president of Kramer Capital Consultants, Inc., a founding member of the Exchange, member of Lloyd's, and a general partner in Oppenheimer and Sons, is said to have convinced President Carter to approve the exchange because, Kramer told Carter, the Exchange would take in enough capital by 1990 to offset the entire U.S. balance of payments deficit.

As the Exchange is being prepared to accept flight capital out of Europe and Japan, corporate leaders aware of possible Euromarket controls are also planning to repatriate funds. Beyond this, a rumor is circulating that certain companies in Western Europe are threatened by government expropriation, and

West German Economics Minister Graff Otto von Lambsdorff is pushing legislation to force commercial banks to divest large portions of their assets in industrial corporations, which would be absorbed by insurance companies, freeing bank assets for new ventures like the Exchange.

The following interviews further indicate that the Exchange will be run by groups closely associated with the "families" identified in Goldman, Steinberg, and Kalimtgis's recent book *Dope, Inc.* as the bankers and operators of the international drug trade. The insistence by one person interviewed that there be absolutely no regulation of the Exchange by U.S. agencies is significant in this respect.

I. With a financial analyst in New York

EIR: *The Insurance Exchange is now in operation. What in your opinion is its potential?*

A: There is very tight competition in the reinsurance business with capital growing faster than premiums. This holds true of the captives as well, and I think there is a great desire to place money in the exchange.

EIR: *Will events like Three Mile Island affect the Exchange?*

A: You know that catastrophe hurts corporations much more than insurance companies; in fact after a good hurricane insurance booms and the payouts aren't really that much. But I think the money will come especial-

ly from Europe. There is a great fear of expropriation in Europe just now, a tremendous desire to get capital out of Europe. Even Lloyd's has a great overcapacity just now.

EIR: *Who specifically will come in?*

A: Well I've heard the German banks are interested. You know, anyone can buy a seat on the exchange, since what we're looking for is new money, not just shifting insurance money. We were thinking of putting \$30 million in and we're now telling a group of our customers with assets of a billion to keep a window on the Exchange.

EIR: *There's talk of credit controls in the U.S. Will this affect the Exchange?*

A: Not at all. You remember that in World War II, insurance companies were exempt from controls, so I wouldn't worry about that. They are supernatural ... supernatural, rather, companies. But if you dig deep into the bowels of this thing, you'll find that AIG (American International Group) and INA (Insurance Company of North America) are running the Exchange.

II. With a lawyer connected to the Exchange

EIR: *...If the Capital Control Act of 1969 were activated, do you think that would affect the Exchange?*

A: ... Listen, I'll tell you one thing: if government agencies try to get control of this, it will be ruined. ... If the IRS doesn't give prompt favorable rulings, this would be terrible. Where did you get word of this Capital Control Act from?

EIR: *Last week's Executive Intelligence Review covered the story.*

—Leif Johnson

TRADE

U.S. mounts trade drive to export recession banking

The major trade news of the week—French-Soviet trade, peace, and technological cooperation agreements that emerged from Giscard d'Estaing's visit to Moscow—has been largely blacked out of the Anglo-American press. Instead, trade coverage has been promoting global "recession," notably through circulating:

- a bogus U.S. "export drive" being pushed by the Administration;

- the necessity for "decoupling" the underdeveloped sector from the advanced sector;

- intensified pressure against Japan.

The first of these operations, the touted U.S. "export drive," is most forthrightly described by an editorial in the May 1 London *Financial Times*. "Externally, the U.S. improved balance of payments can have a very deflationary effect, com-

ing together with the much bigger OPEC surplus now expected." Other countries will have to "adjust their policies to this" (i.e. run big deficits in West Germany and Japan), or else "it will be the final irony if the U.S., having exported inflation for four years, now exports its potential recession (emphasis added).

The other side of the "export drive" hoax are the attempts by the U.S. Administration to establish a new Trade Department and push U.S. business into the China market in lieu of industrializing the underdeveloped sector, as desired by the best elements in Europe, Japan, and the USSR. The Administration has run up against its own credibility gap, however. As noted April 23 by Representative Charles Vanik, chairman of the Trade Subcommittee of the House Ways and Means Committee, too many Congressmen have been disillusioned by the new Energy Department to want to see a similar venture in the trade field.

AGRICULTURE

Agriculture research cuts will fuel inflation

Carter Administration action to gut the 1980 agricultural research program budget by 10 percent is not just bad farm policy—it's an object lesson in bad economics. The budget-cutters may pat themselves on the back today. But it is in the nature of the way basic research determines economic growth rates that the damage will not show up until tomorrow. But, show up it will, in a drop in productivity, disruption of food supplies, and soaring food costs.

Work on the 1980 budget is in the final stages. President Carter called in January for a \$530 million agricultural research budget, a drop from 1979's \$566 million. Adjusting for inflation and for certain nonresearch costs such as miscellaneous construction outlays included in the 1979 budget, the Carter recommendation represented a 2 percent decline in dollar value in the total agricultural research package for next year. Given a 7.5 percent increase in 1980 gov-

ernment allocations for *all* research, the President has in effect prescribed a net real reduction of 10 percent in agricultural research funds. The Senate Agriculture Committee has recommended that the 1980 budget be held at last year's \$566 million, and the matter is presently under consideration by the Senate Appropriations Committee.

But, as Senate Agriculture Committee staffers and others emphasize, the internal features of the President's recommendations are as dangerous as the austerity approach to the overall funding level. Within the budget itself, funding is being redirected away from basic scientific research and applications, that is, away from making the discoveries and creating and developing the new technologies to enhance the productivity and efficiency of the American farm-food industry. Instead the budget emphasizes the type of sociological and behavioral studies of the farm population and its "quality of life"

The China market aspect of the Administration's export drive is being pushed personally by Treasury Secretary Werner Blumenthal and Commerce Secretary Juanita Krebs. At an April 30 appearance before a gathering of Knight-Ridder reporters, Blumenthal announced that Mrs. Krebs may initial a U.S.-China agreement during her trip to Peking the following week. At the same time, Blumenthal indicated that a U.S.-Soviet trade pact is still subject to the Administration's "human rights" program.

Krebs further declared May 2 that the Administration is opposed to even the eight-month statutory deadline on export licensing decisions approved by the House Foreign Affairs Subcommittee the same day, whereby export licenses not approved within the deadline would go to Congress for oversight. Krebs threatened that if such measures become law, the Administration will simply reject the license applications

instead of sitting on them as at present.

As for the China-trade component, the announcement at the beginning of May that Peking is "reassessing" its modernization policies and at best will not cancel foreign contracts already in the works must daunt sober businessmen, if not Mrs. Krebs. Columnist H. Peter Dryer, an associate of the European Commission officials in Brussels who are trying to induce Europe and the U.S. to give up on Third World trade and investment, tried to put the best face on the matter in a story filed from Peking in the May 3 issue of the *New York Journal of Commerce*. Admitting what was revealed a month ago in this publication, Dryer wrote: "China may now be unwilling, and indeed probably unable, to embark on all those grandiose investment schemes to the tune of many hundreds of billions of dollars.... The buildup of heavy industries is no longer quite so much to the fore. The

Chinese reportedly are heeding warnings against the creation of 'industrial ruins' such as have developed here and in the Soviet Union, for instance (it is not clear whether 'here' means China or the U.S.—ed.). Instead there is more talk now about the faster the creation of so-called light industries turning out metal products, cameras, electronic consumer goods and so forth." What is left merely implicit in this appraisal is that China's "switch into light industry," which is to involve the lay-off of 20 million industrial workers and their transfer to what the *New York Times* termed May 3 "more sophisticated" jobs, is aimed at busting the manufactured exports of underdeveloped countries in Asia and elsewhere, whose industrial production Japan in particular has moved to promote while Japan increasingly concentrates on super-high technology.

—Richard Schulman

that are the special obsession of environmentalists and antitechnology "consumerists" generally.

This trend was established firmly with the Ralph Nader "Agribusiness Accountability Project" assault on the Land Grant Colleges (a political assault otherwise manifest in United Farmworkers leader Cesar Chavez's recent efforts to shut down the development of technologies that would free human beings of stoop labor in agricultural harvesting). The reorientation is being reinforced by a Carter Administration push for an increased role for "competitive grant" funding of whole portions of the agricultural research monies.

Rather than channeling federal research monies into the Land Grant college system of interconnected educational and research and extension facilities that were created for that purpose in the first place and have, in fact, carried on the bulk of agricultural research in the U.S., the Carter Administration has relied in-

creasingly on farming out research work on a competitive "free market" basis.

Predictably, the faddish Ivy League and other private research institutions have jumped into the running. Unlike the Land Grant colleges, whose administration apparatus to manage such work has been in place for years and is estimated to amount typically to about 3 percent of project cost, the private institutions eat up the bulk of the grant monies in administrative costs, to the tune of 14 percent or more of total project cost.

One of the most striking illustrations of the wretched economics involved in the Carter Administration's orientation is found in considering the fate of just one of the research areas—postharvest technology, focused on the optimal utilization of crops and involving research and development in such areas as processing, storage, distribution and marketing. Under Carter direction,

postharvest technology research is slated for a \$12 million budget cut to \$75.3 million for 1980.

It is not a little ironic that the outspokenly proconsumer and anti-inflation Carter Administration should mandate such cutbacks. Numerous studies, including one done by this magazine (see *Executive Intelligence Review* July 11-17, 1978), have demonstrated that it is precisely postharvest technology research that is urgently required to bring the marketing end of the food chain out of the 19th century trap of high-cost, labor intensive inefficiency and waste and into coherence with the highly productive, highly efficient capital intensive production of farm commodities proper that is the core of American agriculture. It is the marketing bill which absorbs 60-70 percent of the consumer food dollar, and whose steady expansion presses both farmers' incomes and urban-dwellers' pocketbooks.

—Susan Cohen

GOLD

Gold and the question

The brilliant title article "The European Monetary System and the Outlook for Gold" written by London's C Gordon Tether for the March 1979 issue of the *Gold Newsletter* of the National Committee for Monetary Reform calls the real question facing advocates of hard money today: Are you a patriot? Mr. Tether by his gaping omission answers the question. The only gold-backed credit system that will save the dollar and U.S. world leadership will be that for which the American Revolu-

tion was fought—the system of U.S. Treasury Secretary Alexander Hamilton.

Gold advocates, including this publication, have for years denounced fiat money misuse of the Federal printing presses to debase U.S. industrial progress. But Mr. Tether has, obligingly, sharply posed the ancient British System solution to this real problem in modern terms: get rid of the U.S. dollar and U.S. industrial power altogether, so that Britain might reinherit the earth.

Mr. Tether's thesis is that the EMS at present is a Keynesian plot by the Trilateral Commission and "U.S. imperialism" to globalize the dollar as fiat money, but that it may yet be saved by a Margaret Thatcher-led "European" revolt to do away with currencies altogether and put the world back on the pre-1914 gold reserve standard. In thus attacking the real EMS—which is neither of these—Tether attacks America's actual allies in Paris and Bonn whose efforts for a thoroughly Hamiltonian EMS have given the U.S. its last chance for real hard money—a gold-backed dollar.

Patriotic readers of the respected NCMR *Gold Newsletter* and attendants at the Liberty Lobby's May 12-13 Washington Financial Survival Seminars, at which Mr. Tether will be the featured speaker, would do well to remember that this nation fought two world wars for its financial and industrial survival to do away with the British Empire's ver-

DOMESTIC CREDIT MARKETS

Step by step, Miller moves to ration credit availability

Treasury Secretary Michael Blumenthal told a newsmen's luncheon in Washington April 30 that he opposes the use of credit controls as an anti-inflation tool. However, given the Carter Administration's propensity for doublespeak—typified by Federal Reserve Chairman William Miller's recent statement that he thought interest rates had risen high enough, which was followed by yet another hike in interest rates last week—one should not rule out the imposition of

wartime credit rationing as the next step in the Administration's ostensible efforts to arrest inflation.

As we reported last week, Sen. Jesse Helms's anxiety over the prospect of government entanglement with private credit flows prompted him last month to sponsor a bill to repeal the Credit Control Act of 1969, which gives the President standby authority to selectively ration credit. Helms's bill will be the subject of hearings to be held by the

Senate Banking Committee May 24-25. While Administration spokesmen have said that they dislike the idea of credit controls, they have also said they don't want to see the Credit Control Act repealed. This has only increased suspicions about their future plans.

A staffer on Sen. William Proxmire's Banking Committee told a reporter last week that the proper question to ask was not what powers does the Credit Control Act give the President, but what powers doesn't it give to him! Under the Act, which was pushed through Congress in the inflationary climate triggered by Vietnam War defense spending, the President at will may direct the Federal Reserve to cut off credit to selected areas of the economy—such as the very fragile auto market, real estate, business spending, etc. The Act also authorizes the President and the Fed to move against U.S. bank and corporate borrowings on the Eurodollar market, an increasingly significant

sion of the gold reserve standard.

EMS: Gold Exchange Standard

Alexander Hamilton's *Report on Manufactures* stipulated clearly that the basis for hard money—and this is what *has* made America great—is the dirigistic direction of credit by the central bank to the highest technology sectors of the national economy, to ensure the constant technological breakthroughs and vigorous capital formation which alone produce productivity and thus a profit on capital, rendering the currency a desirable investment medium. That is all a currency is for. The British Crown, to the contrary, has spent the 18th, 19th, and 20th centuries *embargoing* technology from the U.S. and the world by seeing to it—using gunboats—that no other country, except Britain, which colonially controlled the gold mines, had the coin to invest. That was the gold reserve standard—a credit rationing system which kept nine-tenths of the globe in rural

backwardness.

French President Giscard and West German Chancellor Schmidt, on the contrary, have proposed in the EMS a gold *exchange* standard such as Hamilton's in which the *exchange* reserve currency, the dollar, will be turned into hard money. The EMS member central banks would soak up billions of footloose Eurodollars through intervention and bond issues, and deploy them as Export-Import bank-type credits in consortia with private commercial banks into the underdeveloped sector to create huge high-technology investment projects. The dollar would be the most profitable investment medium—the hardest currency—in the world.

What went wrong in '71

As we wrote on May 2, 1978, "What went 'wrong' in the period up to the Nixon cut-off of the dollar from gold on August 15, 1971, was not the gold exchange standard but *how it was*

used: under British intellectual hegemony in postwar (Keynesian) economics, Hamiltonian direction of credit was halted in favor of real estate and raw materials-related bubbles such as the Eurodollar market, causing a contraction in the U.S.'s export market by maintenance of the Third World in an impoverished state. By the early 1970s, U.S. export collapse produced (as today) a huge trade deficit . . .

"This allowed the British government to bring its dollars to the U.S. Treasury window and demand payment in gold—'now, please'—in the summer of 1971, touching off a general run on the dollar which forced a panic closing of the gold window . . ."

Mr. Tether takes cunning advantage of the hard money man's desire to see his gold investments prosper—as they would under the real EMS in any case—to frighten his readers into deserting the sinking dollar ship altogether.

—Kathy Burdman

source of bank and corporate liquidity which has come under scrutiny for fueling an inflationary inventory buildup in the U.S. economy reminiscent of 1973-74.

Donald Woolley, chief economist of Bankers Trust, said in an interview that credit controls are too much of a political liability for the Administration to be thinking along those lines. "Even if controls did slow down borrowing, the effect wouldn't show up in the inflation rate right away," said Woolley. "The Administration would not score any points with the public by invoking controls." Woolley also believes that the Fed staff "doesn't have any stomach for controls—they view them as an Administrative nightmare."

The fact remains, however, that Fed Chairman Miller is already moving step by step to limit credit availability. The money markets seem to have practically ignored a proposal issued by the Fed on April 13 to impose new reserve requirements on

member banks that, in the Fed's own words, is "designed to establish more effective control over growth of bank credit." The Fed invited comment by May 18 on a proposed rule that would apply a 3 percent reserve requirement on member bank repurchase agreements (RPs) and federal funds borrowings from nonmember banks, corporations, and Federal agencies.

In proposing the regulatory change, the Fed noted that almost 20 percent of the growth in commercial bank credit over the past six months has been financed through RPs—sales of Treasury bills by banks to corporations under an agreement to repurchase them in several days—and overnight interbank borrowings on the so-called federal funds market. At the end of March, total member bank RP liabilities were \$42 billion and outstanding federal funds were \$23 billion. Thus, the effect of the new rule would be to increase required reserves—and drain bank-

ing liquidity—by \$1.9 billion.

Bankers Trust's Woolley commented that if it is implemented, the chief effect of the new restructuring of reserve requirements would be to drive even more banks out of the Federal Reserve System.

Since early this year, when Eurodollar interest rates eased, U.S. money center banks have been issuing large amounts of certificates of deposit (CDs) on the cheaper Eurodollar market to raise lendable funds. According to Woolley, the use of new domestic reserve requirements, which would raise the cost of borrowing money in the U.S., would tend to shift bank borrowings increasingly onto the Eurodollar market.

However, if the Fed simultaneously moves to impose reserve requirements on banks' Eurodollar branches, then the effect will be an across the board shutoff of credit availability.

—Lydia Schulman

Muslim Brotherhood: London's

I. Introduction

The period from the fall of the Shah of Iran to Ayatollah Khomeini marked a turning point in the history of the Middle East and of the Islamic World. The establishment of the Ayatollah's Islamic Republic of Iran inaugurated the implementation of the Anglo-American financial interests and British Intelligence's strategy to impose a "New Dark Age" across the region.

To appreciate the enormity of the implications of the Khomeini revolution in Iran, it is necessary to look beyond the geopolitical struggle along Zbigniew Brzezinski's "arc of crisis," and beyond the strategic debates about the viability of an Islamic movement to combat communism. One must look into the horrifyingly empty eyes of Khomeini's supporters. Like the

In this section

A special investigative team, headed by Robert Dreyfuss, Middle East desk chief of our New York bureau, and Thierry LeMarc of the Wiesbaden, West Germany office, has compiled a comprehensive study of the inner workings of the Muslim Brotherhood cult that runs the new Islamic government of Iran. Detailed here are the background and origins of the Brotherhood movement in the British colonial subversion of the Muslim world, the history of the Muslim Brotherhood since its founding in modern-day form in 1929, the 1954 expulsion of the cult from Egypt by nationalist leader Nasser, and the spread of the Brotherhood throughout the Middle East and the expatriate Muslim communities in Europe and the United States since the 1950s.

insane cultist followers of Reverend Jim Jones's People's Temple, the mindless "Islamic revolutionaries" of Iran have lost their human souls. Led by confused and fanatical mullahs, of whom Khomeini is only the best known, the masses of Iran's revolt have been plunged into the abyss of sheer insanity. Without immediate assistance from outside Iran, the population of that unfortunate nation will shortly become an unsalvageable mob.

In this report, we will demonstrate that the upsurge of Islamic orthodoxy—whether of the Iran variety, or that of the more commonly known Muslim Brotherhood, or the Jamaati Islam of Pakistan, or even the mystical Sufi brotherhoods of Asia—is a project of the City of London.

Two interrelated consequences—and policy goals—can be identified with regard to the New Dark Ages strategy of the London Islamic mafia. The first is most immediately obvious: if the Muslim revolution is permitted to proceed along its present course, the population of the entire Islamic world will be reduced by half to two-thirds. Already, Iran is following the "Cambodia model," with urban populations being relocated to rural areas and mass unemployment plaguing the country. With the breakdown in central authority, tribal and sectarian warlords are asserting demands for autonomy, and Iran's countryside is being swamped with wandering rebel armies that pillage rival cities.

This process now threatens to spill over into the Arab world, Turkey, Pakistan, and Afghanistan. The fragmentation of the Middle East along such lines has been dubbed the "Bernard Lewis plan," named after the British Oxford scholar of Islam, who is a close collaborator of British and Israeli intelligence and a consultant to Brzezinski's NSC.

Second, there is the effect of the Khomeini revolution on the minds of the Muslim populations, especially the youth. Students, youth, and others are being systematically brainwashed into automatons. By the hellish chants of the adherents to the Muslim Brotherhood, the precious creative mental abilities of

shocktroops for the New Dark Ages

an entire generation are being destroyed.

The instrument of this British-inspired devastation is the Muslim Brotherhood, the Ikhwan al-Muslimun.

Origins at Oxford

In the immediate sense, the Ikhwan is an outgrowth of a movement within the Muslim world that began in the 19th century, under the direction of Oxford and Cambridge universities and the mystical circles of the Scottish Rite of Freemasonry. It had its origins among the British-sponsored cults of Islam, including the secret Sufi societies and groups like the Bahai cult. The political godfather of the Muslim Brotherhood was Jamal al-Din al-Afghani and his disciples, the "reformers" of Islam, and the Salafiyya group.

But in the longer run the Muslim Brotherhood must be seen as the product of a centuries-long decay of Muslim culture that began with the evil cult of Asharism and its chief spokesman al-Ghazali, born in 1058. Al-Ghazali, the enemy of science and rational inquiry, was the bitter, lifelong enemy of the influence of the great Islamic genius Ibn Sina. Al-Ghazali's work has been carefully studied and catalogued by British Islamicists over the years, and has been tapped by British intelligence as the key source for subversion of the cultural institutions of the Muslim world, since at least the 18th century.

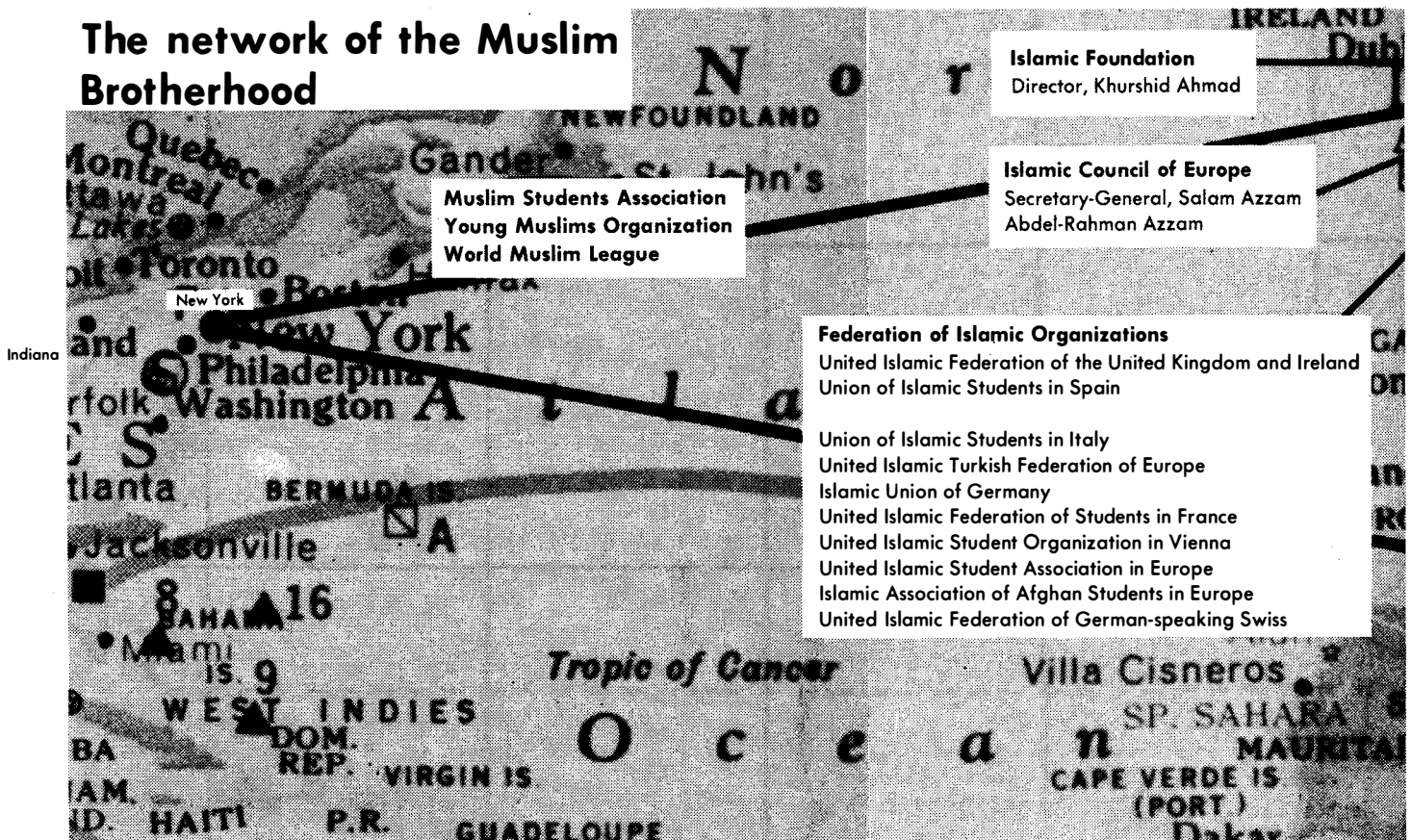
It is for this reason that the *Executive Intelligence Review* commissioned a team of U.S. Labor Party experts to prepare this report. The method employed in the report is one uniquely developed by the U.S. Labor Party. The efforts of governments and intelligence agencies of the Muslim nations, Western Europe, and even the Soviet Union have, so far, proved utterly inadequate to grasp the method employed by the British in fueling the Islamic movement—what Bernard Lewis calls "The Revolt of Islam." Unless the material contained in this report is absorbed and acted upon by the national governments of the Arab states, Turkey, and so forth, the Khomeini disease will spread unchecked. The national security of every state in the area depends on meeting this danger directly.

While the report has been prepared with those Middle Eastern governments particularly in mind, it is also aimed at a U.S. readership whom the daily press has barraged with disinformation about the "spontaneity" and "inevitability" of the religious backlash against modernization in Iran. The story of the Muslim Brotherhood is crucially illuminating for policy-makers and investors who are instinctively prepared to stake their decisions on high-technology development in the Third World, but are now being told that "the lessons of Iran" flash a caution light against rapid economic progress.

Already, Iran and Pakistan have been seized by perhaps mortal cases of the Muslim Brotherhood disease. A concerted effort has been launched across the Iranian and Pakistani borders to topple the government of Prime Minister Taraki in Afghanistan. The government of Turkey is threatened by a Muslim Brotherhood-led revolt, in coordination with the fundamentalist National Salvation Party, that could very soon lead to the establishment of a junta like Pakistan's in Ankara. According to well-informed sources, both Malaysia and Indonesia are slated for Muslim revolts. In the Arab world, Syria and Jordan have been specially targeted for Muslim Brotherhood activity, and Teheran has recently been implicated in fueling Ikhwan activities in these countries. In Saudi Arabia, since the death of King Faisal by an assassin's bullet—an assassin linked to the Muslim Brotherhood and to British intelligence and Henry Kissinger—the brotherhood has gained by leaps and bounds, under the careful guidance of the backward Prince Abdullah, the chief of the Saudi National Guard. Throughout North Africa and southward into Africa's Muslim regions, the Ikhwan is reportedly growing rapidly.

We present first a short history of the movement known as the Muslim Brotherhood from its formal inauguration in 1929 until its crushing by President Nasser of Egypt in 1954. We then show the background and origins of the brotherhood movement and its roots in the British subversion of the Muslim world, tracing the tradition of al-Ghazali, Sufism, the Bahai move-

The network of the Muslim Brotherhood



ment, al-Afghani, and Mohammed Abdu. Then, we present the present organization and form of the Ikhwan since the 1950s, when it no longer had the benefit of its Cairo base of operations; in this section we lay particular emphasis on the names and locations of the British control of the movement. Finally, we present the case of Iran as a study of the application of the Muslim Brotherhood treatment to a major nation, focusing here on the career and role of Dr. Ibrahim Yazdi, the controller of Ayatollah Khomeini.

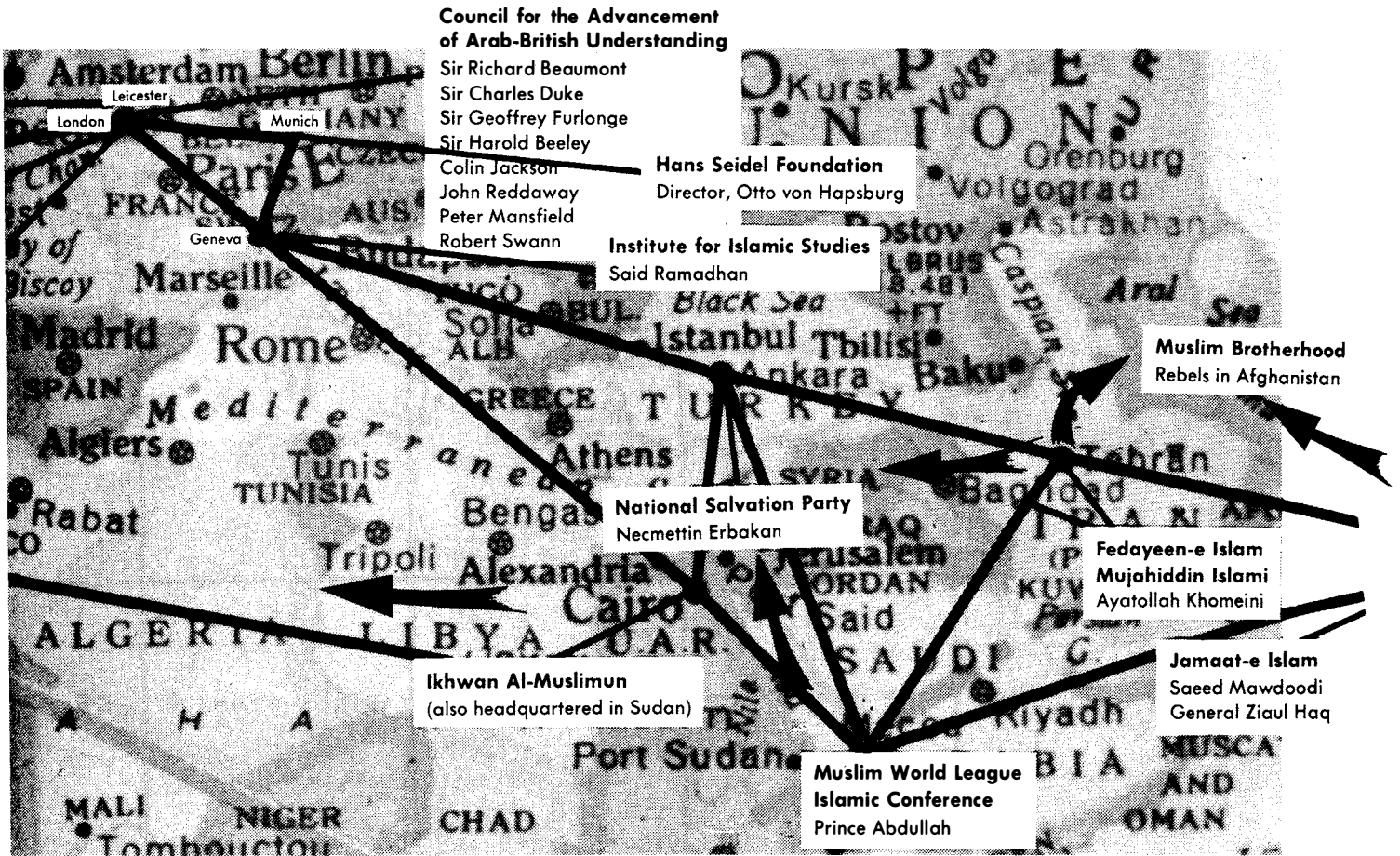
II. History of the Muslim Brotherhood, 1929-1954

During its formal existence, before it went underground during the Nasser era, it was common knowledge that the Muslim Brotherhood was a tool of British intelligence. Throughout its history, there are many documented instances in which the Ikhwan was caught in illicit collaboration with the British Embassy in Cairo, the Suez Canal Company, and so forth. Despite its often loud attacks on "the British," the Brotherhood

loyally served the interests of the British Empire. Its chief weapons were violence, terror, and assassination.

But the Ikhwan's most important contribution to the British Empire was its propagation of an obscurantist, antiphilosophical extremism and xenophobia among the Egyptian and Arab masses, especially students. With the rise of Zionism—also, of course, sponsored by London—the Muslim Brotherhood became the chief instrument of the rabble-rousing anti-Semitism and bogus Islamic nationalism that kept the British—and the British Army!—continually mediating between warring Arab and Jewish factions. With its commitment to the Middle Ages, it is no wonder that the Ikhwan became the leading force in opposition to President Gamal Abdul Nasser, the Egyptian nationalist leader—or that the Ikhwan tried, at the end, to assassinate him.

The history of the Muslim Brotherhood, or the Society of the Muslim Brothers, begins in the period following World War I in Egypt. The intelligence officer then responsible for the Near East and Islam was Prof. Arnold Toynbee, who first served in British military intelligence and then headed the elite Royal Institute for International Affairs (RIIA) from 1925 to 1955. The 1925 edition of the RIIA annual report deals chiefly with the imperial problem of the Muslim world,



and was assembled under Toynbee's direction.

The founder of the Muslim Brotherhood was Hasan al-Banna, born in Egypt in 1906. In his early years, Banna passed in and out of a series of religious and mystical organizations, including the secret Society for the Prevention of the Forbidden and the "Order of the Hasafiyya Brothers." Gradually, he was inaugurated into the higher mysteries of the Sufi circles, a centuries-old network of freemason-like orders whose ideological patron is Abu Hamid al-Ghazali. By the age of 16, Banna's entire world revolved around the Sufi mysteries and al-Ghazali.

As Banna was drawn closer and closer to the inner core of the Sufi networks, his political activity began. During the 1920s, he passed in and out of a sequence of religious-political organizations, in which the invariant was violent opposition to secular nationalist politics—called "apostasy and nihilism" by Banna's associates—and against the secular philosophical ideas then gaining momentum at Egyptian universities, a trend spurred by the Mustafa Kemal Ataturk revolt in Turkey.

The cult of 'Pure Islam'

By the age of 21, Banna had been introduced to the most intimate circles of the British intelligence-spon-

sored Muslim movement, led by the Syrian Rashid Rida, the disciple of Mohammed Abduh. Abduh, in turn, was the student and homosexual partner of Jamal al-Din al-Afghani, the British agent who was the originator of the "Islamic nationalist" or pan-Islamic movement. The philosophy that Afghani, Abdu—and Banna—adhered to opposed "Western" influence, materialism, *frangi* (foreign) traditions, and the cultural trappings of the West in favor of "pure Islam."

In 1927, Banna helped to found the Young Men's Muslim Association. This was quickly superseded by the establishment, in 1928, of the Society of the Muslim Brothers. Banna set up his headquarters in Ismailiyya, a port city controlled by the Anglo-French Suez Canal Company. From the start, the Suez Canal Company—the leading representation of British imperialism in Egypt—financed the Muslim Brotherhood, helping Banna to build the first mosque run by the Brotherhood, completed in 1930. By 1932, the Muslim Brotherhood of Hasan al-Banna, joined by his brother Abd al-Rahman al-Banna, had set up branches in Ismailiyya, Port Said, and Suez; it rapidly spread to Cairo and other cities, including Alexandria.

Over the next years, the Muslim Brotherhood built its organization, beginning a series of new publications including a newspaper. By the late 1930s, the Brother-

hood was strong enough to create its first paramilitary branch, the *kataib* ("battalions"). It began with the creation of a division called the "rovers," at first growing out of the youth section athletic training but gradually becoming more and more openly a private army. The organization of the Brotherhood's *kataib* followed closely the pattern of the Nazi youth or Mussolini's *squadristi*; indeed, throughout the Arab Middle East similar movements were being assembled with British, Italian, and German Nazi assistance. In Lebanon, Pierre Gemayel established the Kataib, or Falangists.

In 1935, Abd al-Rahman al-Banna made contact with the increasingly pro-Nazi, British-supported Mufti of Jerusalem, Haj Amin al-Husseini. During this entire period, Muslims who opposed the intrusion of Zionist settlers in Palestine were forced into supporting explicitly anti-Jewish, fanatic parties like the Ikhwan and the Mufti rather than oppose the overall policies of the British.

In fact, during this period the Ikhwan sought and received support from the corrupt, pro-British King Fuad and, later, King Farouq, both obsequious stooges of London on the Egyptian throne. Like Egypt's other fascist party, Young Egypt (*Misr al-Fatat*), the Ikhwan of Hasan al-Banna celebrated the rule of the king while quietly preparing for a violent revolution that would establish a mass-based (and, London hoped, more stable) regime.

Enter Anwar Sadat

With the outbreak of World War II, the Muslim Brotherhood began its first period of expansion.

The contacts established in the years 1939-1941 formed the network that, until this day, has remained London's Muslim Brotherhood. In this period, the Ikhwan established ties with the Azzam family, including Abdel-Rahman Azzam, the first head of the Arab League after World War II, who currently lives in London at the top of the Ikhwan apparatus (see Section III); Fuad Serageddine, the leader of the right-wing faction of Egypt's Wafd party; Anwar el-Sadat; and key circles in the Egyptian Army.

In 1939, Prime Minister Ali Maher developed a close relationship with Banna, and reportedly began to fund the growth of the Muslim Brotherhood with Egyptian state funds. Another friend of Ali Maher was Sheikh Mustafa al-Maraghi, the chief of al-Azhar, Egypt's chief mosque and religious school and center of the Islamic world establishment outside of Mecca. Both Maher and Maraghi became strong—if sometimes secret—backers of the Ikhwan.

A key ally of Maher was Abdel-Rahman Azzam, who in 1939 was first minister of *awqaf*, or religious affairs, and then chief of Egypt's key "territorial army."

The next link in the chain was formed by the Egyptian Chief-of-Staff Gen. Aziz Ali al-Misri, a

leading sympathizer of the Muslim Brotherhood. The network was then complete: Azzam, Maher, Misri, Maraghi, the al-Azhar network of mullahs, Young Egypt, and the Muslim Brotherhood. The whole group was in close contact with German Nazi intelligence agents.

Into this circle came Anwar Sadat. Although the full story is not known, it is clear that Sadat served a critical liaison role between the Egyptian military, especially General Misri, and the Muslim Brotherhood. In this matter Sadat's collaborator was Abd al-Munim Abd al-Rauf. This army faction, though ostensibly "pro-Nazi" and therefore "anti-British," worked coherently as a subversive tendency within the emerging Free Officers group that, in 1952, overthrew the Egyptian monarchy and eventually installed Gamal Abdul Nasser as the president of the Egyptian republic.

It was during this period, in 1941, that the first publicly documented case of direct cooperation between the Muslim Brotherhood and a leading British intelligence officer, J. Heyworth-Dunne, at London's Cairo embassy is reported. It was a mere shadow of things to come.

Immediately following the reported contacts with the British, the Muslim Brotherhood began its next phase: the establishment of the widely feared Secret Apparatus. Beginning in 1941-42, the Ikhwan set up its private intelligence arm, called the "secret apparatus," which rapidly became a widespread terrorist, paramilitary, and intelligence branch of the Muslim Brotherhood. The SA was based on the early "rover" battalions and the *kataib*, and it was formed with the explicit notion of carrying out extralegal activity. The basis for the SA was the essential Islamic concept of the *jihād*, or holy war.

At the same time, the internal organizational structure of the Muslim Brotherhood was reorganized along the lines of a cell system. The Brotherhood was preparing for its terrorist phase.

By 1944, the Ikhwan Secret Apparatus had begun to infiltrate, and in some cases take over, other organizations. Interestingly, one of the organizations infiltrated by the Ikhwan Secret Apparatus was the Communist Party of Egypt.

This established the pattern of what, in future decades, would be a common occurrence, namely, the collaboration of Communist parties of the Arab world and Iran with the Muslim Brotherhood. This blending of "left" and "right" networks is a classic stamp of British method, refined and employed by the London Tavistock Institute and Sussex University. It is the basis for the "Islamic Marxist" movement that catapulted Ayatollah Khomeini to power in Iran.

Wave of terror

As the era of World War II approached, the Ikhwan launched a wave of terror. In this respect, the chief

goal of the British in Egypt in the postwar period was to destroy elements in the nationalist Wafd Party, within the Communist and labor movement, and among the army and industrial circles that, together, might have forged a coalition to oust the British from the Suez and Cairo.

The endless assassinations by the Ikhwan SA served this British cause, culminating in the Dec. 28, 1948, assassination of Prime Minister Nuqrashi.

After 1945, a quiet alliance was established in Egypt among the palace, the aristocracy, and the Muslim Brotherhood. Critical to the establishment of this alliance—the cornerstone of the British presence in Egypt—was Anwar Sadat. After his release from prison in 1944, Sadat immediately set up contacts with Hasan al-Banna, who asked Sadat to mediate a deal with King Farouq.

Sadat's contact to the palace then was Yusuf Rashad, the personal physician to Farouq and the director of the Royal Intelligence Service. Sadat and Rashad had been close friends for many years. "We

grew to be more than friends," says Sadat of Rashad in his autobiography *In Search of Identity*, "We became perpetual companions. . . . I still remember the day he gave me John Stuart Mill's *Totalitarianism, Liberty, and Representative Government*, which impressed me deeply."

So was Sadat recruited into the service of British intelligence.

Via Rashad, Sadat served as London's link between the King, increasingly paranoid about the British, and the Muslim Brotherhood of Hasan al-Banna.

Throughout 1946-47, the Brotherhood functioned as a political wrecker, assassinating leaders of all parties and especially trying to block the possibility of a Wafd-Communist alliance. The Wafd, though split by factions and corrupt, leveled deadly accusations at the covert alliance among the King, Prime Minister Sidqi, and Banna's Brotherhood. The nationalist Wafd Party press attacked the "fascist terror" of the Muslim Brotherhood, accusing the Nazi-like "phalanxes of Muslim Brothers" of thuggery. When the Wafd would establish

The MSA: A Muslim Brotherhood front group

Headquartered in Plainfield, Indiana—the same state that spawned the Rev. Jim Jones, Charles Manson, and a number of other cult operations—the Muslim Students' Association of the United States and Canada (MSA) is a tightly organized body claiming to have 400 chapters. According to a top MSA official, "the MSA is no different from the Muslim Brotherhood."

In the mid-1970s, Ibrahim Yazdi was a member of the executive committee of the MSA. His son-in-law, Shariah Rouhani, now Yazdi's "ambassador" in Washington, D.C., was an MSA regional representative. Yazdi's Young Muslims Organization is, according to informed sources, the same operation as the MSA-Persian Speaking Group (MSA-PSG); i.e., there is no distinction, except in name, between the YMO and the MSA-PSG.

Established 16 years ago with Saudi money, the MSA is now receiving its funds from Kuwait and Qatar. In the recent period, the commercial and organizing activities of the MSA in the U.S. have escalated sharply. The prime target of recruitment are Muslim students studying at campuses across the country. The students—the future leadership and intellectual elite of their respective countries—are being deliberately sucked into joining the MSA cult

by injecting into them and then manipulating a phony, and in fact antihumanist, sense of "Islamic identity." American blacks adhering to the Muslim faith are also being targeted and similarly victimized as part of a Muslim Brotherhood-backed effort to undermine the World Community of al-Islam in the West.

On April 24 at Columbia University in New York, the MSA sponsored a meeting that featured speakers calling for the overthrow of the Taraki government in Afghanistan and the government of Iraq. (See below for an eyewitness account of that meeting.) One of Yazdi's controllers, Prof. Richard Falk of Princeton University, was invited to speak at the affair but declined because of scheduling problems. Falk, who is associated with the Bertrand Russell Peace Foundation and is chairman of the U.S. Peoples Committee on Iran, visited Khomeini in Paris last winter and later traveled to Iran stirring up pro-Khomeini fervor as he went. Accompanying him was Ramsey Clark, currently in Iran. Falk is now in the process of forming a new group of Khomeini sympathizers in the United States. A high-level MSA official has described Falk as "the best American friend of the new Islamic Iran."

On May 25 in Oxford, Ohio, the MSA will convene its annual convention, drawing Muslim Brotherhood leaders and ideologues from all over the world.

a typical "minority government," the Brotherhood would then destabilize it by a few well-directed acts of terrorism. In one case, the Finance Minister Amin Uthman Pasha was assassinated in 1946 amid public charges that he was a "British agent"—charges made, surprisingly, in documents published by the RIIA! In this case, Anwar Sadat was arrested for the murder.

The Muslim Brotherhood wave of terror climaxed in 1948. That year, an Egyptian government crackdown against the obviously subversive and dangerous Ikhwan fascists led to a severe decline in the Brotherhood's activities, which had expanded tremendously until then. At first, as the government suppression hit, Banna piously denied having anything to do with the terror wave, blaming it on uncontrollable elements of the movement. But in November 1948, Prime Minister Nuqrashi issued an order dissolving and outlawing the Brotherhood. On Dec. 28, Nuqrashi was then himself assassinated—and the Ikhwan was naturally held responsible. In January 1949, Banna, seeking to go over to the offensive, repudiated his earlier disavowal of terrorist methods, and called the Ikhwan to *jihad*. Finally, on Feb. 12, 1949, Banna was assassinated.

Reorganization—and the assault against Nasser

The assassination of Banna temporarily upset the Ikhwan network, but it rapidly stabilized itself again.

In Egypt's prisons, where the members of the Muslim Brotherhood spent much of the period between 1949 and 1951, the networks had been kept alive. The organization maintained a secret existence inside the jails. In addition, exile Muslim Brotherhood branches were established in Syria, Jordan, and Pakistan.

A large Egyptian landowner, Munir al-Dilla, took charge of the Brotherhood after the murder of Banna. Dilla installed Hasan Ismail al-Hudaybi as the Supreme Guide, Hudaybi being a brother-in-law of the chief of the royal household. Hudaybi and Dilla played the crucial role in the period after 1952—when the Free Officers staged their coup d'état that ousted the king.

From the beginning of the new government, in which Nasser played a powerful but not dominant role, the interests of the British and the *ancien regime* were represented by the Muslim Brotherhood and Anwar Sadat. The 1952 coup was a joint project of many foreign intelligence networks in conjunction with army officers, especially British, American, and French-linked forces, with an essential Egyptian nationalist core. General Neguib, the regime's front man, was closely linked to the Brotherhood.

As early as 1953, tension emerged between the Free Officers and the Brotherhood. In February and April of 1953, Supreme Guide Hudaybi of the Ikhwan had a series of top-secret, conspiratorial meetings with Trevor Evans of the British Embassy in Cairo. Acting on his own authority, according to official Egyptian government documents released in 1954, Hudaybi secretly told

MSA spokesman: 'we killed Bhutto'

The following is an interview with a top-level MSA official:

Ideologically speaking, there is absolutely no difference between the MSA and Ikhwan (the Egyptian Muslim Brotherhood). We are also linked to the Jamaati Islami [in Pakistan] and the Jamaati Hindi [in India].

The Brotherhood has taken over Iran and Pakistan. The revolution in Iran is our success. In Pakistan, the same. The Zia government there is our government. Bhutto stood for the intrusion of Western culture into Islam. He was everything that Pakistan was not. We killed him for that. And we will use his death as a warning to others.

What you see going on now in Afghanistan is also our handiwork, the work of our brothers in the Jamaati Islami. India is next; the Muslims in India are beginning to understand what must be done. The revolution is also going to occur in Saudi Arabia, Egypt, and sooner or later in Turkey. This is a global Islamic movement. It has been going on

the British that he would lobby to grant Great Britain permanent rights to reoccupy the Suez Canal base after the formal withdrawal by the British troops stationed there. The secret meetings took place at an extremely sensitive time: in the middle of the explosive Anglo-Egyptian negotiations over Suez.

The Brotherhood had thus been caught red-handed. As the Nasser regime moved toward a confrontation with the British, the Muslim Brotherhood was deployed directly by London to wage war against Nasser. With its highly organized paramilitary forces and the feared Secret Apparatus, the Brotherhood did present a serious challenge to the new Egyptian government. In a first step to combat the Brotherhood, the government set up the National Guard under Nasser's direct control, to serve as a counterweight to the paramilitary Ikhwan.

During 1953-54, Israeli intelligence, the Mossad and Modiin, intervened in Egypt to assist the Muslim Brotherhood against Nasser. In a scandal that had major international repercussions, a team of Israeli saboteurs entered Egypt and set explosive devices off at several American and British offices, hoping thereby to trigger a civil war in Egypt in which Nasser would be toppled by the pro-British forces. In this case, the

for centuries. We are the bearers of the real Islamic humanism. We are at war.

The MSA has kept away from Saudi Arabia as much as it can, but I think that will change. Saudi Arabia is touchy for us. A lot of students are here on Saudi government grants and feel an obligation toward the Saudi monarchy. This is ridiculous, because the notion of monarchy is not coherent with Islam. In addition, Saudi Arabia has a load of history on its shoulders and feels itself responsible for the entire Islamic world, though this should not be.

In Saudi Arabia, we are working with the faction around Prince Abdullah and the King. Also, the educated religious scholars are with us. Since the assassination of King Faisal, the new ruler Crown Prince Fahd has become more pro-West than any member of his family, much more than King Khaled. The Egypt-Israel treaty widened the split between the two factions, which of course increases our leverage. Fahd had counted on working with the Egyptian army to prevent the Islamic movement in Iran from spilling over into Saudi Arabia, but now he cannot work with Egypt as he would like to. The Abdullah faction is sympathetic to the movement,

and is using its petrodollars to finance movements elsewhere in the Islamic world. They are working with Zia in Pakistan.

I would give Saudi Arabia ten years, maybe less.

Turkey, too, has all the potential to become another Iran. The problem there is that the Muslim Brotherhood is not that strong. However, the National Salvation Party of Necmettin Erbakan will be the vehicle for the Islamic movement in Turkey. Some of our people are now in Turkey helping the process along. It will go far more quickly in Turkey, if the situation in Iran stabilizes.

Even though Turkey is the most secular of Muslim countries, I have not seen a single Turk who is not a good Muslim. They may not know they are good Muslims, but they are, and they can be easily made to know it. You can see it in the Turkish students who are here in the U.S. They are very silent, and very Western, but they are beginning to understand the importance of drawing on their Muslim heritage.

In Egypt, the old Ikhwan Brothers are still alive, despite Nasser's brutal repression of them. There could be an eruption any moment there. We are working toward that.

Brotherhood was to serve as the catalyst for the civil war. (The scandal resulting from the capture by Nasser of the Israeli Mossad team was called the Lavon Affair, after the Israeli defense minister at the time.)

The Mossad-Ikhwan links were publicly attacked by Nasser and the Egyptian press.

The Muslim Brotherhood, which had been officially dissolved by the regime, now was identified with the policies of the imperialists "and the Zionists" by *Al Ahrām*.

During 1954 the crisis came to a head. Nasser battled the increasingly violent Brotherhood, which gained support from Saudi Arabia, Kuwait, Bahrain, and other Gulf states who wished to topple Nasser. The inner circles of the Secret Apparatus began to think more and more in terms of a "popular uprising" by the masses under Brotherhood leadership. A mass assassination of all of Egypt's ministers was also discussed, and the Brotherhood hoped that the now-discredited General Neguib might be induced to take power away from Nasser if the unrest could be maintained.

Finally, on Oct. 26, 1954, as Nasser was addressing a huge crowd, a Muslim Brotherhood terrorist fired six shots at Nasser, who however went unharmed. As the

echoes of the shots faded away, Nasser told the crowd:

Oh, ye people. Oh, ye free men. . . . Even if they kill me now, I have placed in you self-respect. Let them kill me now, for I have planted in this nation freedom, self-respect, and dignity.... Remember that, if anything should happen to me, the Revolution will go on, for each of you is a Gamal Abdul Nasser.

Mass arrests and executions quickly followed. Throughout Egypt, the terrorists of the Muslim Brotherhood were hunted down. Hundreds fled the country for Syria, Jordan, the Gulf, and Pakistan. But the movement had been crushed in Egypt.

It would soon rebuild elsewhere.

III. The Muslim Brotherhood today

With the destruction of the Muslim Brotherhood in Egypt, a series of adjustments had to be made to keep the tradition and the movement alive. But, because they had lost their base in Cairo and Alexandria, the

Ikhwan was forced out into the open as an agent of London.

In 1955, the Muslim Brotherhood relocated to headquarters in London and Geneva, Switzerland. In Geneva, the Institute for Islamic Studies was set up by Said Ramadhan. Ramadhan, who was a leading member of the Ikhwan in Egypt, fled Nasser's purge although he was indicted as a conspirator in the assassination attempt against the Egyptian President.

In London, Salam Azzam and Abdel-Rahman Azzam, the latter the ex-secretary of the Arab League, and both brothers at the top of the Muslim Brotherhood, relocated in London. There they established the Islamic Council of Europe. Today, the Azzam family and the Islamic Council are the chief force behind the Muslim Brotherhood from Morocco to Pakistan, operating through hundreds of "religious" centers across Europe and via a network of fundamentalist students at European universities.

Needless to say, Ramadhan and the Azzam family

are thoroughbred British agents, Anglophile to the core.

From London, the Islamic Council and the Ikhwan networks have established a far-flung empire. One of the key bases for the Ikhwan is South Africa, and in recent times Nigeria has become a center for Ikhwan activities in Africa. In the United States, the Muslim Brotherhood operates through several student organizations, especially the large and well-funded Muslim Student Association (MSA), and through some channels within the World Muslim League.

Naturally, there are powerful underground Ikhwan networks in Indonesia, Turkey, and virtually every Arab country, especially Egypt and the Sudan. Iran and Pakistan now are virtually colonies of the Muslim Brotherhood.

The chief organizations and foundations that today represent the core of the Muslim Brotherhood network of British intelligence are the following:

1. The Federation of Islamic Organizations in Eu-

Organizing U.S. campuses for New Dark Ages

The antisience feudalism and religious fundamentalism of Iran's Khomeini regime is being proselytized among U.S. student layers by the Plainfield, Indiana-based Muslim Students of America, the domestic arm of the Muslim Brotherhood. At a forum last week at New York City's Columbia University, one of an ongoing series sponsored by the MSA, a reporter for the *Executive Intelligence Review* observed the hard sell of this Dark Ages perspective first hand.

The forum featured as guest speaker Mansur Fahrang of Sacramento University, an associate of Khomeini's U.S. support network, which also includes Princeton's Richard Falk. Fahrang spoke at length on the impact of the Iranian revolution on "the people of the Third World, who have been oppressed by colonialist forces." He praised the superiority of Iran's Shi'ite Islam over other sects, asserting that by its nature Shi'ite Islam "resists tyranny."

But most revealing was Fahrang's rhapsodizing over the teachings of the assassinated Iranian sociologist Ali Shariati. Fahrang lauded the London-trained Shariati, who was an associate of the French existentialist circles around Jean-Paul Sartre and the Bertrand Russell Peace Foundation, as "one of the most creative thinkers of all times." The British-run sociologist "set an example for the Iranian people," said Fahrang, going "beyond the material dimen-

sion" and fighting for the "decolonization of the minds" of an Iranian people oppressed by the imposition of western values.

Following this revealing discussion of the philosophical underpinnings of the Khomeini regime, Fahrang laid out the essentials of the revolution's economic program. In answer to a question, Fahrang told a student that the radical, "Marxist" Iranian economist Abdul Hassan Bani-Sadr is working on a national policy based on Kuranic principles which he terms the "Economics of Oneness." A look at Bani-Sadr's plan indicates that it is comparable to the Maoist "back to the land" conception.

Following Fahrang's talk, Columbia University Professor Bulent called for a quick rebuilding of Muslim Brotherhood networks in Egypt and other countries to "spread" the Iranian revolution and create a regionwide community of Islam.

The moderator for the forum made numerous references to the "tyrannical" regimes of Iraq and Afghanistan. The MSA even provided an Afghani speaker to rave against "the communist and repressive regime of Afghanistan's president Taraki." The association then took up a collection for a support fund for the overthrow of the Taraki regime, and distributed leaflets against the Iraqi Baathist government, another target of Muslim Brotherhood destabilization operations.

rope. This organization, based in London, is made up of many dozens of organizations (see chart.) It functions as an umbrella organizations.

2. The Islamic Council of Europe. This is the Azzam family, mentioned above.

3. The Islamic Foundation. This organization, headquartered in Leicester, England, is headed up by Khurshid Ahmad. It is a leading conduit for money from British intelligence and from the Arab Gulf states, especially Kuwait and Saudi Arabia.

4. The Hans Seidel Foundation. This foundation, based in Munich, West Germany, is headed up by Otto von Hapsburg. The representative of the Seidel group in Cairo, Dr. Rainer Glasgow, is very close to the Muslim Brotherhood there.

5. The Institute for Islamic Studies. This is Said Ramadhan, in Geneva.

Funding for the Muslim Brotherhood activities of these organizations and institutions comes largely from two sources. Part of the capital comes directly from British circles, especially the British House of Lords aristocracy and the elite British banks and corporations. These include many of the institutions most closely identified with the Zionists, such as Lazard Freres.

The bulk of the funding for the operations of the brotherhood, however, comes from British-linked circles in the Arabian peninsula. Chief among them is Prince Abdullah of Saudi Arabia, who is widely known to be "London's boy" in Riyadh. Allied to Abdullah is the Emir of Kuwait, Saad al-Abdullah al-Salem as-Sabah, who has recently expressed sentiment in favor of Khomeini. Both Abdullah and Emir Sabah were trained together at Hendon Police College in London.

Other Gulf funding sources for the Muslim Brotherhood network are Qatar, Bahrain, and the United Arab Emirates, especially Dubai.

CAABU AND MECAS

To understand the forces in London that stand behind the Muslim Brotherhood, it is necessary to examine two archetypical British imperialist bastions that back the Ikhwan network.

The first is the Arab-British Center, which is also called the Council for the Advancement of Arab-British Understanding (CAABU). The second, recently closed after 35 years, is the related Middle East Center for Arabic Studies at Shemlan, Lebanon.

The Middle East Center for Arabic Studies (MECAS) was established under the auspices of the Royal Institute for International Affairs (RIIA) in 1944. It was set up in Shemlan, just south of Beirut, as a training center for British intelligence and Foreign Office personnel assigned to the Middle East.

MECAS brought together the elite of British, Zionist, and pro-British Arab circles. Among the chief founders of MECAS, perhaps even the godfather of the

center, was Abba Eban. At the time, Eban—who later rose to become foreign minister of Israel—was a mere captain in the British Army with very close ties to British and Zionist intelligence. In the circles close to Eban and MECAS in 1944 were several top British "Arabists": General Iltwyd Clayton, the military governor of Egypt during World War II who was very close to the Muslim Brotherhood; Lord Killearn, the British ambassador to Cairo; and his aide, Sir Walter Smart. This group was linked directly to the British Special Command of Liaison between the Special Operations Executive (SOE) and the Jewish Agency. Several SOE British intelligence officers were assigned to the MECAS group then, including General Wilson, Major General Taylor, and others.

Associated with the MECAS project at the time were such top British figures as Martin Charteris, the director of British Secret Intelligence Services; Sir Harold Beeley, private secretary to Queen Elizabeth; and Albert Hourani, a Lebanese member of the RIIA. In 1946, MECAS and Abba Eban sponsored a seminar with these and others on the subject of whether or not Egypt is part of the Arab world!

Since the 1940, literally hundreds of leading British intelligence officials and agents have been trained at MECAS, learning the Arabic language, history, and culture. Among past students and teachers there we find the famous Sir John Bagot Glubb Pasha and his son Faris Glubb; George Kirk of RIIA; A.J. Wilton, Britain's present ambassador to Saudi Arabia; Kim Philby; Sir Donald Maitland, Col. Bertan Thomas; and others.

The MECAS group over 35 years became the core of the British intelligence establishment that helped to sponsor the evil Muslim Brotherhood and other British operations in the area. Among its chief graduates are the modern-day Lawrences of Arabia that set up the Arab-British Center.

The center is the base of operations for several interlocked organizations: the Council for the Advancement of Arab-British Understanding; the Anglo-Arab Association; the Arab-British Charitable Trust; and the Labour Middle East Council.

Among its leaders and directors are: Sir Harold Beeley of MECAS, former ambassador to Cairo, presently chairman of the World Festival of Islam Trust with the UAE Ambassador Mohammed Tajir in London; Sir Richard Beaumont, KMG, OBE; Sir Charles Duke, KCMG, CIE, OBE; Sir Geoffrey Furlonge, KBE; Colin Jackson, MP; Peter Mansfield, Editor of *Petromarket*; and John Reddaway. Robert Swann, an assassin and top British-Thai intelligence agent, is also associated to the CAABU.

The British corporations and banks that support CAABU read like an imperialist who's who: Barclay's Bank, British Aircraft Corp., British Bank of the

Middle East, Lazard Brothers, Lloyd's International, Lonrho, National Westminster Bank, Rolls Royce, and Unilever.

Linked to CAABU and MECAS is the Anglo-Arab Association of Sir John Bagot Glubb Pasha. Glubb, the former commander of the Jordanian Arab Legion, is the foremost British Middle East hand. His son Faris Glubb is a correspondent in Beirut for the subversive *Middle East International* magazine, in which Robert Swann, Christopher Mayhew, Lord Hugh Caradon, David Watkins, and Marion Wolfson appear as writers.

CAABU, MECAS, the Anglo-Arab Association, and *Middle East International* bring together the elite support network for the intelligence operation that controls the Muslim Brotherhood. They are the real controllers of the Azzam family, Said Ramadhan, and the other Arab British agents.

Our investigations in Europe have turned up direct evidence that the CAABU circles represent the conduit in continental Europe for the Muslim Brotherhood. For instance, in Aachen, West Germany the so-called Mosque Bilal—linked to the Islamic Council group—has served as a covert station for the deployment of the Khomeini forces. The Mosque Bilal acted as a clearing house during the plot to destabilize Iran through Khomeini-Ikhwan circles in 1978, funneling Khomeini operatives from Paris and London across Europe and into the Middle East.

In this case, the channels operate primarily through Muslim-extremist groups of students. They are collected into the Federation of Islamic Organizations, in such organizations as the United Islamic Federation of the United Kingdom and Ireland or the Union of Islamic Students in Spain.

IV. London cults: the heirs of al-Ghazali—al-Afghani, the Bahais, the Sufis

In a very real sense, the founder of the Muslim Brotherhood—and indeed of all Muslim mystical and extremist organizations—is the infamous al-Ghazali. In his book the *Destruction of Philosophy*, Ghazali assembled together all the stale arguments of antirational ideologues since before the time of Plato, basing himself chiefly on the “fundamentalist,” ultraorthodox writings of al-Ashari. The 11th century al-Ghazali marked the beginning of the rapid decline of Islam as a system dedicated to science and reason and the rise of mysticism as the dominant force in the Islamic world.

Following al-Ghazali, the Sufi mystic Ibn al-Arabi became the official father of Islamic mysticism from the 12th century onward. The object of Sufism, as put forward by Ibn al-Arabi, is to find the “intermediate world” wherein communication between man and God

is directly possible. This, Ibn al-Arabi said, is the “world of the imagination,” in between the Platonic division between the world of the senses and that of the intellect. In fact, in the Sufi view, this is the world of dreams and fantasies, described as “illumination” by the Sufi. Such “illumination” is often reached by the aid of hallucinogenic drugs to induce psychedelic states of “heavenly vision.”

Such ecstatic movements have given rise over the years to the many transcendental orders of mystics and dervishes. Many of these orders are still in existence today. Among the chief ones are the Qadiri, the Naqshbandi, and the Suhrawardi. In the Sufi tradition, any important leader of a group de facto creates his own “sub-order,” leading to a constant proliferation of Sufi orders.

One of the striking things that has marked Sufi orders over the centuries, and is still true today, is the worship of the grave and of death. Tombs and burial sites have become shrines for followers of Sufism. Many of the Sufi traditions are mere holdovers from pre-Islamic times and have simply introduced pagan rites and rituals into the quasi-Islamic ceremonies of the Sufis. Witchcraft and other such devil worship and mother-goddess worship are common in Sufi circles, though disguised. Magic and incantations often play a prominent role.

Like the backward Hindu cultures, many Sufis adopted yoga and meditation as a means to the sought transcendental experience.

Perhaps the most important of the Sufi orders is the Naqshbandi sect, a Sufi brotherhood of Central Asia. The Naqshbandi order grew rapidly beginning in the 17th century under Sheikh Ahmed Sirhindi and then Shah Waliullah of Delhi (1703-1765), his successor. Both of these Sufi mystics arose to push orthodox ideology and a return to pure Islam after the collapse and breakup of the Mogol Empire and the decline of Islam in the East.

The Naqshbandi order spread rapidly into the Near East. Various Naqshbandi teachers traveled from Central Asia to Mecca, Cairo, Turkey and Persia spreading the Sufi mystical revival. The son of Shah Waliullah, Shah Abdal-Aziz, gathered around him a network of disciples including the Kurdish Sheikh Khalid al-Baghdadi (1775-1826), who visited India in 1809. In this instance, the impact of the British influence could begin to be felt. Radiating from British-run India, Eastern mysticism engendered an Islamic revival of xenophobic, Islamic “purity” that considered all outside influences to be suspect and evil. Some of the Islamic orders demanded “safeguarding ourselves from the penetration of Persian traditions and Indian habits.” Among the movements that arose at this time were the extremist Wahhabi movement in the Arabian peninsula.

By the middle of the 19th century, the mystical

tendency in Islam was crystalized into the movement that eventually, under British guidance, became the Muslim Brotherhood.

The initiator of pan-Islamicism was Jamal ad-Din al-Afghan. His movement arose in supposed reaction to the very conservative, pro-British Sir Sayyed Ahmed Khan, an Indian scholar who argued that Muslims must cooperate with the British Empire, an argument for which he was knighted! Al-Afghani, also a paid agent of the British, took up the other side of the coin, accusing Sir Sayyed Ahmed Khan of being a "rationalist." Against him, the theologians rose in horrified opposition, and al-Afghani stepped in to organize their fear.

Like Khomeini today, Afghani organized the clergy against "Western rationalism."

In the early 19th century, the Scottish Rite of Freemasonry and British intelligence had started to join up with the various Sufi brotherhoods in direct partnerships. Among the chief British controllers of this operation were Wilfred S. Blunt, a leading Mason, and Edward G. Browne. Blunt and Browne together were the case officers for al-Afghani. From 1871 onward, al-Afghani traveled from Afghanistan to Persia to Turkey to Egypt and Arabia, often visiting Europe as well. During his long career, al-Afghani—and his leading disciple Mohammed Abduh—laid the foundation for the Ikhwan of Hasan al-Banna.

During a visit to Turkey—so the story goes—al-Afghani was recruited into the Freemasonry by Wilfred Blunt, and then he was sent to Cairo to organize the Cairo Freemason Lodge. There he was sponsored by Mustafa Riad Pasha, a close collaborator of London financial interests and Lord Cromer of the Baring banking family. In Egypt, al-Afghani organized the circle around Mohammed Abduh and Rashid Rida of Syria, which became known as the "Salafiyya circle." It was this group into which the young Hasan al-Banna, properly selected and channeled, entered in the 1920s and created the Muslim Brotherhood.

The Bahais

According to several reports, al-Afghani was secretly a member of the mysterious Bahai cult of Persia.

The Bahais, who today number over 300,000 in Persia (Iran) alone, are and always have been a tool of the British Secret Intelligence Service. Although their largest number is in Iran, the largest temple of the Bahai cultists is in Haifa, Israel, and the headquarters of the Bahai world organization is in Wilmette, Illinois.

Bahaiism began as a radical messianic cult in Persia at the beginning of the 19th century. Assembling a mish-mash of Islamic, Christian, and Zoroastrian ideas, the founders of the Bahai—with the full support of the British Freemasonry—built a Jim Jones-style cult that rapidly made itself the enemy of every government in the Middle East, especially the Persian Shah and the

Turkish Ottoman sultan. In Persia, following an attempted assassination against the Shah in the mid-19th century, the Bahai cult was expelled from Persia and eventually settled in Istanbul.

Despite the fact that the Bahais were nothing more than insane cultists and terrorists, the British were quick to defend them. Among the leading defenders of the Bahai was E.G. Browne, the partner of al-Afghani.

The most important organizer of the Bahai cult was Bahaullah and his son Abdul-Baha. In the first years of the 20th century, when it was widely known that the Bahai cult was the product of British inspiration, the Bahai were accused by the Turkish government of trying to establish a "colony" of sorts in Syria that could then provide a beachhead for the British in the Ottoman Empire. In 1904 and 1907 the Turks investigated the Bahais, and the report of the investigation recommended that the Bahai cult be banished from the Ottoman domain. But before the sentence could be carried out, the British-Freemasonry-backed "Young Turks" made their revolution and Abdul-Baha was released from prison.

Immediately following his release, Abdul-Baha began a world tour to London—where he met the elite of that city—and to New York, for a tour of speaking engagements in the United States. In the course of 1912, according to the official Bahai publication, Abdul-Baha in America spoke to "university students, socialists, Mormons, Jews, Christians, agnostics, Esperantists, peace societies, New Thought clubs, women's suffrage societies," and many other centers.

Finally, in 1918, Abdul-Baha was knighted by the Queen of England.

Throughout his lifetime, Abdul-Baha and the Bahai cult were at the center of the organizing of the British Fabian Society, and linked to the world federalists, the Esperanto group, and various British-led social reform movements.

During the destabilization of the Shah of Iran in 1978, it was reported that in several instances the Bahai cult—which is hated in Iran even today, and is still correctly considered to be an agent of the British Crown—funded secretly the Khomeini Shi'ite movement! Many Iranians have reported that the Bahais are still actively working for British intelligence.

Idris Shah

Out of the British melting pot of Sufism, Bahaiism, the mystical brotherhoods like that of al-Afghani, and so forth, the Muslim Brotherhood emerged.

As it emerged under British tutelage, the Sufi movement cohered perfectly with the developing strategy for a New Dark Age. Because the Sufist is especially focused on introspection and *fana*, or the destruction of one's ego and self, the intellect is suppressed in favor of the emotions and sensuous meditation.

To communicate that anti-intellectual, mystic concept in the modern context, the British virtually created overnight a phony Sufi intellect named Idris Shah. Descended from certain Sufi circles of the 19th century, Idris Shah's father worked quite closely with London and authored a book, *Controlling the Mind of Asia*.

In simplest terms, Idris Shah, who is often cited as the world's foremost expert on Sufism, is a fraud and an absurd joke. Among his "scholarly" books we find, first, *Oriental Magic*, a serious study of witchcraft and occult by a believer; and *The Book of the Book*, a 263-page volume which is entirely blank! (The London Sunday Telegraph, in its review, called the *Book* "an extraordinary psychological test"!)

Let us glance at the list of those who attended a recent "Symposium in Honor of Idris Shah," the

funniest fraud since the Piltdown Man. In the list we find:

—Sir John B. Glubb Pasha

—Sir Edwin Chapman Andrew, Knight of St. John, KCMG, OBE, KCSG; St. John's College, Oxford; British Ambassador to Sudan, Lebanon; Council of the Anglo-Arab Association

—Rev. Sidney Spencer, author *Sufi Attitude*; Professor of Comparative Religion, Oxford; Unitarian Church; specialist in mysticism

—Makram Ebeid, an Egyptian Copt; author of *Influence of Sufism on World Civilization*; Victoria College; friend of Anwar Sadat and so forth. These are the perpetrators of the fraud of Idris Shah, Sufi. And this is how cults are made.

Iranian strongman Yazdi: a British creation

The *Executive Intelligence Review* has compiled an extensive dossier proving that Iranian strongman Ibrahim Yazdi is the creation and tool of a string of Anglo-American intelligence agents operating out of the University of Pittsburgh, Georgetown, Princeton, Oxford, and Cambridge.

EXCLUSIVE TO EIR

Published here in full for the first time, the dossier traces the career of the man who is Ayatollah Ruhollah Khomeini's personal controller and the moving force behind the continuing wave of terror and bloodletting in Iran. Yazdi is also responsible for the drastic "anti-Western" reduction in Iranian oil production.

Behind Yazdi's cultivated image of pious sincerity lies the international network of the Muslim Brotherhood. Ibrahim Yazdi is not a sociological phenomenon that resulted from the "too-rapid modernization" of Iran, as the press portrays him, but an individual deliberately selected, groomed, and deployed for his current role. By focusing on Yazdi, the *Executive Intelligence Review*, in the urgent interest of informing promodernizing political forces especially in the Middle East, intends to expose him not only as an individual but as a *type* and to explicate the *method* used by British intelligence and its collaborators to carry out its "Dark Ages" designs.

What is Ibrahim Yazdi?

During the 1950s, while still in Iran, Yazdi, who was active in the Freedom Front resistance movement around nationalist leader Mossadegh, was extensively

profiled by his future controller, Richard Cottam. Cottam was an American Foreign Service officer sent to Iran with instructions to make contacts with the Shah's opposition. Cottam also targeted and groomed another member of the resistance, Said Ghotbzadeh. Like Yazdi, Ghotbzadeh was to emerge as a key international coordinator of Ayatollah Khomeini's takeover of Iran. Ghotbzadeh is currently the director of the National Iranian Radio and Television under Khomeini.

For the next 20 years, Cottam maintained close ties with Yazdi and Ghotbzadeh, frequently meeting with them for strategy in the United States, Europe, and Iran. In 1970, Cottam visited Iran. "Ghotbzadeh set up a lot of contacts for me while I was there," Cottam recently reminisced. "But he did a sloppy job. I almost blew some covers." The latest meeting with Yazdi and Ghotbzadeh took place late last winter when Cottam traveled to Khomeini's headquarters in France.

Cottam's involvement in the Iran operation is demonstrated graphically by his collaboration with an ultraleftist terrorist by the name of Derakshesh with known ties to Britain, who, in the early 1960s, took over the Iranian National Teachers Association. In 1963, he deliberately led the National Teachers Association into a set-up strike situation that resulted in a bloody confrontation with the army, triggering a wave of clashes throughout the country. In April 1977, Derakshesh traveled to France and then the United States to coordinate the Khomeini operation, meeting with both Ghotbzadeh and Yazdi. He also met with Cottam.

Derakshesh reportedly asked Cottam to intercede on his behalf in Washington for support from the Carter Administration, encouraged by Carter's stand

on human rights. Cottam went to Washington and discussed supporting the Khomeini crew with the National Security Council. According to one account, Cottam returned "discouraged" from Washington and told Derakshesh and company to "go it alone." Derakshesh promptly did just that. Immediately a letter signed by 40 individuals appeared in the press protesting the Shah's censorship, followed by another letter one month later. The ball had started rolling.

Khomeini's mindset

Yazdi's wife has described Cottam as "a very close friend of my husband, the one person who knows more about him than even I do."

Currently a professor at the University of Pittsburgh, Cottam has become one of the most vociferous U.S. supporters of the Khomeini regime, hailing Khomeini as "the most important Islamic existentialist in three centuries." Cottam denounces "the racist attitudes of those people and groups who charge that under Khomeini Iran is returning to the Dark Ages." Defending the tyranny of the Khomeini regime, Cottam insists: "You have to understand Khomeini's mindset."

In 1959, Yazdi came to the United States, received a doctorate from the Massachusetts Institute of Technology, and joined the faculty of Fairleigh Dickinson University in New Jersey in the early 1960s. A few years later, Ghotbzadeh arrived in the United States, enrolled in Georgetown University, and later flunked out. Admits Cottam: "Ghotbzadeh was crazy. In fact, he still is." Ghotbzadeh left the United States, but traveled frequently from his new base of operations in France to the United States, often entering the country illegally without a visa and meeting with Yazdi and Cottam. "The State Department turned a blind eye to Ghotbzadeh's illegal entries," said Cottam recently. "They knew he was coming in and we were meeting, but they just let it happen. Later on, they began issuing him visas, so there was nothing illegal about it."

Both Yazdi and Ghotbzadeh were active in building up the Muslim Brotherhood in the United States, recruiting Muslim students and professionals into various Brotherhood front groups that they established. In 1963, Yazdi helped set up the Muslim Students Association, which, over the past 16 years, has extended the tentacles of the Muslim Brotherhood throughout the United States and Canada. In addition to the MSA, Yazdi set up the Iranian Students Association. He later split away from the ISA, establishing the Young Muslims Organization as a "religious" alternative to the more secular and increasingly leftist ISA. Operating from Paris, Ghotbzadeh set up an operation parallel to the YMO.

On the road

In 1964, Yazdi traveled to Europe, spending the next three years in France, west Germany, and at the

American University in Beirut, long a bastion of Anglo-American intelligence operations in the Middle East. Upon his arrival in Paris in 1964, Yazdi went to visit Ali Shariati, the Bertrand Russell Peace Foundation-linked fanatic Iranian ideologue, whose notions of "Islamic socialism" were to form the synthetic theoretical foundations of the Khomeini movement. Shariati and Yazdi discussed returning together to Iran to extend their networks into Iran itself. It was decided, however, that Shariati would go first, to be followed by Yazdi. Shariati was captured and arrested on the border, and instructed Yazdi, waiting in Paris, not to follow him.

During his stays in Paris over the next three years, Yazdi coordinated his activities with Ghotbzadeh and the network of French Anglophiles, existentialists, environmentalists, and anthropologists now lined up behind the Khomeini movement.

Returning to the United States in 1967, Yazdi moved to Houston, Texas, taking up a research and teaching post at Baylor Medical College. "I doubt he did much teaching," stated Georgetown University professor Thomas Ricks, the national coordinator of the pro-Khomeini U.S. Peoples Committee on Iran and a key Yazdi controller. "Every six weeks or so he was always coming to Washington, meeting with all kinds of people, building up his Young Muslims Organization against the Iranian Students Association, and so forth. He was always very discreet, very careful, about his meetings.

"I was a bit dissatisfied with Yazdi," Ricks admitted. "He was too vague and too general for me, and a little bit difficult to get along with."

With the Khomeini takeover in Iran, Yazdi assumed the post of Minister of Revolutionary Affairs. Late last month, Yazdi became foreign minister and took over the security apparatus. Yazdi's 4,000-strong komiteh militiamen, responsible for the continuing bloodbath in Iran, were integrated into the national police force, institutionalizing lawlessness and assassination throughout the country.

In Washington, Yazdi's son-in-law, Shariah Rouhani, a former regional representative for the Muslim Brotherhood-controlled Muslim Students Association, became the official U.S. spokesman for Yazdi and the Khomeini "revolutionary government." According to his associates, Rouhani, who for the last 10 years has been working closely with Yazdi, is spending much of his time browbeating Iranians living in the U.S. into dropping their opposition to Khomeini's fascist rule and endorsing the "new Iran."

Giscard, Brezhnev sign pact for peace

A ten-year program for French-Soviet cooperation

French President Giscard d'Estaing and Soviet President Leonid Brezhnev sealed a series of agreements in Moscow this week that commit the economic and technological resources of France and the Soviet Union to a full-scale mobilization to prevent war by raising global living standards and solving, in their words, "the problems of humanity." In the joint communiqué issued by the two leaders, whose summit occurred during Giscard's visit to the Soviet Union April 25-27, the second industrial power of Western Europe and the socialist sector's "superpower" broadcast their agreement to coordinate political action to resolve the hot spots that threaten to erupt into nuclear war between East and West.

Not one word about this vitally important summit has so far appeared in the USA's purported "newspaper of record," the *New York Times* and the *Washington Post*.

The choices for Europe

The impact of French President Giscard d'Estaing's visit to Moscow is comparable to the Bonn meetings last year between the West German and Soviet heads of state. Those meetings initiated the launching of the European Monetary System (EMS) as a joint effort between Paris and Bonn. Moreover, the meetings are strategically timed, coming when the EMS is under intense Anglo-American pressure to join a war confrontation with the USSR. The political and economic results of Giscard's trip will form the foundation for a newly strengthened European opposition to the frantic assaults of London and Washington against the EMS conception of ensuring detente through cooperative international economic development.

While Giscard was in Moscow, the Bilderberg Club was meeting to finalize plans for the economic destruction of Europe through the use of terrorism and the oil weapon. The followers of British Tory leader Margaret Thatcher and her continental allies grouped under European Parliament candidate Otto von Hapsburg were also in conference over the role of Western Europe in an international assault on Moscow. George Ball, a participant at the Bilderberg conference, wrote an Op-Ed for the *New York Times* deriding French "illusions" in pursuing Gaullist policies of detente, threatening Europe with nihilistic violence if it refused to toe the Anglo-American war line.

Giscard and Brezhnev established the principle of maintaining continuous bilateral consultations at various levels to ensure the necessary quality of political cooperation. The consultations will be maintained through periodic meetings of the Soviet and French Foreign Ministers and the establishment of permanent working contacts between officials of the foreign affairs ministries on all questions of common interest.

Most important, the final summit communiqué asserted that the two respective heads of state will themselves meet on a regular basis once a year, a development unique in Soviet-Western relations.

The foremost aim of these summits and ministerial-level meetings will be, as the communiqué emphasizes, mutual cooperation to prevent the outbreak of war.

As with West German Chancellor Schmidt's earlier agreement, Giscard's pact with the Soviets included an array of planned projects for cooperation in their respective national development and for joint cooperation in Third World development. Another result of the Giscard-Brezhnev summit of potential major international significance was the provision in the communiqué pertaining to Giscard's standing proposal for a European-wide disarmament conference. The need for such a conference was noted in the final document of the summit, indicating the Soviets' first stated consent to the proposal.

The communiqué also outlines agreement on some of the major international "hot spots" such as the Middle East, where the Camp David formula was renounced in favor of the overall settlement supported by both Paris and Moscow.

The combined impact of this series of agreements makes the Franco-Soviet pact the political equivalent of the formal nonaggression pact which Moscow had originally proposed—a point not lost on continental supporters of the London-Washington war action.

Trilateral Commission member and editor of the French daily *Le Monde*, Alexander Fontaine, on May 1 authored an attack on the "European Council" created by Giscard and West German Chancellor Helmut Schmidt whose foundation lies in peaceful cooperation with Moscow. Fontaine counterposed the Europe of the London-allied House of Hapsburg as the model for a British-dominated Europe of the regions.

—Vivian Zoakos

The French-Soviet joint communiqué

The following is the text, with minor abridgements, of the "Program for the development of cooperation between France and the Soviet Union in the interests of peace and detente," signed in Moscow on April 28 by Presidents Giscard d'Estaing and Brezhnev.

I. General principles

The two parties are agreed that their political consultations and cooperation will be deepened through:

- regular meetings at the summit level to be held, in principle, once a year;
- the continuation of confidential contacts through the exchange of personal messages and, if necessary, use of direct liaison between the Kremlin and the Elysee Palace;
- periodic meetings of the Foreign Ministers or their representatives, in accord with the Franco-Soviet protocol of 1970;
- development of the practice of working contacts between the Foreign Ministries on questions of common interest;
- improvement of existing cooperation mechanisms in the areas of economics, trade, science and technology, especially mixed commissions and working groups...

II. Cooperation in the international arena

Considering that the *prevention of war* is of cardinal importance for all states, the Soviet Union and France solemnly declare that they will do everything that depends on them, for humanity to be rid of the threat of war. They stress the significance they attach to the principles of the United Nations Charter and the Final Act of Helsinki on the nonuse of force or the threat of force, the peaceful settlement of disputes, respect for independence, the inviolability of borders, territorial integrity, and noninterference in internal affairs.

...France and the Soviet Union express their conviction that the *policy of detente* represents the only way to ensure peace and the institution of good-neighborly relations, harmony, and cooperation among states.... France and the Soviet Union consider that the basic way to deepen detente in *Europe* is the implementation of all the principles of the Final Act of the Conference on Security and Cooperation in Europe (CSCE) by all the signatory countries....

France and the Soviet Union stress that the policy of force, of blocs, or of hegemony, is incompatible with peace and detente, as well as with the interests of the

Giscard and Brezhnev toast new relations

At the dinner offered by French President Giscard d'Estaing in Soviet President Brezhnev's honor on April 26, the two presidents offered toasts which are excerpted below. Brezhnev's comments on China are particularly relevant at a time when the Chinese are again proposing to "teach Vietnam a lesson."

Leonid Brezhnev: Recently, the world experienced what could be called a shock. A great power had recourse to arms and invaded a neighboring country, cynically asserting that they proposed to teach them a lesson. ... Peace is a common patrimony. ... We are in favor of self-control ... but we are also in favor of a firm response to aggression when this becomes necessary. ... I am certain that the present talks (with the French President) will be substantial and fruitful.

Giscard d'Estaing: The time has come to reach a new stage in contacts between the USSR and France. ... Experience has shown the usefulness and importance of the contacts which have been progressively established between French and Soviet leaders. ... I would not betray any secrets by revealing that we have both gotten into the habit of exchanging, in between our meetings, personal messages on all the great subjects of international policy that events bring to the fore. ... I would like to take this opportunity to state here that France appreciated the restraint manifested by the Soviet Union during the recent events in Southeast Asia.

peoples, and must not be encouraged in any way.

...In the event of situations arising which, in the opinion of the two parties, create a threat to peace or violate peace, or cause international tension, the governments of France and the Soviet Union will immediately enter into contact in order to coordinate their positions on all aspects of such situations and on measures which would make it possible to deal with such situations.

The Soviet Union and France will apply decisive efforts to help *anticipate and remove hot-spots of tension* and settle unresolved international problems.

The Soviet Union and France favor the reduction of tensions in *Asia*. They are for the stable and peaceful development of this continent. To this end, they believe that abstention from all acts of force by all states, respect for independence, sovereignty and territorial integrity of each of the states of the Asian continent, noninterference in internal affairs, and the right of each people to freely determine its destiny, are indispensable.

France and the Soviet Union will apply their efforts to eliminate the hot-bed of tension existing in the *Middle East*. They are convinced that a genuinely just and durable peace in this region can only be established through a comprehensive settlement, with the direct participation of all the interested parties.

France and the Soviet Union firmly advocate respect for the principles of sovereignty, territorial integrity and inviolability of borders in *Africa*, and a peaceful settlement of disputed problems by the African states themselves, with the aid, if necessary, of their own organizations, without outside interference. They favor the immediate granting of independence to those peoples who have not yet obtained it and the cessation of...apartheid.

In the interest of their cooperation in the international arena, the two parties will encourage the comparison of analyses and prognoses of the most important tendencies in world politics, through their appropriate scientific institutions and, when appropriate, their Foreign Ministries.

Disarmament

France and the USSR...declare their intention to do everything which depends on them to arrive at real progress [in disarmament], with the final goal of general and complete disarmament, including nuclear disarmament, under effective international control.

The two parties agree in stressing the following principles:

- the necessity...to respect the right of all states to security....;
- coordinated cessation of the further quantitative and qualitative increase in armaments and armed forces, including all categories of weapons with due consideration of their specificity, and above all by the states with a major military capability;

- complementarity of political detente and measures to reinforce security and confidence in the military field;
- necessity of continuing the efforts begun in the framework of SALT, to put an end to the strategic arms race and to proceed to their actual reduction;
- necessity for further efforts to prevent the proliferation of nuclear weapons...;
- necessity for a collective examination by the states which signed the Helsinki Final Act of questions concerning the attenuation of military confrontation, confidence-building measures, and...armaments reduction in Europe;
- use of part of the budgetary means thus freed to aid the developing sector countries.

III. Economic cooperation

...The two parties have assigned themselves the goal of arriving at new and substantial progress in the next years.... [They] will particularly favor the realization of major industrial projects. In addition, they will encourage the search for new forms of cooperation and its extension to other areas... The planning agencies of the two countries will carry out research so that the long-term needs of the economies of France and the Soviet Union will be better taken into consideration in the development of their cooperation. ...

IV. Scientific and technological cooperation

Highly evaluating the results of 15 years of cooperation in this area, where rapid and sometimes impressive progress has been achieved, the two sides will further provide for deepening this cooperation, including through the elaboration of programs in the most promising areas, such as the peaceful use of nuclear energy, space research, basic research, and others. They will pay attention to the even stronger link of the goals of scientific and technological cooperation and the economic development needs of the two countries.

V. Military contacts

The two parties attach great importance, in the spirit of detente, to military contacts established between the Soviet Union and France, including between the highest officers of the two countries. They will continue such contacts and expand them, being convinced that this will strengthen the traditional feelings of respect which the armed forces of each country feel for the other's.

VI. Cultural cooperation and exchanges. ...

VII. Cooperation on problems facing humanity

The Soviet Union and France, aware that humanity ought to show solidarity both with respect to the goal of preventing war and in the face of problems of a global nature which can only be solved by the joint efforts of the peoples, declare their resolve to coordinate their actions—bilaterally, with all other states, and with international organizations—in the search for solutions to such problems as environmental protection, combating disease and famine, raising the social and economic level of the developing countries, beginning with the poorest, research in the world ocean and space, the discovery of new sources of energy, etc.

The two sides have developed this program, proceeding from the conviction that its implementation will open before the Soviet Union and France new horizons of cooperation for the good of the present and future generations of Soviet people and Frenchmen, and will broaden the opportunities of securing a firm and lasting peace.

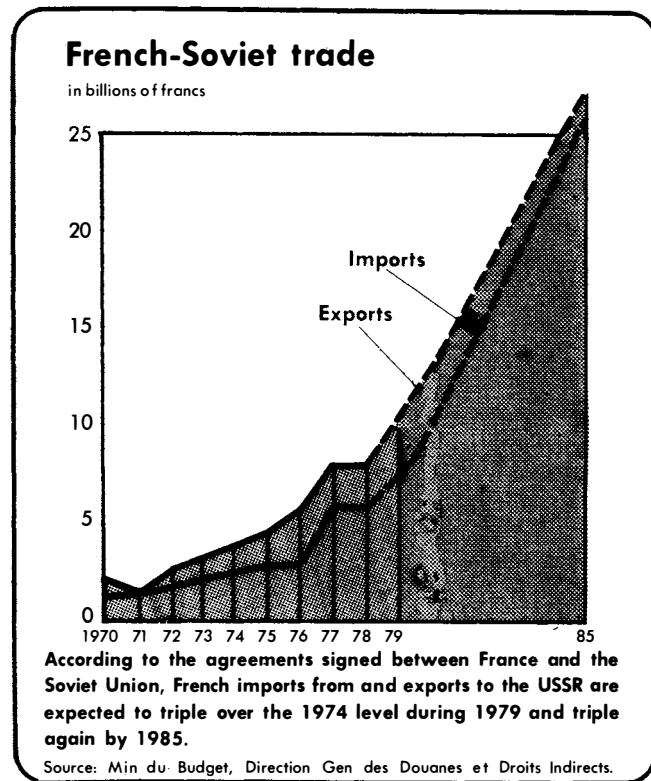
A ten-year program for French-Soviet cooperation

Giscard and Brezhnev signed two agreements on economic, industrial and scientific cooperation, one for the period 1980-1985, and the other, excerpted here, for 1980-90. Additional agreements were concluded on (1) improving lines of communication between the Kremlin and the Elysee, (2) encouraging study of the Russian and French languages, (3) scientific and industrial cooperation in the areas of computer technology and electronics, and (4) cooperation in oceanographic research.

From the Long Term Program for deepening economic, industrial and technical cooperation from 1980-1990.

- cooperation on the basis of balance and mutual benefit;
 - conclusion of long term agreements and contracts between Soviet foreign trade organizations and French firms;
 - development of contacts between responsible Soviet organizations and French firms, particularly to ensure broad exchange of information on the concrete possibilities for cooperation.

The sides agreed to facilitate the development of new directions and forms of cooperation, making it possible to more fully utilize the technical, industrial, and natural potentials of each country. They will try to take into account the possibilities presented by the exchange of patents and licenses, scientific-technical



experience and cooperation with third countries.

Within the bounds of their competence, the sides will work to realize the cooperation projects. They have arranged that equipment and technological processes supplied must be up to the most advanced achievements of technology and must be offered on competitive terms.

Recognizing the importance of financing for the further development of economic, industrial and technical cooperation, the sides will make efforts, within the bounds of the respective legislation, to make credits available under the most favorable and mutually acceptable conditions possible....

The sides believe that one of the most important areas of cooperation between the USSR and France is cooperation in industry...

The sides note that the following branches of industry are the most promising for the further development of economic cooperation: energetics, particularly new types of energy, the transmitting and economizing of energy; electronics, including information and electronic computer facilities; machine-building, including machine-tool construction; metallurgy, chemistry and petrochemistry....

The sides note that the development of agricultural production is an important factor for the economic progress of both countries. ... The sides believe that there exist favorable possibilities for deepening cooperation in this area, with the goal of...raising the productivity of agriculture....

What the press is saying about the accords

A sampling of last weekend's press coverage of the new French-Soviet accords shows enthusiastic responses from France and Italy, lies from Britain, and a total blackout by the U.S. press

In France

Le Figaro, April 28-29, editorial by Paul Marie de la Gorce entitled "Realism": "So much has been said against the very existence of this policy baptized 'detente, entente and cooperation' by its first promoter, General de Gaulle, 15 years ago, and which the current President of the Republic has just rebaptized with the same name. Yesterday, it was so many accusations of complacency, of dividing the West, and as always, of nationalism. Today, it is reproaches of blindness on the Soviet menace, of negligence with respect to the increasing power of the USSR, of error on the results of detente, which we are told will only benefit the Russians. ... It has also become fashionable to use the curious word 'finlandization,' a rather insulting term used against a respectable country, a free country, an admirable people. ... But reality has prevailed ... and this reality is very simply defined. If we don't want to be fighting a war against each other, we have to organize relations between rival nations to make them as rational as possible, that is to say to ensure what is called detente. ..."

Les Echos, April 30, article by Thierry Doelnitz entitled "The Franco-Soviet rapprochement should favor industrial cooperation": The Franco-Soviet summit ended on a note of optimism, inspired it seems by the will of the USSR to improve its relations with the West. President Giscard d'Estaing declared that the commercial exchanges between the two countries had gone through a 'very clear upswing' during the first months of 1979. The goal of tripling trade in five years will be 'practically achieved' this year, the joint communiqué affirms. Mr. Brezhnev declared that the 'perspectives for cooperation between the USSR and France have become clearer and more confident,' ..."

Le Monde, April 29-30, article by Jacques Amalric: "The communiqué devoted to disarmament calls for a 'collective examination by all the states that signed the Final Act of Helsinki. ...' What would this 'collective examination' consist of? No one can say yet for sure,

since the USSR and France will not be the only countries deciding. But one can nonetheless note that the formulation used considerably broadens the initial idea of Giscard, since it is not made explicit that it will be (limited to) conventional weapons, and since the expression 'attenuation of the military confrontation' covers several Soviet proposals, in particular a ban on first use of nuclear weapons, a non-aggression pact, etc."

L'Humanité, the French Communist Party daily, April 30, article by Max Leon entitled "Converging interest of the two countries": "If this last idea (of a "collective examination" etc.) were followed through—we are still far from it—we could conceive of an interesting initiative, made simultaneously by France and the Soviet Union which, addressed to the 33 countries of Europe, the U.S., and Canada that signed the final act in 1975, would invite them to prepare for a new Pan-European conference...."

In Italy

Corriere della Sera, April 28, article entitled Spectacular offer from Brezhnev to Giscard: A French-Russian Space Team": "It's the first time that one of the two great powers has offered a 'space ticket' to a country from the other ideological camp ... without too much expense, and without many risks, the Soviet Union can demonstrate its willingness to share its own space technology with a country that is an integral part of the political and economic alliances of the West...."

In Britain

Financial Times, April 30: "... Although Mr. Giscard d'Estaing described the meeting as 'the most useful' he had had with the Soviet leader since he became President in 1974, and although Mr. Brezhnev said the Soviet Union had every reason to be satisfied with the outcome of the talks, it was clear that Paris and Moscow continue to disagree on a number of important problems. The main bones of contention remain the two countries' different policies on disarmament. ..."

In the United States

New York Times, April 28: The full extent of coverage of the trip consisted of a 200-word UPI blurb entitled "Soviet Offers to Send Aloft An Astronaut from France."

Washington Post, April 30: There were no reports. Like the *New York Times*, its weekend headlines were devoted to "President (Carter) Likens Soviet Dissident to Bible Figure."

Vietnam and China talk while preparing for a new war

While Vietnam and China are talking in Hanoi, both sides are preparing for a new outbreak of fighting that may this time involve the Soviet Union and the United States. The impetus for the present talks, especially when the opening negotiating positions of the two sides are examined, clearly comes from the Vietnamese. The Chinese for their part, while obliged to talk, are already proclaiming, as Vice-Premier and Chinese strongman Deng Xiaoping did this past week, that China is ready to "punish" Vietnam again if their "provocations" continue. With Henry Kissinger in Peking telling the Chinese that their previous invasion was a "moral" and "courageous" act, the Chinese seem to feel assured that the Carter Administration and others here will back them up.

Indeed Joseph Kraft, that noted mouthpiece for high-level policymakers in Washington, made clear in a recent column that if China goes to try to "teach" Vietnam a lesson" again, the U.S. will not this time remain so distant from the conflict, and neither will the Soviet Union.

The circumstances of the talks in Hanoi are shaped in large part by events in the region, particularly in the neighboring Indochinese states allied to Vietnam, Laos and Cambodia. The Laotians last week sent a note to the United Nations Secretary General and the Security Council protesting Chinese incursions into their country, including stirring up of Meo tribesmen who inhabit the area of northern Laos and stretch into China, and warning of Chinese preparations for an invasion into Laos.

The Cambodia situation is the key to the present events, however. The Chinese are clearly perturbed that, following the failure of their previous invasion which resulted in heavy Chinese casualties and much destruction of Vietnamese life and property, they made no dent in the core regular forces of the Vietnamese army and did not force them to remove forces from Cambodia and Laos. More importantly, in the past weeks combined Vietnamese and Cambodian forces (of the new Phnom Penh government) have carried out a major offensive which has succeeded in smashing

remaining concentrations of Pol Pot forces and driving them into Thailand. With the rainy season approaching in weeks, it looks as if they will have scored the January victory of the Heng Samrin Kampuchean United National Front.

China, then, is in a strategic box. Their initial invasion was aimed at saving their barbaric protégés in Cambodia and at destroying the Vietnamese who stand as an obstacle to the Chinese designs of dominating the Southeast Asian region. If the Vietnamese are able to consolidate their alliance with Laos and Cambodia, China's great power hopes will fade rapidly. China, from Peking's standpoint, must act—but is such action going to bring anything except a greater and more disastrous military and political defeat for the Peking regime?

Negotiations betray China's strategy

The conduct of the talks gives the Chinese game away. At the time of the invasion China sanctimoniously proclaimed that this was limited response to Vietnamese border provocations and offered to negotiate. After getting a healthy drubbing from Vietnamese forces, mostly irregular units, the Chinese withdrew, likely under the shadow of imminent Soviet intervention. The talks began with the Vietnamese making a reasonable three-point proposal (printed below) which took seriously the Peking regime's own premise for its actions by proposing steps to demilitarize the border region and settle border claims.

The Chinese response was to dismiss the border issues as relatively unimportant and instead call for Vietnam to withdraw its forces from Laos and Cambodia, recognize Chinese claims to two island groups in the South China Sea (the Paracels and Spratley Islands), pledge no Soviet military presence in Vietnam, and generally acquiesce in China's domination of the area. The Chinese aims then are barely hidden and the rationale for their costly invasion is deftly put into the desk drawer ... for now.

The Vietnamese counterresponse was twofold. They denounced the Chinese lack of sincerity, warned about

buildup of Chinese troops, Chinese incursions into Vietnamese air and water space, and then reiterated their three-point proposal. Vietnamese Premier Pham Van Dong told Western reporters accompanying U.N. Secretary General Waldheim that the talks had not broken down, that Vietnam is ready to keep talking. He also rejected Waldheim's mediation offer as unnecessary—what he did not say on that was that the offer, which the Chinese have embraced, is obviously part of an effort to rescue Peking from its dilemma.

The Waldheim offer resembles the idea, floated by Sihanouk in Peking, by Assistant Secretary of State Warren Christopher, and others, to hold a Geneva-style "international conference" to discuss the "neutralization" of Laos and Cambodia. The Chinese play it both ways—on one side they run guns to the Pol Potists and

pressure the shaky Thai regime to allow sanctuary and actual aid to the remnants (allowing them to escape a Vietnamese-Cambodia trap at the border) in hopes of keeping their brutal friends alive. On the other hand they play with the pathetic Sihanouk as the "neutral" option, a man who is now reduced to dining with and praising Henry Kissinger—the man responsible in large part for Sihanouk's ouster in 1970. It is highly unlikely, given Vietnamese determination not to give the Chinese any maneuvering room, that such ploys will work. Peking then must choose—war again, a war that may become a global confrontation within days, or back off. Presumably the top level leadership meeting reported going on now in Peking is making that ominous decision.

—Daniel Sneider

The Vietnamese peace proposal

The following proposal, entitled "Main Principles and Contents of a Three-Point Settlement of the Problems Concerning the Relations Between the Two Countries," was put forward by the Vietnam government delegation in the first session between the Vietnamese delegation and the Chinese delegation negotiating an end to the hostilities between the two nations on April 18, 1979 in Hanoi:

1. Urgent measures to secure peace and stability in the border areas of the two countries and to ensure an early reunion of the people captured during the war with their families:

a) To refrain from concentrating troops close to the border-line, to separate the armed forces of the two sides: the armed forces of all kinds of each side along the entire border-line to pull back into their territory to a distance of three to five kilometres from the line of actual control prior to February 17, 1979.

b) To stop all acts of war provocation and all forms of hostile activities violating the sovereignty and territorial integrity of the other side and threatening its security.

c) The zone lying on either side of the line of actual control mentioned above and wherein the armed forces of the two sides will be no longer present, shall become a demilitarized zone. The status of this demilitarized zone shall be agreed upon between the two sides.

d) The two sides shall exchange at once lists of people captured by the two sides during the war so that they may be returned as soon as possible.

e) To set up a joint commission of the two sides to supervise and control the implementation of the above-mentioned measures.

2. Restoration of the normal relations between the two countries on the basis of the principles of peaceful coexistence: respect for independence, sovereignty and territorial integrity; non-aggression, refraining from the use of force or the threat of the use of force; non-interference in the internal affairs of the other side; settlement through negotiations of disputes and differences in the relations between the two sides, development of economic and cultural relations in a spirit of mutual respect and mutual benefit.

On that basis, to restore railway, civil aviation, postal, etc. relations.

To resolve the question of the aftermath of the war.

3. Settlement of border and territorial problems between the two countries on the principle of respect for the status-quo of the border-line left by history and delineated by the 1887 and 1895 Conventions signed between the French Government and the Tsing Government, as agreed upon between the Vietnamese and Chinese sides; respect for independence, sovereignty and territorial integrity.

The making of John Connally

Presidential candidate woos Zionists at New York event

On April 5, 1979 Republican presidential hopeful John Connally met behind closed doors with the leadership of the American Jewish Committee at their headquarters in New York City. The meeting had been arranged by Rita Hauser, a leading Zionist, a founder of the warhawk Committee on the Present Danger, and a director of the American Ditchley Foundation, one of the most prominent planning groups of Anglo-American geopolitical strategy.

Hauser has been seeking extensive exposure for Connally among New York Jewish and Zionist circles, hoping to get their political and financial backing for his campaign. But as the material below makes clear, Hauser's main interest is to wield the Connally campaign against that of former California Governor Ronald Reagan. Once Reagan is out of the way, Hauser and her associates at the Council on Foreign Relations, at Ditchley, and in the Bilderberg group intend to field General Alexander Haig.

Haig is intended to appear as the strongman candidate for war abroad and austerity at home. The London gameplan for putting Haig into the White House was voiced by Fletcher School of Diplomacy Professor Scott Thompson in an interview published in this magazine recently.

Thompson, a member of the London-based International Institute of Strategic Studies and a close friend of Haig's, declared it would take a crisis atmosphere to sell the general to the population. Scott said that an "eyeball-to-eyeball" confrontation with the Soviet Union would help Haig appear as "the man on a white horse."

But Connally's behavior at the American Jewish Committee meeting showed that he is anxious to convince Hauser's associates that he can fit the bill as well as Haig. Connally wants to appear tough enough to wage trade war against Europe and Japan, steal Mexico's oil and gas reserves, impose domestic austerity, and "confront the Soviets." And if his words sound faintly like that of a former Secretary of State, Connally boasted to some of the meeting's participants that he is good friends with Henry Kissinger.

We produce here some excerpts of the meetings and the cocktail hour that followed. *Executive Intelligence*

Review is offering the full transcripts of the meeting and tapes of the event for \$50.00. The tapes were made available to this news service by a participant who was shocked at Connally's behavior.

What Connally said

On SALT: We negotiate out of weakness ... We divide ourselves before we even start.... All the SALT agreement is going to do is lead the American people to think we have a recess, so to speak, that we have a period of arms limitation....

The thing that worries me about a SALT agreement is that we're going to lull ourselves into a sense of false security. We've been known to do that, particularly when there is pressure on us from all sides for money.... We are going to have to be alert, and vigilant, we're going to have to continue to be aggressive, and frankly we are going to have to have a good defense establishment in this country.

On taking the dollar off the gold standard: Let me try to recreate the scene in 1971. In May of 1971, the international monetary system became extremely volatile. This continued all through the summer of 1971. I thought we were approaching a crisis—which we did.

We'd been talking about it all summer and finally on the weekend of August 15 and 16, the President made his decision on what he was going to do and a fierce debate has been raging over the consequences...

Remember, in 1971 we closed the gold window.... We had said to the nations of the world, "If you hold dollars, we will commit to you and ... we will redeem those dollars in gold whenever you want...."

We redeemed a few million from time to time. In 1971, when we were confronted with what I thought was a crisis then, we had approximately \$10 billion in gold in the treasuries of this country and \$17 billion in the hand of foreign governments. There wasn't any way we could redeem their dollars in gold just on the basis of 12 percent, 12.5 percent, and 13 percent. So we decided to close the gold window, and we simply said if you hold dollars, "We're not going to redeem them...." A great many economists said during the time these discussions were taking place, "If you do

this, you will trigger a massive depression that will be far more pervasive than the depression of the 1930s...."

On balancing the federal budget: I do not support the constitutional amendment Jerry Brown supports. I do support a constitutional prohibition against deficit spending at the federal level, provided with an exception in it that it can be lifted by the President and/or the Congress anytime they want to declare an emergency....

I think the Congress has failed to live up to its responsibilities in trying to provide any type of intelligent fiscal management of our affairs....

On his business relations with Saudi Arabians: For every Saudi I know, I know 100 Jews, so I am 100 times more nonobjective on behalf of the Jews than I am on behalf of the Saudis.

So you know a few Arabs, I do. No question about it, I know a few and I represent a couple, my firm does. But we represent scores of Jewish clients. The idea that you can't know people without being taken over by them is foreign to me. I know good people, bad people, black people, brown people, rich people, poor people....

On Energy: We have to make up our minds that the days of abundant and cheap energy, abundant sources of oil and gas, are over. Energy is going to be expensive; we are going to have to be thrifty with it; we are going to all have to be part of that thrift. We better make up our minds that we have to find alternate sources of energy, and the faster we do, the better off we are.

On Jerusalem: Jerusalem is going to be as big, if not a bigger issue, than the creation of the Palestinian state. Here again, all of us have to face that we may be years in reaching a broader agreement in the Middle East than we now have... and it's not going to be my position to try to dictate an answer....

Prime Minister Begin has said very clearly what he thinks in respect to the West Bank. And if that is his position, if the Israelis maintain that position, then I think the negotiations will be long and difficult....

Behind every good man...

Rita Hauser of the law firm Stroock, Stroock, and Lavan made clear her intention to use Connally's ambitions against Reagan during a cocktail party sponsored by the American Jewish Committee. This interview was made available to the Executive Intelligence Review:

Q: I thought the Governor was extremely interesting.

Hauser: Thank you, I think he did an extremely good job. He was forthright, he's intelligent.

Q: Do you think he's doing well enough to top Reagan?

Hauser: He's doing beyond our wildest dreams. Reagan is defending. ... I've known him for years and years, and I like him and one of my main motivations was we've just got to kill Reagan! There's no way we can

nominate Reagan, and he has every possibility of defeating him.

Q: Do you see his policy as consistent with those of the Committee on the Present Danger?

Hauser: Yes. I was one of the founders of that. Very much. He's not ready to say publicly that he would go for or against the treaty, but he's made his reservations very clear. I think the consensus now is, as the treaty is now drafted, it will not pass the Senate. If it passes, it will pass with major reservations which will have to go back to the Soviets. And I doubt that they would accept it with those reservations.

Q: Do you see Governor Connally as being able to deliver the Saudis and Mexicans...?

Hauser: That's what I had hoped. When the Saudi question was asked, I was hoping he'd go a little further. He hinted at it. He knows them, he likes them, he can do business with them. But I would have liked him to expound more on this.

Q: How do you bring the Saudis along?

Hauser: By American military presence in the area. I think that's what is important to the Saudis.

Q: On the other hand, they make a lot of noise that they don't need anybody.

Hauser: They would like to see a military presence by the United States in the area.

Q: Do you think John Connally could bring a military presence into the Middle East?

Hauser: If he were President, I think he would have.

Such good friends ...

This interview took place at a cocktail party sponsored by the American Jewish Committee during which John Connally mentioned in passing his relationship to Henry Kissinger and Rita Hauser:

Q: When did you first meet Rita Hauser, Governor?

Connally: Oh, I don't remember, I've known Rita for years. She's smart as a whip.

Q: How do you get along with Henry Kissinger these days?

Connally: Great!

Q: There are a lot of rumors that you've had trouble with him.

Connally: Na, Na. We get along fine, as a matter of fact. I saw him recently and (we) had dinner two nights in a row in Mexico, in the last month. We're great friends.

Letting the other shoe drop

Sen. Edward Kennedy (D-Mass) has begun circulating a draft bill to phase out all regulation of the trucking industry over a four-year period and abolish the authority of the Interstate Commerce Commission over the industry. Safety regulatory powers would go to the Department of Transportation. Previous Kennedy legislation only focused on abolition of rate bureaus, the organizations which set rates in the regulated sections of the industry.

Kennedy people say they feel the time is right to force "the larger debate on the whole deregulation question." Their move will give pro-deregulation people in the Carter Administration a chance to maneuver. Inflation Czar Alfred "Genghis" Kahn and others in the Carter austerity management bureaucracy apparently made some promises to the Teamsters and the trucking industry that the Administration would go slow on deregulation if the recently negotiated master freight contract between the industry and the union fell within the Carter guidelines. Kahn claimed that the contract did, but inside sources say he is still committed to deregulation.

Kennedy people also report that the recent deal which ended the jurisdictional "conflict" on trucking deregulation between Sen. Howard Cannon (D-Nev), who heads the Commerce Committee, and Teddy Kennedy, who heads the Judiciary Committee, actually makes legislation a possibility for this session. The "victor" Cannon, they say, is commit-

ted to put something before the Congress. With his clout and with Administration support, the bill is given a fighting chance. "If Kennedy went it alone, he would have won medals but there would be no chance of passing a bill," says an aide.

Dan O'Neil, who heads the ICC, is fully committed to pushing deregulation "as rapidly as possible." The ICC, which is working with Kennedy people, plans additional "unilateral action" if the legislative process bogs down.

Some people remarked that the "liberal" Kennedy's new bill is remarkably similar in concept and form to a draft previously circulated by the American Conservative Union. Kennedy's crew is known to collaborate with the ACU and the Heritage Foundation. "We're all for free enterprise, you know," says a Kennedy aide.

* * *

Steelhauled end strike

An unauthorized and limited strike by steelhauled, members of the International Brotherhood of Teamsters, ended this week when dissident locals in Pittsburgh, Cleveland and Canton, Ohio voted to return to work pending the ratification of the Master Freight contract. The contract, which also contains a special rider clause pertaining to steel, will be presented in the form of mail ballots to the full Master Freight membership of over 300,000 drivers for a vote this week.

Rubber Workers target UniRoyal in strike bid

Admitting that his union's bargaining strategy had failed to make headway in its effort to achieve a contract settlement with any one of the nation's big four rubber companies, Peter Bommarito, president of the United Rubber Workers (URW), announced yesterday that the union would embark on a selective strike tactic in an effort to break the deadlock preventing an agreement.

Bommarito announced that the union had decided to strike the UniRoyal Company, financially the weakest of the big four, and set a date for Saturday, May 5 for the strike to begin. The union has been working since April 22 without a contract. Negotiations have been under way since then with UniRoyal, the B.F. Goodrich Company, Goodyear, and Firestone.

A strike against UniRoyal would involve no more than 8,500 of the total 55,000 URW members. A settlement with UniRoyal, however, would set the pace for agreements with the other companies.

Bommarito, a member of the right-wing social-democratic group Social Democrats USA, has laid the blame for the contract deadlock with the Carter Administration and interference from the special Council on Wage and Price Stability. The union has announced that it will go to federal court to seek a preliminary injunction against the government, asking that it be barred from interfering in the collective bargaining process.

The union is seeking to win for its membership—whose average wages compare relatively poorly with those of other industrial workers—a 30 to 40 percent wage increase excluding gains in benefits and cost of living scale.

Congressional Calendar

Opposition to Carter's decontrol, a fraud

Despite all the dust being kicked up by Kennedy over President Carter's decision to decontrol the price of domestically produced oil, the American population is going to pay the bill for the White House's oil-shortage hoax—regardless of which side of this “debate” sounds more convincing.

Senator Kennedy's crocodile tears over decontrol hardly cover his three-fold purpose: to build up a populist “Kennedy” image for the 1980 presidential race, draw support for rationalizing the oil industry, and let Carter be the fall-guy for the same version of national austerity and deindustrialization the Senator has openly pursued.

If both houses of Congress do not pass a continuation of oil controls before June 1, Carter will automatically be empowered to begin his “phased decontrol” plan. Yet, a Kennedy bill cosponsored with Senator Henry Jackson (D-Wash.) to maintain full controls on oil at least until 1980 “will not even get out of Jackson's own (Energy) committee,” predicted a House staffer who favors control continuation. In the House, Rep. Donald Luken (D-Ohio) has introduced H.R. 3621, a companion bill to the Kennedy-Jackson bill; yet, after two weeks, its proponents are still “plotting strategy.”

Aside from the show of opposition, Kennedy's outbursts have already cornered Carter into willingness to tax the oil companies, if decontrol goes through, and funnel the money into low-technology, la-

bor-intensive work programs—a pledge endorsed by Kennedy-ally House Speaker Tip O'Neill. At the same time, Carter has succeeded in bullying the House Commerce Committee into reversing itself by a vote of 21-20, which sent legislation out of committee giving the President the authority to impose a gas rationing plan prepared by Schlesinger.

Earlier this week came the announcement that Carter has directed Energy Secretary Schlesinger to limit the refining of crude oil—the quickest way to create a gasoline shortage this summer. Right in step, highly vocal Kennedy backers as Sen. Metzenbaum (D-Ohio) and ex-Ralph Nader staffer Rep. Toby Moffett (D-Conn.) have repeatedly made it clear they favor government gas rationing at the pump as the preferred form of imposing energy austerity. Kennedy himself called for “equality of sacrifice” before a New York audience April 30.

Three Mile Island still the lever for assault on nuclear industry

The Three Mile Island incident is still the lever being used by a number of congressional committees to investigate the entire nuclear industry. The Interstate and Foreign Commerce subcommittee on Energy and Power headed by Congressman Dingell, has initiated a General Accounting Office study on Three Mile Island, including what

caused the incident, and what happened subsequently at both the plant and throughout the industry. “We are particularly interested in the Price Anderson measure,” declared one staff member, referring to the measure that established limited liability for nuclear plants in the event of an incident.

Dingell is wielding committee authority to destroy the Price Anderson measure, which would make it virtually impossible for nuclear plants to get insurance.

Hearings on the Price Anderson measure open in July and in September, hearings will commence on the GAO study of the Three Mile Island incident.

Standby mandatory wage and price controls authority introduced

Senator George McGovern introduced legislation on April 28 giving the President authority to impose mandatory wage and price controls. The authority for such controls expired last year and has not been reinstated. McGovern has been toying with the idea for some time, declared an aide, but decided to introduce the legislation last Friday after the announcement of the latest high Consumer Price Index. McGovern took the occasion of testimony by “inflation fighter” Alfred Kahn before the Joint Economic Committee (who declared that the inflation problem was getting worse), to propose mandatory

wage and price controls.

Already there is widespread speculation that the Carter Administration is going to further restrict much needed industrial credit. As reported in last week's *Executive Intelligence Review*, there are strong indications that Carter will seek to implement the Credit Control Act of 1969. According to one Senate aide, the auto companies and the UAW are already lobbying on Capitol Hill against this measure, which gives the President power to restrict any "nonproductive" credit he thinks necessary.

"I would not be surprised if Carter tries credit controls" declared one congressional source.

Railroad deregulation: short haul to transport breakdown

Acting on orders from Transportation Secretary Brock Adams, Sen. Howard Cannon (D-Nev) has introduced S. 796, a bill to deregulate the American railroad industry.

The basic provisions of S. 796 will: 1) phase out the Interstate Commerce Commission as a body with a jurisdiction over rate questions; 2) permit relatively unbridled swallowing of small and or financially vulnerable railroads by larger ones, via merger; and 3) permit widespread abandonment of basic service, scrapping up to 70,000 miles of track.

The thrust of the bill is expressed by statements made by the Association of American Rail-

roads, which complains only that this bill will simply not allow companies to get out of the railroad business fast enough.

The major railroad unions, including the United Transportation Union and the Brotherhood of Railroad and Airline Clerks, appear to be maintaining some degree of opposition. "The proposal seems to be put forward by people who have more concern for balance sheets than a balanced, healthy, U.S. transport system," said a spokesman for the UTU. "Many shippers and many localities will lose all service if the bill as written goes through."

Asks UTU President Al Chesser, "Why now, on the threshold of a worldwide fuel catastrophe, would anyone want to undercut the most fuel-efficient transportation system in the country?"—referring to a Department of Transportation plan to eliminate nearly 50 percent of Amtrak's rail passenger service.

Yet, says the union, "we have no problem with deregulation in principle," and looks to modifications of the bill at the time of mark-up sometime in the next 4-8 weeks, to cushion its negative impact. "They don't have the votes right now," said a UTU spokesman.

Companion legislation to cut 12,000 miles of Amtrak passenger train service, is pending in both the Senate and House Commerce Committees. Under the terms of the legislation submitted by the Transportation Department, the cuts become law on May 22 unless vetoed by either house. On May 1 the Senate Commerce Committee held two votes to send the measure

to the floor, but they were defeated, so it still remains in the committee. If the cuts are not vetoed by May 22, they take effect Oct. 1.

Arab boycott legislation tied to export act

Rumors are flying about the trade community that something is brewing over what is known as the Arab boycott legislation. The measure, which has been law for sometime, forbids U.S. companies to comply with the demands of Arab nations that goods be certified as not directly or indirectly originating in Israel and has severely hurt U.S. companies trading with the Middle East.

Nevertheless, the legislation is expected to be included in its original form as part of the Export Administration Act which goes into mark-up at the beginning of May and will be voted on by the full Senate by May 15. According to a staffer close to the issue, the Business Roundtable, which had objected to some of the provisions under pressure from the business community—and the Zionist lobby—have come to an agreement, and the legislation will go through Congress intact. In March, Secretary of Commerce Juanita Kreps testified to the Senate Banking Committee that the boycott legislation had worked so well it should not be changed.

—Barbara Dreyfuss

World steel industry in crisis

Part II: the U. S. steel cartel

In 1950, the United States' position as the world's number one steel producer was unrivaled. The U.S. steel industry produced 97 million net tons of steel or 47 percent of world output.

Last year, nearly three decades later, the U.S. produced only 124 million tons, and its share of the world market had shrunk to 17 percent. The U.S. steel industry slipped to number two behind the Soviet Union in 1971, with Japan running a close third. Last year, Soviet production jumped ahead to 152 million net tons of raw steel, while total East bloc production (the Warsaw pact nations) rose to 212 million net tons.

The U.S. steel industry's technological edge has lagged along with its output. This point is best illustrated by the fact that not one ton of U.S.-made steel went into the Mexican or Alaskan pipelines. U.S. steel companies didn't measure up to the projects' tough requirements and, as a result, lost out on major contracts at their own doorstep.

The major responsibility for the decline of U.S. steelmaking lies with the United States Steel Corporation, the industry leader since the beginning of this century. U.S. Steel is a huge anomaly. It continues to account for around 25 percent of the shipping capacity of the nation's steel industry, yet its top management ranks are saturated with lawyers and accountants, whose bent has never been advanced technology or industrial production. U.S. Steel's new chairman, David Roderick, a member of the International Advisory Council of Morgan Guaranty Trust, is known in industry circles as a "financial" man. Edgar Speer, the recently retired chairman, was by his own admission much more interested in the company's coal and other mining ventures than in steel production. U.S. Steel's top officers and directors—especially its Morgan Guaranty-Aetna Life and Casualty-dominated finance committee—are notorious for squelching any technological innovations that are generated by the company's engineering or production staffs.

The bottom line of management by bankers, lawyers, and accountants is the glaring obsolescence

and uncompetitiveness of U.S. Steel's steelmaking operations. In 1978, U.S. Steel's earnings dragged down the average of the nation's top six steel companies. Moreover, the 75 percent increase in U.S. Steel's earnings over a severely depressed 1977 was due almost entirely to the company's nonsteel lines of business. Only 14 percent of its operating profit came from steel, while all of its steel plants lost money except Fairless Works, its only relatively modern, integrated plant, which produces high-grade steel products exclusively.

U.S. Steel has a novel way of dealing with its uncompetitiveness. Whereas the well-managed industrial corporation will expend every effort to outsell the next company by developing the latest and most efficient technologies, U.S. Steel's approach is to use its political clout to reduce everyone else to its own technological level. Take U.S. Steel's continuing efforts, in collaboration with Bethlehem Steel, to sabotage Wheeling-Pittsburgh Corp.'s plans to construct a new rail rolling mill in Monessen, Pa., utilizing the most advanced Japanese and French railmaking technology. The ultra-modern rail mill threatens the fifty-year old monopoly of U.S. Steel, Bethlehem, and CF&I Corporation, and challenges the unspoken agreement among members of the U.S. steel cartel that no new steel mills will be constructed in the United States.

The only conclusion that can be drawn from all the quirks in U.S. Steel's behavior is that the U.S. Steel Corporation is not primarily a steel company or even a "diversified corporation," but a political intelligence unit. U.S. Steel is currently backing a set of policies which add up to the New York Council on Foreign Relations' "Haig option" for national autarky and confrontation with the Soviet Union.

This includes support in high places at U.S. Steel for the 1980 presidential candidacy of outgoing NATO Supreme Commander Gen. Alexander Haig. The most active Haig supporter in the Pennsylvania region is H.J. Heinz II, paterfamilias of the "57 varieties" family, and a ranking member of the American Ditchley

Who runs U.S. Steel?

The board of the inappropriately named United States Steel Corporation reads like a who's who of the Anglo-Canadian-American financial and intelligence establishment.

David M. Roderick, the newly named chairman, is a member of the International Council of Morgan Guaranty Trust, the financial institution which has been one of the chief conduits for British influence in the U.S. since the 19th century, and is also a director of the Morgan-linked Aetna Life and Casualty Co. Roderick has a background in finance and accounting and was president of the company over the past several years of eroding profits.

John M. Meyer, Jr., the *eminence grise* who sits on the executive, financial, and audit committees of U.S. Steel, is chairman of the Directors Advisory Council of Morgan Guaranty.

Robert C. Scrivener, chairman of Northern Telecom, Ltd. of Canada, is perhaps not as well known in the U.S. as some of U.S. Steel's other directors. Scrivener, a Commander of the Knights of St. John, is one of the key political spokesmen for the "North American Common Market," which in his conception is an anti-Soviet North American military alliance stretching from the Arctic Circle to Panama.

Scrivener has recently visited China to consolidate a billion dollars in telecommunications contracts with the Chinese.

William McChesney Martin is a member of U.S. Steel's executive and financial policy committees. As chairman of the U.S. Federal Reserve Board from 1951 to 1970, "McMartin" oversaw the disintegration of the U.S. economy from its potential as the capital goods exporter to the world to a crisis-wracked "consumer-based" economy. He also sits on the board of Royal Dutch Shell in The Hague.

Donald B. Smiley, chairman of the board of R.H. Macy and Co., is as little suited to run the nation's largest steel concern as its other directors. Not even an authentic retail store, Macy's reportedly makes more money on its consumer credit and dirty money operations than on merchandising. Smiley is also a director of RCA, which is closely linked to the Anglophile Lehman Brothers and Kuhn Loeb investment houses.

Other prominent members of U.S. Steel's board include John D. deButts, chairman of AT&T, and John H. Filer, chairman of Aetna Life and Casualty.

Foundation. Heinz also sits on the board of the British North American Committee along with a very influential Canadian director of U.S. Steel, Northern Telecom chairman, Robert Scrivener. U.S. Steel, in fact, is already running with the key planks of the Haig candidacy:

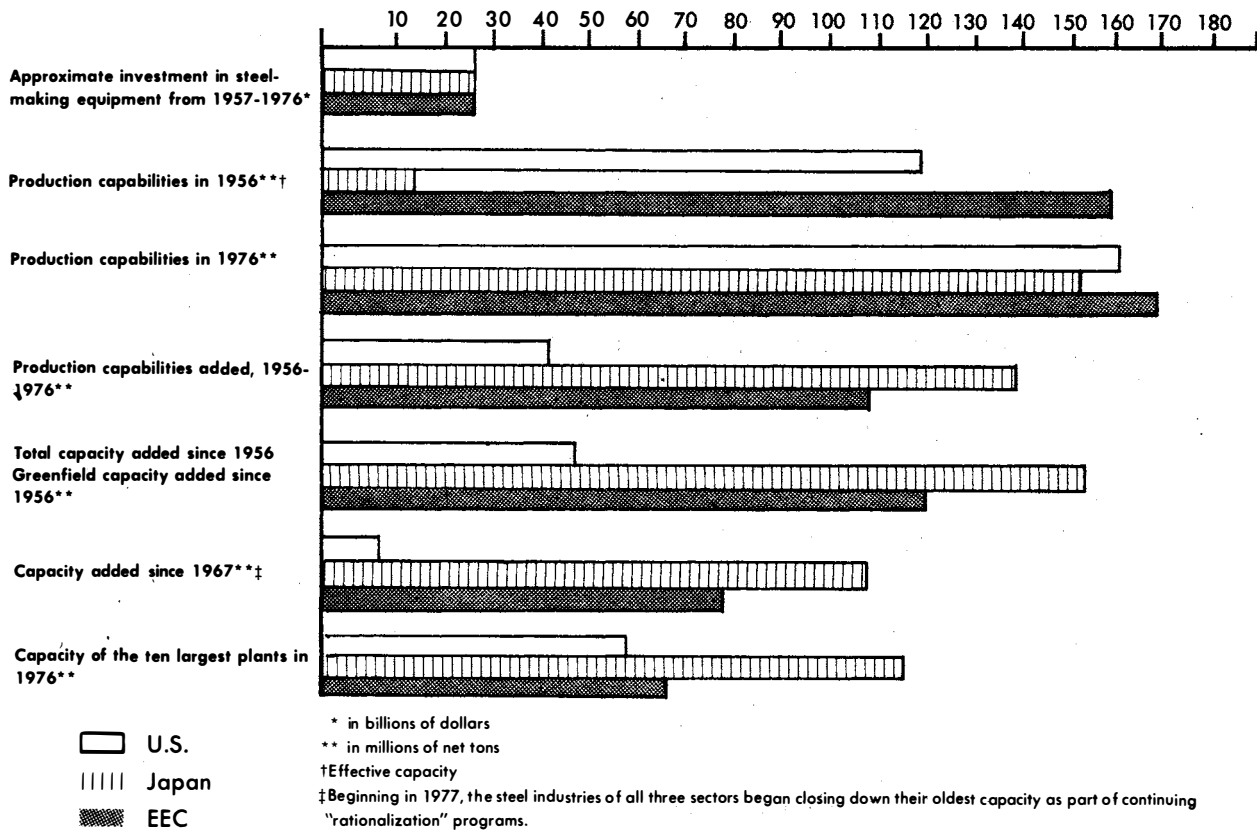
U.S. Steel is one of a core group of companies, including Britain's General Electric Corp., Ltd. and Canada's Northern Telecom, that are on the inside track on NATO's geopolitical designs to build up China militarily against the Soviet Union. In the first week of this year, during China's "punitive" invasion of Vietnam, U.S. Steel signed a major contract with the People's Republic of China to build one of the world's largest iron ore mines, with an annual capacity of 45 million tons.

While lending support to the regime in Peking, U.S. Steel has barraged traditional U.S. allies such as Japan and Taiwan with intimidations and actions against alleged "dumping" and "unfair government subsidies" to their steel industries. The real target of U.S. Steel's attacks has been the concept of state-fostered capital formation operative in those nations, especially as it interferes with the International Monetary Fund's opposing brand of "laissez faire" economics—austerity.

U.S. Steel was among the first supporters of Schlesinger's energy program in early 1977. The Schlesinger program, with its emphasis on low-efficiency energy sources like coal and solar power, is the appropriate energy policy for deindustrialization, the policy U.S. Steel is openly committed to carrying out through "rationalizing" steel capacity and diversifying out of steel production altogether. Given its extensive holdings of coal reserves in the United States, U.S. Steel also stands to benefit directly from the Schlesinger program for energy autarky.

Today, most of the U.S. steel industry is behaving like U.S. Steel. After being sorely battered in 1977—the year Bethlehem's earnings were \$448 million in the red—the industry embarked on a suicidal "cost-cutting" binge which has done nothing to reverse the long-term

Return on investment in steel: the U.S. comes in last



Source: *Steel Industry Economics* by Hans Mueller and Kiyoshi Kawahito, Jan. 1978

Poor return on investment in steelmaking in the U.S. is due to one thing: bad investment and credit policies arrived at through the combined incompetence of the leading companies, the government, and the financial community. While both the U.S. and Japanese steel industries invested approximately the same amounts in steel facilities between 1957 and 1976, production capacity increased by 979 percent in Japan and only 34 percent in the U.S.! Two-thirds of the investment dollars in Japan went for the construction of greenfield plants—giant, fully integrated, and modern steel complexes built from scratch. By contrast, only two greenfield plants have been built in the U.S. over the last 25 years—U.S. Steel's Fairless Works in Pennsylvania and Bethlehem's Burns Harbor, Indiana plant. The U.S. industry sank most of its investment dollars into piecemeal "modernization" of aging plants and as a consequence the industry has been forced to divert an increasing share of its outlays—now 20 percent—to nonproductive, antipollution devices for the antiquated capacity.

Europe straddled a middle course, with the result that while there was a considerable increase in capacity (108 million tons) between 1957 and 1976, there was relatively little greenfield capacity added, and large segments of the European industry are outmoded and unprofitable.

The Japanese steel industry's superior technology was clearly the source of its high profitability, not better "cost-price relations" or low wages. Japan's steel industry was designed to take full advantage of economies of scale. In 1976, Japan's five largest plants had twice the capacity of the five largest in the U.S. Japan, moreover, adopted wholesale the perfected basic oxygen furnace (BOF) and other technological advances made in the U.S., but whose adoption was slowed down or fully sabotaged by "cost conscious" finance committees. The tables rapidly turned in technological superiority. Early this year Japan invited the U.S. to collaborate with it in a joint program to develop high-temperature gas-cooled reactor-based nuclear steelmaking, but was turned down by the Carter Administration.

The cost benefits of giant (2,000 cubic meter and larger) BOFs, continuous casting, and other features of modern steel-making which predominate in Japan are seen strikingly in the high energy-efficiency of Japan's industry. In recent high output years, Japanese mills consumed 28 percent less coking coal per ton of pig iron and 22 percent less energy per ton of finished product than U.S. mills.

Unlike Japan, which has no natural resources but has more than compensated for its import dependence through advanced technology, the primary objective of the U.S. Steel Corporation—since its founding in 1901 by British System admirer J.P. Morgan—has been to grab natural resources.

erosion of productivity and profitability in the industry. Lately, in a noticeable departure from their usual "free market" rhetoric, a number of steelmakers in the Pittsburgh area, including Richard Simmons, chairman of Allegheny Ludlum, have either endorsed by name the Davignon plan for European steel or have endorsed its concept. The Davignon plan is an official, government-run cartel which sets quantitative limits on steel imports coming into the European Community, attempts to set minimum prices for steel in a declining market, and is carrying out plans to shut down around 20 percent of what is left of European steel capacity after the 1974-75 recession. Behind the "face of free trade," the U.S. steel industry has been functioning like a cartel, too. It has accepted as inevitable the "shrinking world market"—which is in fact a condition created by the IMF's restriction of credit to the developing sector for financing advanced sector exports of capital goods—and is responding predictably: by driving out competition from cost-efficient Japanese imports and by attempting to maintain "stable" internal market conditions through eliminating "redundant" steel capacity.

The current steel "boom"

U.S. steel operations broke through 94 percent capacity utilization in the first quarter of 1979, and plant order books are reportedly filled solidly through late spring. Total industry shipments are expected to exceed an annual rate of 100 million tons for the first half of the year, surpassing 1978's 97 million tons.

But what industry spokesmen are calling a "boom" in steel production, is really a final spurt, which is based on a package of autarkic trade and industrial policies.

The current high operating rate in the industry is due primarily to what U.S. Steel and Bethlehem call "fair trade practices." By early this year, the Treasury's trigger price system had succeeded in bringing about a dramatic, across the board drop off in imports and in handing over a bigger market share and substantially higher prices to U.S. producers. Imports entered the U.S. in the first quarter of the year at an annual rate of just over 15 million tons, significantly below the 21.2 million tons last year and 19.3 million tons in 1977.

Another factor in the current steel "boom" is significant hedge-buying in anticipation of higher steel prices and the likely development of steel shortages—resulting from the industry's deliberate policy of eliminating "excess" capacity. According to *Iron Age*, the leading trade magazine for the steel industry, after four slack years, U.S. steel companies are having trouble gearing up to meet increased demand for steel. Moreover, the attrition of the last several years has created doubts as to the extent of usable steel capacity.

Freemasons give U.S. Steel the thirty-third degree

Informed sources in Pittsburgh say that the long tradition of incompetence at the top ranks of U.S. Steel is due to the fact that upper management is dominated by Scottish Rite Freemasons, the conspiratorial secret society which President John Quincy Adams denounced for treason in the 1820s. Promotion to the pinnacles of the company is determined not by expertise in the steel business, the sources say, but by one's degree at the Freemason lodge.

The U.S. Scottish Rite Freemasons are the bush league version of the Knights of St. John of Jerusalem, the exclusive secret society of the European "black nobility." It is these circles in Europe—exemplified by Viscount Etienne Davignon of the European Commission in Brussels and Sir Charles Villiers, chairman of British Steel—who are carrying out the Davignon Plan for ripping out the innards of the European steel industry—eliminating another 20 percent of the steel workforce through "rationalization."

Peak steel capacity in the U.S., which was reached in the late 1960s, was around 160 million tons of raw steel. In 1977, closings by Bethlehem and Youngstown Sheet and Tube alone subtracted 4 million tons of capacity; additional scattered shutdowns have meant further losses of an undefined amount. According to *Iron Age*, the recent utilization level of 94 percent—a little over 2.8 million tons per week—is probably close to what the industry can produce at maximum on a sustained basis without major breakdowns or accidents—not the theoretical 150 to 155 million ton range.

One of the ironies about the U.S. steel industry's continuing vendetta against "cheap foreign imports" is the dependence of the U.S. economy on steel imports, which crops up in periods like the present. The United States is one of the only advanced sector economies that is not self-sufficient in steel—another is Great Britain, and its import-dependence is increasing daily because of the U.S. steel industry's present "rationalization" strategy. Shades of 1973-74, when domestic steel supplies were tight and imports sold for a big premium, are already returning. U.S. steelbuyers are paying premiums ranging from \$10 a ton above the

\$355 trigger price for wire rods to \$40 a ton for higher grade steelbars and structurals, so as to be sure of supplies.

The final element is hedge-buying in expectation of a year of escalating labor-industry confrontation, fomented by the Administration's unworkable seven-percent guidelines and confrontation seekers on the labor and industry sides. On site reports indicate that steel-consuming industries such as electrical machinery and auto—both of which have contract negotiations upcoming—were buying steel and building up inventories of manufactured goods through the first quarter of the year in anticipation of crippling strikes later on.

At this writing, a two-week old strike by Teamster steelhaulers has caused the layoff of thousands of steelworkers at mills in Pennsylvania, Ohio, and West Virginia, and threatens more layoffs in auto and other steel-consuming industries in the Midwest and North-east.

Steel industry analysts expect the nation's steel industry to be severely jolted around Sept. 15, when a UAW strike against General Motors is more than likely. The auto industry accounts for about 20 percent of U.S. steel shipments, and General Motors alone consumes around 12 percent of U.S. steel output. While the steel industry's public relations spokesmen claim that the steel "recovery" is becoming increasingly "broadbased," orders from steel's capital goods markets remained depressed through the end of last year and have not turned around since then. The short-term

fate of the steel industry and the entire economy for that matter is hanging on the auto industry and the teetering mountain of consumer installment credit that underpins U.S. auto sales.

Where is the industry headed?

The U.S. steel industry long ago scrapped all plans for constructing new greenfield plants—the giant, fully integrated and modern steel complexes that are the secret of Japanese steel's superior profitability. "Con-neaut is dead," was one industry analyst's succinct prognosis for U.S. Steel's projected 4 million ton greenfield plant on the Ohio-Pennsylvania border. Spokesmen for U.S. Steel have said that the corporation would only embark on the construction if it could hope for an adequate return on the projected \$5 billion investment, which according to various Wall Street sources would require an estimated 40 percent increase in steel prices under today's uncertain market conditions.

'Rationalization'

The only type of planning that is going on in the U.S. steel industry today is planned shrinkage, the policy known as "rationalization." The short-sighted accountant's strategy behind rationalization is to recoup profitability by closing high-cost facilities, and introducing limited modernization at less hopeless facilities. This is hardly a strategy for sustained profitability.

Domestic steel shipments by major markets

in millions of net tons

	1978	% change from 1974 peak	1975	1974	1968
Steel service centers	17.4	-14.8	12.7	20.4	14.1
Auto industry	21.3	-8.2*	15.2	18.9	* 19.3
Construction	13.4	-23.9	12.0	17.6	14.2
Shipbuilding	0.844	-35.1	1.4	1.3	1.0
Aircraft and aerospace	0.062	-21.5	0.069	0.079	0.090
Oil and gas industry	4.1	-2.4	4.2	4.2	5.3
Machinery	9.9	-9.2	8.4	10.9	9.4
Container and shipping material	6.6	-19.5	6.1	8.2	7.9
Total	97.9	-10.6	80.0	109.5	91.9

Source: American Iron and Steel Institute.

* The peak year in auto was 1973, with steel shipments at 23.2 million tons. The percent change is computed from this year.

Bethlehem Steel, however, the nation's number two company, recently elevated to a top executive post the man who as vice president for accounting in 1977 executed the company's plant-closure program. The promotion of former Price Waterhouse accountant Donald Trautlein to executive vice president last winter was part of a major management reshuffle at Bethlehem undertaken to expedite the rationalization program that was initiated in 1977. Then Bethlehem padlocked 10 percent of its capacity and fired more than 20 percent of its employees, management and R&D personnel, as well as production workers. Two of the hardest hit plants were at Johnstown, Pa., and Lackawanna, N.Y., where a total of 8,000 steelworkers were laid off over the year. Both plants predate 1900. In the company's annual report for 1978, Bethlehem Chairman Lewis Foy, who is also a director of Morgan Guaranty, said the company would not shirk from shutting down less profitable plants.

The rationalization and increasing cartelization of the U.S. steel industry are taking place through other less apparent ways as well—through diversification, through industry mergers, and through the capricious enforcement of Environmental Protection Agency pollution standards.

'Diversification'

Diversification out of steel has been company policy at U.S. Steel since 1901.

Today, upwards of one-third of U.S. Steel's sales are in nonsteel areas, including chemicals, cement, real estate (including office building and shopping center management), and "resource development." U.S. Steel prides itself on being one of the biggest independent mining companies in the world.

Diversification has had a disastrous effect on U.S. Steel's ability to run profitable or even basic steel operations.

U.S. Steel was forced to bow out of its contract with the Mexican state oil company in early 1978, when production problems at its Baytown, Texas plant were compounded by blockage of U.S. Export-Import Bank credits to the project and by Schlesinger's sabotage of the U.S.-Mexican natural gas negotiations. A group of European and Japanese companies ended up providing all of the high-grade steel for the pipeline.

Despite the visibly negative results of U.S. Steel's diversification policy, a growing list of companies are following in suit.

In its 1978 annual report, Armco boasted that it is now "stronger than steel." Only about 54 percent of Armco's sales revenues derived from its carbon and specialty steel operations in 1978. Other lines of business included: oilfield equipment, coal, and financial services such as insurance and chattel mortgages. Armco President Harry Holiday, Jr. predicted with assurance this past winter that there won't be any major

investment in new basic steel capacity in the U.S. by his or any other company. "You are better off putting your money in the bank." At the same time, he foresees that the result could be serious shortages of steel and greater import-dependency by 1980.

National Steel stepped up its diversification push by purchasing United Financial Services, a major California-based consumer finance company, earlier this year. National Chairman George Stinson, a former law partner with the New York firm of Cleary, Gottlieb, explained that National is eager to get out of steel and into "less cyclical" industries like finance.

Allegheny Ludlum, a specialty steelmaker which has benefited from several years of specialty steel quotas, acquired a controlling stake in Wilkinson Match, Ltd. in 1977 and now makes razor blades and other consumer products in addition to its traditional steel products.

Mergers, community-worker "buy outs"

Last December, the Lykes Corp. and LTV, two of the more notorious conglomerates of the 1960s, merged to form the nation's fourth largest steel company, the new Jones and Laughlin Steel Corporation. LTV had acquired J&L and Lykes had acquired the now defunct Youngstown Sheet and Tube Steel Corporation during an earlier shakeout in the steel industry. The fact that the weakness of the two steel subsidiaries which propelled the parent companies into the current merger was due in large part to the "bleeding" of the operations by the conglomerate parents has raised suspicions about the prospects for the new steel firm. A post-mortem study conducted on Youngstown Sheet and Tube's Campbell Works after Lykes discarded the 5,000-worker facility in September 1977, showed the result of this policy of deinvestment: revenues per ton of steel at the antiquated steel mill were as much as 30 percent below list prices over 1976 and 1977.

The new J&L steel firm is already embarked on a policy of triage. It has ruled out a spending program to refurbish Youngstown's Mahoning Valley operations last fall as "prohibitively expensive." Early this year it made plans to close down Youngstown Sheet and Tube's Brier Hill mill, where 1,000 workers are employed, as part of its program for phasing out unprofitable operations and eliminating "redundancies" in the two companies' steel operations. J&L is operating under the gun of \$189 million in debt service payable this year, the legacy of the prior companies' heavy debts.

J&L's cost-slashing tactics are serving to advance the equally questionable aims of Gar Alperowitz of the "radical" National Center for Economic Alternatives in the Youngstown area. For the last year and a half, Alperowitz has been trying to sell the steelworkers and community of Youngstown on the idea of "buying back" and reopening the Campbell Works facility,

which was run into the ground by Lykes. The plan, which is to be financed through worker and community savings and federal loan guarantees, is a pilot project in fascist local control and another new direction the U.S. steel industry could do without. According to the blueprints, steelmaking costs are to be cut by 21 percent at the reopened facility through the waiver of union seniority rights and the rehiring of a reduced workforce of 2,600 to man the plant. In what can only be interpreted as a suicidal impulse, USW President Lloyd McBride sent a letter to President Carter in late March endorsing the project and asking for positive action on the pending Commerce Department loan guarantee program.

The Environmental Protection Agency Racket

Air and water pollution-control costs have been a major cause of plant closings and layoffs throughout U.S. industry since the early 1970s. According to EPA's own estimates, around 25,000 jobs were either lost or threatened in the primary metals industries between 1971 and 1978 as a direct result of EPA-mandated pollution abatement expenditures.

The steel industry has suffered the highest toll. EPA has enforced both industry shrinkage and concentration, since only the largest producers can afford to meet the mandated standards. Youngstown Sheet and Tube's vintage 19th century Campbell Works was one such "marginal" plant to fall by the wayside in 1977 in the face of escalating pollution-abatement costs combined with depressed market conditions. Other steel facilities in Ohio's Mahoning Valley, one of the nation's oldest steel districts, and in the neighboring western Pennsylvania and West Virginia belts have been living under the continual threat of strict enforcement of EPA clean-air and water standards.

The industry has threatened that strict enforcement of EPA regulations could force it to junk as much as 26 million tons of old capacity by the end of 1982, because the industry deems it unprofitable to install mandated antipollution equipment at those facilities.

The stupidity of the EPA regulations is seen in the fact that the mandated "antipollution" expenditures actually perpetuate antiquated and polluting steel capacity. By claiming an increasing percentage of the steel industry's capital expenditures each year, antipollution spending locks the industry into a vicious cycle of diminishing investment on new, nonpolluting capacity, and escalating pollution-control costs and fines against aging cake ovens and steel mills. Pollution-abatement expenditure by steel firms has now captured

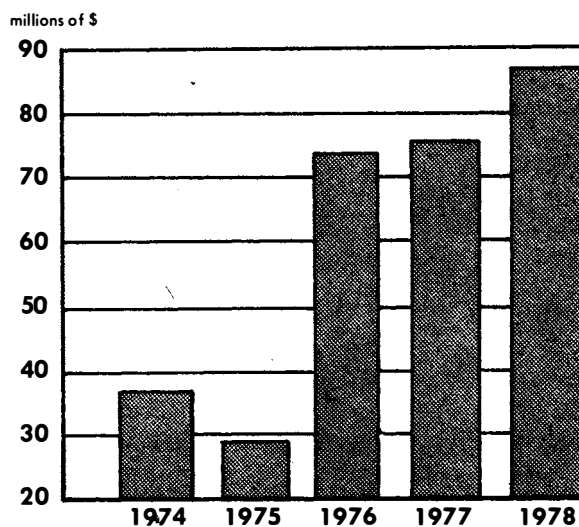
20 percent of the industry's capital outlays (which run around \$3 billion), according to a recent report by the White House's Council on Environmental Quality. This is the highest percentage for any industry.

In a report released this past March, EPA said it intends to impose fines of as much as \$260 million on the steel industry before 1983 for noncompliance with the Clean Air Act. EPA also states that given these fines, the industry's weak financial position, and its large capital requirements (simply for maintenance costs), the industry will find it extremely difficult to meet its future external financing requirements!

The 1977 amendments to the Clean Air Act, which are set to go into effect this summer, pose an even greater threat to the nation's steel industry. They place an embargo on new construction in states that have not satisfied EPA's environmental standards—no industrial states have—or submitted new antipollution plans. To date the only steel-producing states which have met the EPA deadline in submitting pollution-control plans are Colorado and Utah. This means that unless the industry succeeds in persuading Congress to postpone the deadline, there will be a ban on all steel industry plants and equipment expenditures in most of the nation's steel-producing states as of midsummer.

—Lydia Schulman

U.S. steel industry expenditures on pollution-abatement (air and water)



Source: Bureau of Economic Analysis, Department of Commerce.

Trigger Price Mechanism: a case study

"The only thing the trigger price mechanism has triggered is inflation"

This was how one steel firm representative in the New York City area described the effects of the Carter Administration's trigger price mechanism. Under TPM, imported steel cannot be sold below an artificially high price—set by the U.S. Treasury—without "triggering" an "antidumping" suit against the foreign steel mill.

"But the TPM is really a joke," the executive went on. "It has simply become a method under which American steel mills just raise prices to suit themselves. And it has not kept foreign imports out—1978 was their best year yet.

"Nobody in Treasury knows anything about steel, so Undersecretary Solomon just went to big American steel companies, which can afford a very expensive lobby in Washington, and they probably wrote the TPM for him. It's been great for them, but it's caused stagflation for everyone else....I could understand a real quota to keep foreign steel out, but not this."

The TPM, activated by the Carter Administration in January 1978 under the guise of fighting "cheap" foreign steel, gave American steel companies the opportunity to raise their selling prices by \$50 to \$60 per ton on average.

What this means for the American citizen is that every time he purchases a manufactured product using steel, everything from a toaster to a car to a house, he has to pay an additional \$50 to \$60 per ton over what he would have paid in 1977. And this surtax did not go toward capital investments in the steel sector, but funded windfall profits for steel companies, nonproductive antipollution devices in steel mills, and diversification out of basic steel into such speculative, quick profit areas as real estate, as well as chemicals and textiles.

Steel executives in major companies like U.S. Steel, who swear that the TPM is the only thing saving them for cutthroat competition with Japanese steel mills, should realize that using artificially high protective prices as tariffs is nothing new, nor would the resulting economic disaster for American steel be unprecedented. During the 1920s and 1930s, backward British industry, the home laboratory for Fabian economist John Maynard Keynes, followed his advice and created price-fixing cartels with alleged anti-import devices like the TPM. The present bankrupt, nationalized, and inefficient state of British Steel Corporation, or British Leyland, should be enough of a warning.

Get the Japanese!

By 1977, the U.S. steel sector had reached the point of a self-created collapse. Because of Japan's superior

postwar investment strategy, Japanese steel costs were significantly lower than either American or EEC costs, and American manufacturers were more than willing to import Japanese steel that, in many cases, cost \$100 less per ton to produce than American steel. Except for basket cases like British Steel, most European steel companies made steel more efficiently and cheaply than U.S. mills, until the oil price hike of 1973 and the steel bust of 1975 destroyed their markets and marginal advantages.

Predictably, U.S. steel imports rose from being 6.1 percent of steel consumption in 1959 to 13.5 percent in 1975 and 14.1 percent in 1976. By 1977, after several years of the present depression had wiped out the domestic American postwar boom in construction, cars, and highway construction (the three major steel-consuming areas), American mills latched on to a protectionism campaign aimed at the Japanese.

TPM

Under TPM, the trigger price or minimum price for imported steel was pegged far above the actual cost of producing steel in Japan and shipping it to the U.S. Although Japanese companies stated that in 1976 they were able to produce and ship basic carbon steel to the U.S. for \$285 a ton, the trigger price was set at \$333 a metric ton for commercial quality cold rolled sheets, the largest import category, for the first quarter of 1978. From that point on, Japanese steel import prices were to be much closer to American prices, to protect American sales. Any prices below the TPM, which is revised quarterly, would immediately "trigger" dumping investigations by Blumenthal's Treasury. Because of the steady appreciation of the yen over 1978, trigger prices rose by around 30 percent. By the first quarter of 1979, the trigger price for cold rolled sheets had been hiked from \$333 to \$436 a ton.

European nations did not object to the treatment dealt to the Japanese because they realized, and British Steel was one of the first to catch on, that this artificially high trigger price allowed them to legally "dump" steel at a price that—although high by Japanese standards—was still lower than some of their production costs. In other words, they could no longer be undersold by the Japanese in the American market!

But, instead of stopping foreign steel dumping in 1978, the trigger price did the exact opposite! Japanese steel exports to the U.S. did decrease by 17 percent, but EEC steel exports increased by 10 percent, while Canadian, British, and Third World steel exports to the U.S. skyrocketed.

—James Cleary

"The function of the hospital has turned full cycle. Thirty years ago the slogan was 'get people into hospitals!' The present watchword is 'get people out of hospitals.' The future requires that we keep people out of hospitals...."

—Rufus Rorem, first chairman of Blue Cross, 1961

Senator Kennedy's health care plan:

The one issue for the 1980 U.S. presidential campaign that has managed to stir up popular ferment is that of a comprehensive national health care program. As tightening austerity and inflation increase voters' anxiety over actual or potential medical care needs, Sen. Edward Kennedy has come forward as the standard bearer against "big business" interests of organized medicine and allegedly on behalf of the "consumer" patient.

Kennedy, whose undeclared candidacy for the Democratic presidential nomination already has the nod where it counts—behind the closed doors of the New York Council on Foreign Relations—has been organizing a consumer and paramedical constituency in favor of his national health care bill, and he has the support of nearly every trade union in the country.

In the opposition camp, the bill's most vociferous critics are generally pushing a "free enterprise" line that claims self-policing will accomplish the same austerity aims as the "socialistic," British-modeled Kennedy approach.

This polarization of the debate between classic "left versus right" constituencies has disguised what is really afoot around the Kennedy effort. Like everything else that has been packaged to make the bumbling Massachusetts Senator work as a "media event," Kennedy's purported aim of providing every American with comprehensive health insurance coverage is a public relations front. The core of the issue is a campaign to strip American medicine of its world-famous high-technology effectiveness.

The real Kennedy health plan consists of:

1. Carter's hospital cost containment bill. Kennedy claims to oppose this measure which would put an absolute lid on hospital costs, thus barring the introduction of any new technologies and forcing major

cutbacks in existing services as a result of inflation.

However, at the American Newspaper Publishers Association conference last week in New York, Kennedy said, "The only people who care about cost containment are the people opposed to it—the hospitals and the AMA. The only way to get cost containment is to pass the national health insurance bill."

2. Reform and reorganization of the Food and Drug Administration. This is a bill written in collaboration by the Kennedy staff and staff of Health, Education and Welfare Secretary Califano to reshape the pharmaceutical industry away from basic research toward the production of palliatives, and to undermine its scientific standards of evaluating the efficacy of new drugs in favor of "consumer input."

3. The institutionalization of the hospice "right to die" movement by designating Medicaid and Medicare funding for centers where the "terminally ill"—a term which would embrace a growing number of diseases—would be fed nostrums and panaceas until they expire, and advanced medical care would be actually forbidden.

4. National compulsory health insurance. This bill, described in the article below, would enforce barefoot doctor medical standards on the entire population.

This total impact—amounting to a shutdown of advanced scientific medicine and medical research—has been carefully disguised by a piecemeal legislative approach. The Kennedy health measures were designed and marketed to slip through this Congress and the next as a series of legislative fragments, each of which contains a piece of the practical policy to be implemented. Thus with the assistance of duped trade unions, a hangdog American Medical Association, and misguided free enterprisers willing to institute "compromise" austerity measures in the hope of staving off the spectre of HEW-Kennedy "socialized medicine," the

shut it down

entire fiscal austerity apparatus would be put into place by the time Kennedy makes his bid for the White House in 1980.

Like the closely related campaign to shut down the U.S. nuclear energy industry, the Kennedy "health" plan is part of something bigger that gets lost in the debate over "cost containment" versus skyrocketing inflation. Ironically, the increasing cost of health care as a percentage of total social expenditure is largely a result of the U.S. economy being oriented away from technologically-advancing productive investment.

The Kennedy health package is the product of more

than 50 years of planning, as our report demonstrates. These "planners" now believe they have created a sufficient climate of distrust in science to convince the public that its self-interest is best served by undermining advanced medicine, and replacing it with a system of consumerist cost containment and palliative treatment.

The purpose of modern scientific medicine is to increase the productive lifespan of a precious citizenry. The grim, but logical consequence of denying an increasing proportion of the population a productive life is to award both the medical profession and a large number of patients the "right to die."

Call for blue ribbon commission

Lyndon H. LaRouche, Jr., a candidate for the 1980 presidential elections, issued in December 1978 a proposal to defeat what he termed Kennedy's "Kool-Aid for the aging" approach to health insurance. LaRouche, chairman of the U.S. Labor Party, proposed the creation of a blue ribbon commission. That proposal, excerpted here, includes an outline of the commission's responsibilities:

The primary focus of the commission's work should be the service of those ethical principles for which all honorable professionals stand in essential agreement, despite secondary divergences among them on the issue of financing the delivery of a quality of professional service on which all honorable professionals are generally agreed....

The issue to be emphasized at this moment must

be made the issue of what is to be delivered. After the fight for the quality of health services is won, we can settle the issue of financing delivery properly....

The duty of the medical profession—and of national policy-makers—is to encourage the medical profession to promote high rates of expansion of services and high rates of improvement in basic research and in high-technology equipment. *It is the economy which is sick, not the medical profession.* With a return to emphasis on generalized scientific and technological progress, and an emphasis on high-technology forms of employment in production of useful tangible goods, the economy will begin to be cured of its own disease, and with that development the burden of medical services will begin to evaporate....

The national health insurance plan

During congressional hearings in October 1978, Senator Edward Kennedy said: "We must face the hard reality. The current nonsystem of medical care is a failure. If left unchecked, that failure will become a disaster. ..." He proposed, in its stead, a national health insurance plan and predicted that "the next Congress will be known as the health insurance Congress."

The following report is based on a preliminary unveiling of that national health insurance plan as reported in the Oct. 2, 1978 issue of the Washington Insurance Newsletter.

The Kennedy Health Security Act will create a national health insurance program which will:

1. *Make comprehensive health services available to all Americans. The mandated benefits will provide full coverage for in-patient services, physicians' services, in and out of the hospital, home health services, x-rays, and lab tests.*

2. *Control runaway health care costs through a prospective budgeting system. Upon enactment of the bill, budget caps (ceilings) will immediately be used to control hospital and physician costs.*

How does the bill presume to provide every American with proper health care at the same time that it cuts costs? The answer is simple. It can't.

The bill states that it will lower the country's national health bill per year by \$31.1 billion:

Total costs of health care will be less within a few years of the national health insurance program than they would be under current programs, because of the immediate and long-range cost controls applied. For example, total costs will be an estimated \$361.6 billion in 1985 without national health insurance, and \$330.6 billion, or \$31.0 billion less with national health insurance. New on-budget costs for coverage of the poor and unemployed, and for improving Medicare, would be \$14.1 billion in 1978 dollars.

The Kennedy bill is not concerned with cost containment but, if passed, would enact a nearly 15 percent cut in national health services.

There is only one way to cut the national health bill by 15 percent—by dismantling the national health system.

Closing the nation's hospitals

The assault on the nation's hospitals has already begun.

First, under the already passed National Health and Resources Development Act of 1974, the Hospital Financing Administration is moving on its stated goal to eliminate 10 percent of the municipal hospital beds

in the United States by 1980. In New York, the Administration has done away with 15,000 beds since January 1976.

Second, the Hospital Cost Containment Bill, introduced into Congress by Kennedy in 1978, proposes that hospitals place a 9 percent ceiling on their total spending, resulting in a 3 to 5 percent cut in hospital services annually.

Third, the Hospital Systems Agency, established by Blue Cross to oversee hospital costs, is calling for an across-the-board elimination of 10 percent of all patient beds in both voluntary and nonprofit hospitals.

The passage of the Kennedy bill itself would result in the closing of hundreds of hospitals across the country.

Under the Kennedy bill:

Immediately upon enactment, the legislation will impose overall revenue and expenditure limits on hospitals and revenue limits on physician services. Budget caps will be used to restrain current rates of increase in these services. Future increases in health care costs will not be

Sneaking it through the back door

Pressure on the Congress to pass the Health Security Act has already been felt in the presentation to the nation's legislators of a series of smaller bills encompassing many important aspects of Senator Kennedy's overall plan. This bits-and-pieces approach not only prepares the climate in which legislators and citizens alike will have to debate the Kennedy bill itself, but is a crucial hedge for the Kennedy forces in circumventing resistance to the master plan. Among the bills already passed or actively being campaigned for by their sponsors are:

The Hospital Cost Containment Act of 1979. S. 570 is a Carter Administration bill which would impose mandatory, immediate controls on all hospital cost increases, with a 9.7 percent cap on permissible annual "inflation" growth. Cost savings in total health spending are calculated at \$60 billion in the four-year period from 1979-1983, according to one of the bill's most committed backers, Health, Education and Welfare Secretary Califano. Intro-

permitted to exceed rises in the costs of other goods and services.

Placing such a budget cap on hospitals means first no improvement in health care and services. Second, since the system would carry an additional load of 20 percent of the population currently without access to hospitals, the overall quality of hospital care would be greatly lowered. The intensity of hospital care would diminish. Third, since most of the nation's hospitals are currently operating on a slim margin, the combined cut in reimbursements for care would simply drive many voluntary hospitals out of business.

Under the Kennedy bill:

In advance of each fiscal year of benefits, negotiations between representatives of hospitals and doctors, on the one hand, and the Public Authority, private insurers, and health maintenance organizations on the other, will determine hospital budgets and schedules of payments of physician fees.

No longer, therefore, will care and its cost be based on need and capability, but on a prearranged schedule of reimbursements. This provides not only a disincentive for hospitals to improve care but is a disincentive for the admission of patients.

Under the Kennedy bill:

Hospitals and doctors will not be permitted to charge patients more than the insurance plan pays.

Since, as we shall show, the designated care for diseases is no longer under the direction of the doctor but the agencies established by the bill to oversee its implementation, there is no room for improvement of medical care.

Under the Kennedy bill:

Fee schedules will be designed toward equalizing differences in rates of physician reimbursement for the same illness or category of service.

The effect of this provision is to put a maximum cap on treatment. It would constrict vital clinical research and innovations in treatment of disease. Patients would not be offered the options of using new methods of treatment; they would not be available.

Despite the fact that the Kennedy bill claims to enable a greater percentage of the population to be admitted into the hospital system, admissions to hospitals would be more stringent through a claims review process under Blue Cross that would screen hospitalization requests before entry.

Once the patient is admitted to the hospital, the usual battery of tests ordered would no longer be given routinely but only with a specific order from a doctor.

duced by Edward Kennedy and Gaylord Nelson in the Senate, and Charles Rangel in the House.

The National Health Planning and Resources Development Act of 1974 already passed, has as its stated goal the removal of ten percent of the municipal hospital beds in the United States. The Feb. 2 publication of HEW regulations, that would force states to follow impossibly stringent requirements of state authorities and the HSA before hospital construction or modernization could take place, has brought the country one step closer to the Development Act's proposal to stop all hospital construction.

The 1980 Budget, recently presented to Congress, includes a proposal from HEW Secretary Califano for the complete elimination of funding used for over a decade by medical schools to expand their enrollments. The grants, entitled "capitation grants," account for approximately 5 percent of total medical school budgets for the nation's 114 medical schools. Most schools claim they operate so close to being in the red, that to eliminate this source of funding might force some of them to close or at

least lower first-year enrollments. One medical school, Meharry Medical College in Tennessee, may have to shut down shortly due to this expected policy decision.

The National Health Maintenance Organization Act of 1978, sponsored by Senator Schweiker, passed last year. It will eventually mean that health maintenance based on cost-cutting standards will be mandatory in every state. Currently, Secretary Califano and Senator Kennedy are discussing the funding aspects for putting the bill into effect.

The Health Security Act includes provisions for building more hospices. Legislation to implement these provisions is already on the congressional schedule. The National Committee on Intractable Pain (NCIP), the major organization along with Hospice, Inc. of New Haven, Conn. that is lobbying for "medicinal" use of heroin, is now writing legislation to legalize heroin for out-patient care, particularly among cancer patients. The legislation is projected for submission to the 96th Congress or the session thereafter. NCIP is looking for a congressional sponsor.

On Feb. 7, Walter J. McNerney, president of the Blue Cross-Blue Shield Association, declared that payment will be phased out for 31 surgical and 10 diagnostic services unless ordered by a physician in writing on an individual basis. This would eliminate routine blood counts, urine analyses, chest X-rays, and electrocardiograms—tests that often catch the irregularities signaling serious disease. This would deny health care particularly to the elderly and also those 21 million citizens who are referred by group plans and therefore have no individual doctors.

In summary, by placing strict ceilings on expenditures and adding millions to an already overburdened system, the Kennedy bill would legislate many hospitals out of existence through bankruptcy. By tightening requirements for hospital entry, the Kennedy bill would deny care to those who need it. By enacting strict fee schedules for the treatment of disease to those who are permitted entry and by holding a ceiling on allowed expenditures, the Kennedy bill would guarantee that the hospitals could no longer supply the kind of improved care that has greatly lowered the nation's mortality rate in the last decade.

'Alternatives' to hospital care

The logic behind the Kennedy bill was stated simply by David Rogers, M.D., president of the Robert Wood Johnson Foundation, who has prepared the provisions in the bill for medical education and wrote in *Daedalus* magazine in 1977: "While we can probably make hospitals more efficient, the continuing technological advances of medicine dictate that the costs of a day in a hospital bed will continue to rise. But there is good evidence to show that a well-organized ambulatory-care system for certain groups can significantly reduce the amount of hospital care needed per person. A program that would cut hospitalization for each patient now admitted to a hospital in the United States each year by just one day would save \$2 billion. Obviously, logic suggests that we strive toward a system in which less hospitalization is required, if we are to contain the costs of medical care within tolerable limits."

Rogers suggests, and the Kennedy bill provides for, the reversal of the increased specialization of medicine and a new stress on "primary care"; reliance on Health Maintenance Systems in lieu of hospitals for service; the elimination of "unnecessary" surgery; the creation of neighborhood clinics to replace closed hospitals especially in cities; accelerated creation of hospices for the elderly and dying; and stress on "preventive medicine."

Under the Kennedy bill:

Fee schedules will be designed ... to encourage more primary care physicians, particularly in medically underserved areas.

The increased ability through vaccines and advanced

Proposed OSHA regulation to hit

The traditionally private relationship between corporations and insurance companies that has kept health benefit reimbursement standards high in the corporate sector will be jeopardized if Senate Bill 3450 with its regulations pertaining to employee medical records is passed.

Most corporations negotiate directly with the 20 major group health insurance companies in the United States for their employee benefit plans and often use this as a bargaining chip in labor negotiations. These insurance companies, with the exception of Blue Cross and the Prudential Insurance Company of New Jersey, have in the past joined with the American Medical Association to oppose the Kennedy Health Security Act.

But under Senate Bill 3450, proposed by Javits (R-N.Y.), Muskie (D-Me.), and Ribicoff (D-Ct.), the Occupational Safety and Health Administration will be handed vastly expanded powers to prosecute businesses and management for allegedly not providing their employees with "adequate and proper health care." The bill would give a special commission of "qualified personnel" within OSHA access to health records in order to determine if employees have been "unable to protect themselves from occupational diseases and exposure to toxic substances because their claims have been ignored by industry."

Patient access to medical records, presently forbidden except in cases deemed exceptional and in certain court suits, will also be allowed. This opens the way to litigation against occupational physicians, most of whom are attached to corporations, threatening millions of dollars in losses from suits brought by employees who claim exposure to toxic substances or occupational diseases.

methods to treat disease since the late 19th century and particularly in the last two decades has produced an increased specialization in the medical field. No longer is the ordinary doctor a general practitioner who is limited in his knowledge and experience of many diseases. The increased division of labor in the medical field, like the development of high technologies to detect disease and treat patients, has increased the *intensity* of health care delivered. It has saved lives.

The Kennedy bill, does not propose an interdisciplinary approach to solve coordination problems among specializations, but seeks to lower the level of medical skill to the lowest common denominator.

corporate health benefit standards

Patient access would tie in closely with the proposed expansion of OSHA's role as a center for data-bank information providing evidence against major corporations that the introduction of new technologies into their plants and factories is harmful to workers. This indeed was the intention of the Occupational and Safety Hazards Administration Act of 1970. In the health-care sector specifically these guidelines will force government intervention into the benefit structure of private insurance carriers on the grounds that coverage is "inadequate."

For example, the data files could be used to prove that corporate white-collar employees are "treated favorably" by hospitals since they have corporate group health plans and are admitted for "unwarranted surgery and excessive hospitalization." This would provide the rationale to force insurance companies to lower their benefits structures as their corporate clients come under pressure from the expert OSHA committee.

Who is reportedly being proposed for this expert review committee?

- Anthony Mazzocchi, vice president of the Oil, Chemical, and Atomic Workers International Union and an ardent supporter of the Kennedy health bill.
- Alan F. Westin, a professor of law at Columbia University, a board member of the American Civil Liberties Union, and an advocate of the antitrust legislation that Senator Kennedy has sponsored in Congress.
- Alan A. McLean, M.D., the New York area medical director for IBM, a company with a massive electronic data base and surveillance capability, and president of the American Occupational Medical Association.

Dr. Rogers even goes so far as to suggest the "use of nonphysicians to deliver most primary medical care. ... Such a system would probably be, at least initially, most acceptable to the two areas that currently have the most serious problems in general medical care—rural areas of low patient density and heavily congested, inner-city areas now deprived of physicians."

A lowering of the standards of health care is not only projected for low income areas. The Kennedy bill mandates:

National licensure standards and requirements for continuing education.

The Kennedy bill would mandate priorities in medical education toward primary care and less specialization. Already, Secretary of Health, Education and Welfare Joseph Califano has proposed that federal grants to medical schools be predicated on an "incentive system" that would reward schools which admit a higher percentage of students for training in primary care. Many of the country's 114 medical schools currently operate on the financial margin afforded by government grants and would thus have to change their orientation toward primary care or close.

The U.S. health system does need more family practitioner specialists—a designation that requires three years of hospital residency. Dr. Rogers, however, suggests the training of two types of physicians—"first class" physicians would be trained like those today; "second class" doctors would be "rapidly trained practitioners."

The Kennedy bill further mandates:

Regulation of major surgery and other specialist services.

It is the contention of many backers and supporters of the Kennedy bill that since the number of types of operations varies from region to region, then some of this surgery must have been "unnecessary." Califano has established an HEW program "to get a second opinion free" if a doctor should order surgery. But, it has been shown that in cases in which surgery has been delayed—for example, removal of the gall bladder—the problem has recurred, making surgery necessary when the patient is older and less able to withstand it.

It might be argued that some surgery could be eliminated through the development of new drugs. However, the Kennedy-Javits bill for Pharmaceutical Revision Reform Code introduced in 1978 acts to deprive pharmaceutical companies of their research and development capabilities through divestiture of drug patent rights after a 60-month period.

Harvard's Dr. John Knowles, a likely candidate until his recent death to sit on the bill's national Public Authority, has claimed: "Ten billion dollars could be saved and made available for such (preventive) programs, if by miracle all unnecessary surgery were abolished." The claim that \$10 billion a year is spent on "unnecessary" surgery is a ruse to rationalize the closing of the country's hospitals and pave the way for the "ambulatory" service that the bill's backers say will do just as well.

Under the Kennedy bill:

Health Maintenance Organizations and other nontraditional forms of health care delivery, such as neighborhood health centers, will be fully supported and their development encouraged through incentives.

As originally conceived, Health Maintenance Organizations were designed to provide a group of people—through business, school, or union—with

health insurance, and an interdisciplinary team of doctors and medical personnel. Under the Kennedy bill, HMOs become a barrier to the patient's entry to the health system, and particularly surgery. According to one of its designers, the Kennedy-funded Georgetown Health Policy Center, the purpose of HMOs is "to eliminate the second visit, that is, to make sure the patient doesn't come back." Primary screening and diagnosis of patients would not be performed by doctors but by nurses and paraprofessionals. The HMOs are thus intended to serve as poor substitutes for hospitals.

Under the Kennedy bill:

Special provisions will be made for neighborhood health centers, community mental health centers, half-way houses and other organized methods of delivering health care. Programs which are useful in reaching underserved populations will be covered.

Like the provisions for the HMOs, this would decentralize health care and thus diminish the intensity of health services delivered to each patient. More ominously, the handing over of health facilities to the "community" takes major responsibilities for health services out of the hands of medical professionals and places them in the hands of the "consumer." This policy is explicit in the enforcement section of the bill.

Under the Kennedy bill:

A resources development fund will be established to support a nationwide program of demonstration projects for the development of services designed to assist the elderly and chronically ill to remain in their own homes rather than to be institutionalized.

The Kennedy bill thus legislates into nationwide existence the British-spawned Hospice Movement—otherwise known as the "Right to Die" movement.

In the case of the elderly, it can be shown that the increased hospitalization of those 65 and over has decreased the mortality rate. With the enactment of the Medicare program for the elderly in 1965, increased health care expenditures for the over-65 population included a 47 percent increase in real hospital services from 1965 to 1975. The death rate for the elderly during 1965-1975 fell 11.2 percent, compared to only a 2.4 percent decrease during 1950-1965. Thus, increased hospitalization correlates with greater longevity. The Kennedy bill would reverse this.

The Kennedy bill provision for hospices legislates the nontreatment of the terminally ill. In most cases, this involves those degenerative diseases like cancer, heart disease, stroke, diabetes, and chronic kidney disease that constitute the frontier of medicine today. It is here that a breakthrough is required in medical science through basic research and the continual innovation in detection and treatment. By relegating these patients to a hospice treatment of waiting to die, the Kennedy bill shuts the door on the advancement of medical science.

In October 1978, Edward Kennedy and HEW Secretary Joseph Califano were the two keynote speakers at the first annual National Hospice Organizing Meeting in Washington, D.C. The model for Kennedy's hospice program—which is also privately funded through the Joseph and Rose Kennedy Institute for the Study of Human Reproduction and Bioethics at Georgetown University—is the St. Christopher's Hospice in London, created in 1967. Here, "patients" are administered a "painkiller" called the Brompton Mixture. It consists of heroin, cocaine, alcohol, tranquilizers, and chloroform water. It is administered every three hours until the patient dies.

The establishment of such hospices in the United States is already underway through state legislation. In New York, the State Assembly passed a resolution in April 1978 that legally changed the definition of "hospital" to include "hospice." It mandated three hospice pilot projects to be established in the state by no later than 1980. Senator Hevesi, the bill's sponsor, is also the cosponsor of pending state legislation that would legalize heroin for "medicinal purposes."

In addition, the 1978 Kennedy-Javits bill for a Pharmaceutical Revision Reform Code provides for the creation of a special center to study heroin, LSD, and other mind-destroying drugs for their use as "painkillers." This dovetails with an ongoing program of the National Institute of Medicine, in conjunction with Califano's HEW, to enroll doctors at the National Institute on Drug Abuse in courses on "pain management" instead of cure.

Under the Kennedy bill:

Preventive care for all members of the population will be actively encouraged and fully covered.

Under a national health program that was concerned with ensuring the advancing health of the population as the guarantee for a steadily advancing economy and technology, this provision would include national immunization for diseases, regular guaranteed checkups for early detection of diseases, and foremost, raising the standard of living for the population as a whole. How can there be preventive medicine under a health system determined to cut health care by 15 percent?

The motivation behind this provision in the Kennedy bill is explained by Dr. John Knowles, who makes clear that "preventive medicine" is predicated on a decrease in the standard of living. In 1977, Knowles wrote in *Daedalus* magazine: "I will not berate the medical profession, its practitioners and its professors—they reflect our culture, its values, beliefs, rites, and symbols. Central to the culture is faith in progress through science, technology, and industrial growth; increasingly peripheral to it is the idea, vis-à-vis health, that over 99 percent of us are born healthy and are made sick as a result of personal misbehavior and environmental conditions. ... The cost of sloth,

gluttony, alcoholic intemperance, reckless driving, sexual frenzy, and smoking is national, and not an individual, responsibility. This is justified as individual freedom—but one man's freedom in health is another man's shackle in taxes and insurance premiums. I believe the idea of a 'right' to health should be replaced by the idea of an individual moral obligation to preserve one's own health."

Knowles proposes that the individual has a public duty to maintain a low cholesterol and caloric intake and to desist from smoking and drinking. Curiously, he makes no mention of the fact that over 48 million Americans are habitual users of mind-killing and physically destructive drugs such as marijuana, heroin, and cocaine.

Knowles proposes support for a "far greater national commitment for research in health education and preventive medicine with emphasis on epidemiologic studies, benefit-cost analysis, and the most effective and least offensive ways of changing human behavior."

The emphasis on preventive medicine and the role of the "environment" in producing disease has already damaged the treatment of cancer. Through agencies like the Environmental Protection Agency and the Occupational Safety and Health Administration, the "environment," particularly industry, has been blamed for cancer. This has had three effects: first, the closing down of plants and particularly nuclear energy facilities because of alleged environmental hazards; second, a decreased stress on the basic biological research into the function of cells, etc. where the source and the cure of cancer is to be found; and third, in New Jersey, an accompanying dismantling of state cancer treatment facilities, according to medical sources there.

Implement and regulate

The Kennedy bill would take the planning and overseeing of the national health system out of the hands of the medical profession and place it in the hands of the Department of Health, Education, and Welfare and coopted representatives of "consumers" and the health insurance industry.

Within HEW, the bill would be implemented by a Health Security Board under the direction of Joseph Califano.

Secondly, under the Kennedy health bill:

Universal coverage will be assured through a bipartisan federal Public Authority (PA) whose members will be appointed by the President, subject to confirmation. Not less than one-half of the members will be consumer representatives....

The PA will regulate and oversee the operations of the certified insurers and consortia and will consolidate the administration of Medicare, a federalized Medicaid program, and several other existing federal programs. Its major objectives will be to assure universal coverage

through the combination of public and private programs, control the rapidly escalating costs of medical care, and to effect major reforms in the provision of health care by bringing private and public financing into conformity with the goals of the legislation....

The Public Authority will contract with each state and territory to establish State Authorities as agents of the federal agency to implement national policy. The SA's bipartisan members will be nominated by the State Governor and approved by the PA. Consumers will comprise not less than one-half of the membership....

Thus, the national Public Authority has absolute life-and-death control of the national health system.

Who will sit on this Public Authority? Those who have been involved in drafting the Kennedy bill say that the board will likely include:

- Senator Edward Kennedy.
- Joseph Califano, Secretary of Health, Education, and Welfare.
- Isidore Falk, M.D., currently Professor Emeritus of Public Health at Yale University who has spent a lifetime organizing for the nonhealth system mandated by the Kennedy bill.
- David E. Rogers, M.D., President of the Robert Wood Johnson Foundation in Princeton, New Jersey. The Foundation is recognized by the New York Health and Hospitals Corporation officials as being most responsible for the ongoing shutdown of the city's 18 municipal hospitals through its "private" collaboration with Mayor Koch.
- Robert Sigmund, director of the New York State Blue Cross Association. He is closely tied with the Milbank Foundation, which has funded lobbying for compulsory health insurance since the formation of the Committee on the Costs of Medical Care.
- Max Fine, director of the Zionist lobby-controlled Committee on National Health Insurance. He would represent labor on the Public Authority. Fine has pioneered the formation of Health Maintenance Organizations and has been instrumental in gaining labor support for the Kennedy bill.

• Ralph Nader, consumer advocate. Nader's role in attacking industry and high technology is well known. He was instrumental in the passage of the Environmental Policy Act, which in turn has enabled the campaign against industries that allegedly cause cancer. He is a major spokesman against "unnecessary insurance" for many illnesses. As a director of the Public Interest Research Group, he advocates the passage of the Kennedy-Javits Pharmaceutical Revision Reform Code.

These are the gentlemen likely to head up the nation's health system, if the Kennedy bill is passed. Theirs is the body count method of health care.

Under the Kennedy bill:

Programs such as state rate review agencies, health systems agencies, and professional standards review organizations, will be used to the maximum extent.

In short, doctors will be policed to ensure that no physician oversteps the prescribed guidelines of what is necessary. The bill particularly relies on the Professional Standard Review Organization, composed of local bodies of other doctors who monitor a physician's activity and behavior. Established in 1972, persistent resistance from the American Medical Association has rendered them ineffective. Under the Kennedy bill, their use would be mandated by law.

The insurance enforcers

Under the Kennedy Health Security Act, private insurance companies will be given a role enforcing the drastic cutbacks in both quality of patient care and the amount of investment in hospitals. And, despite the carefully neutral tone of the legislation, Kennedy's staff stated this March that the Blue Cross Association of America and the Blue Shield Association will oversee the entire insurance consortium along the following lines:

... The insurance industry will offer uniform, comprehensive insurance benefits at earnings-based premiums equal to or below the maximum set by the Public Authority without experience rating ... provide only those other forms of medical insurance or disability income benefits which do not duplicate or conflict with the uniform health insurance benefits offered by the federal program ... reimburse health care providers (both institutional and professional) for all services covered by the uniform comprehensive benefits, and at fees and rates not to exceed those established in negotiation with the providers and approved by the State Authority.

... Allow the Public Authority or its designees access to financial and management records as they pertain to the administration of the mandated benefits package....

... Develop medical care profiles on treatment provided and facilities used to rapidly detect any minimizations or excesses which would conflict with the rendering of quality care and the efficient delivery of medical services. ...

The insurance provisions are thus some of the more revealing sections of the act. They describe a set of self-policing structures as a result of which no insurance company will be allowed to provide coverage beyond that the Public Authority determines is permissible; any firm that does will be hounded out of the industry. This means standardized upper limits will be set on insurance coverage for the patient and for the hospital performing the treatment. Patients accustomed to the now prevalent method of reimbursement on about 80 percent of total hospital costs above an initial deductible sum are in for a rude shock.

—Karen Steinherz
and Linda Frommer

What's behind the rising cost

The variety of health care reform programs that have promised cuts in the rising costs of health care are generally based on two interrelated myths. The first is that the U.S. economy is a fixed pie with health care allocations regulated to a fixed percentage of the pie, not to be exceeded. Secondly, much of the new health proposals are geared away from high-technology care, focusing instead on keeping the patient "comfortable." The assumption is that "expensive" high-technology health care has only a marginal effect on the overall well-being of the population.

Why is health care so expensive?

It is true that the cost of services, particularly hospital and laboratory services, has increased greatly over the past several decades. In 1950, 4.5 percent of the GNP was spent on health, while by 1977, this figure had increased to more than 8 percent. In recent years, the annual increase in national health spending has grown by 12 to 15 percent, a good deal above the calculated consumer price index of 9 to 10 percent.

Where is the money going? Nearly half of it is for improvements in the quality and quantity of services, not in so-called excess profits on the part of health care providers. In fact, the increase of health care costs as a result of price rises for the same services is actually lower than the general rate of inflation.

Consider hospital costs. If the cost per service is rising slowly, then why are the base daily rates for hospitalization climbing so quickly? The answer lies in the increased intensity of services provided for the patient by the hospitals as part of the base hospitalization day. The American Hospital Association calculates a Hospitalization Intensity Index (HII) that combines more than 40 aspects of hospital care, including number of doctors per hundred patients, number of nurses, number of lab personnel, quality of other services such as food, and so on, to produce an overall measure of intensity of services.

Between June 1977 and June 1978, daily hospital rates increased on average \$22.42, or 12.2 percent. Of this increase, \$12.89 (or 56 percent of the increase) was due to increased costs (inflation) of goods and services purchased by the hospitals, while \$9.53 (44 percent of the increase) was due to the increase in intensity of services. When adjusted by the HII factor, the price segment of the increase for 1969-1978 amounts to only 8.1 percent annually.

The question of medical technology

As for medical research and development, it cannot be argued that the qualitative and quantitative advances

of health care

of society have both produced and benefited from those technological developments that improved the quality and longevity of life. The cost of continuing such technology should, theoretically, cheapen, since it increases the productivity of society. But this is not the case now because of a relative collapse in industrial research and development and a tapering off of investment in physics research. In the past, biology has relied heavily on physics for technology, particularly in the development of diagnostically valuable X-rays, X-ray diffraction for crystallography to characterize biomolecules. Physics also played a key role in the development of other diagnostic and testing equipment such as the powerful electron microscope, computers for data analysis and experimental disease simulation.

The problem is that research and development for the country as a whole peaked in the mid-1960s and then plummeted. Basic biological and biomedical research held out longer largely as a result of President

Nixon's war on cancer, but now is declining in real dollar terms.

While domestic cuts in R and D have affected equipment important to disease detection and research, similar effects have been felt in the area of instrumentation. The decline in physics and engineering has increased costs or has made certain technologies unavailable. Some of the cases in which bioinstrument suppliers have had to go it alone include laser application for studying photosynthesis and vision, X-ray diffraction used to study biochemistry, and the chemical research applications of nuclear magnetic resonance to biology.

In summary, the lack of development of a rigorous theoretical framework necessary to the continuous refining of precision equipment has cost us all dearly. The lack of scientific research and engineering have reduced the productivity of biomedical research and thus increased medical costs.

The 'opposition'

Those hospital administrators, insurance brokers, and others inclined not to support the Kennedy Health Security Act should be wary of the recommendations being given by two "conservative" organizations—the American Enterprise Institute and the Heritage Foundation—on how to defeat the bill. Their "free enterprise" counter-proposals would simply put the problem of controlling costs into the hands of the private sector. Nowhere is the quality of health care discussed. The following are excerpts of an article that appeared in Business Insurance entitled "Medical Cost Containment" by Kenneth Keane, who is a senior vice president and director of the Johnson and Higgins insurance brokerage firm.

George Orwell's book *1984*, which was released back in 1949, depicted a time and a place then considered unrealistic and farfetched by those readers inspired by the work ethic and freedom of enterprise code. *1984*, spawning a cult of doomsday sayers, is now only half a decade away—the year, that is, not the situation depicted in the book. Or is it? Orwell wrote about a society controlled by the state, that lived by five-year plans, and communicated with a vocabulary called "Newspeak" which consisted of such words as Goodthink and Badthink.

The time has come for corporate planners and other organizations to adopt a five-year plan of their own to avert a doomsday scenario in 1984. And the Goodthink today has to be "cut medical costs!" ...

Before things get really out of hand and the federal government steps in to run the whole show ("Badthink"), employers have to get a move on to keep costs in check. And the first place for them to start is in their own back yards—their health benefit plans for employees.

... One small corrective step would be adopting a strict coordination of benefits program so that employers can provide adequate (not duplicate) coverage coupled with cost efficiency.

... Employers might want to think about involving the employees financially in the outcome through greater deductibles and higher employee contributions....

Emphasis can be placed on encouraging employees and their physicians to opt for less costly medical treatment.... A revised plan could *increase* the deductible or coinsurance if the employee has more expensive and lengthy treatment on an in-patient basis....

... Private enterprise, and not the state, can effectively control costs. If it can't, then government-run National Health Insurance may become a reality by the middle of the next decade.

The road to nationalized health care

Nationalized medicine of the sort advocated by presidential aspirant Senator Edward Kennedy has been a longstanding project of the British oligarchy. But unlike Great Britain which early adopted the program of "socialized medicine" as part and parcel of postwar welfare state austerity measures, nationalized health care and cost containment in the United States has been a half century in the making.

Why?

Most Americans understood that such a program for "compulsory health care" does not of necessity mean a plan for improving the quality and quantity of health services provided. Every scheme put forward more or less proposed a structure for demographic control. Legislation for nationalized health care was successively voted down in Congress.

But today, a package of very similar proposals, in the form of Kennedy's Health Security Act and related piecemeal legislation, has been or soon will be passed into law. The 50-year operation went through four phases.

Phase one

In 1916, the core group which would begin the campaign for compulsory health insurance in this country was forged. The policy, not surprisingly, parallels that being put forth today. As one of its founders, Dr. Isidore Falk, put it: "The transformation of the existing system by government controls, rationalization of the existing health manpower and conservation ... the exploding mass of new knowledge and technology was thus incorporated into medical education and training; and medical practice became inevitable. ... There were growing apprehensions that the change in the medical care system were rich in potential promise for improvements ... but not without perspective dangers."

The founding organization was the American Association of Labor Legislation which counted among its members Louis Brandeis, Jane Addams, and Woodrow Wilson.

Phase two

In 1927, a coalition of the American Medical Association and the American Hospital Association effectively blocked the passage of any legislation for compulsory health insurance and so phase two was initiated. Adjustments in the strategy were made to begin implementing aspects of compulsory health care through the private sector.

In 1929, Blue Cross was established to act as the middleman between the hospital, the patient, and the doctor. Under this structural resolution to the "problem" of "nationalizing" health care, physical control over access to health care was created.

Among the founders of the Blue Association were many from the core group that began the campaign for compulsory national health insurance: Isidore Falk, M.D., the Rosenwald Foundation, the Russell Sage family, Edgar Sydenstricker of the Twentieth Century Fund, and a representative from the Commonwealth Fund which to this day is the primary source of Anglo-American influence over medical issues. The fund finances the World Population Council and the Fund of Funds and lists the Queen of England as the chairman of its Scholarship Fund.

In the meantime, reports were still being written and proposals drafted for a national health program. One such report came from the Committee on the Costs of Medical Care which presented five recommendations:

- 1) Better organization of personal health services, especially through comprehensive group practice.
- 2) Strengthening the public health services.
- 3) Group payment of the costs, whether through nonprofit insurance, taxation, or combinations.
- 4) More effective coordination of the services.
- 5) Improved professional education with increasing emphasis on the teaching of health and the prevention of disease.

Isidore Falk, a founder of the CCMC, hailed these recommendations, addressed primarily to communities and neighborhoods, as the "first formulation of a national health program in a pattern reflecting the circumstances, the needs, and the perspectives of the times, with implementation to rest mainly on voluntary actions."

Phase three

In 1965, Medicaid and Medicare were passed by the U.S. Congress, enabling Blue Cross to become increasingly involved in health care policy-making at the federal level. As the largest group health insurer in the United States, the Blue Cross Administration demanded the contract to be the claims processor for the program.

Under the federal legislation, standards were set for Medicare and Medicaid admissions, enforcing shorter stays. The institution of data bank profiles in the administration of Medicare and Medicaid led to the creation of the Hospital Systems Agency in the late

1960s which analyzes hospital performances, using cost-cutting guidelines. Furthermore, the legislation set reimbursement standards in such a way as to cut off private charities as a source of funding for hospitals. Now hospitals could receive only government and Blue Cross reimbursements, leaving no surplus for investment in new technologies.

More telling is the reimbursement track record of the Blue Cross Association.

In 1974, Blue Cross was the strongest lobbyist for the National Health Planning and Resources Act, which intends to reduce by 10 percent the number of hospital beds in the United States by 1980.

Blue Cross is also in the process of implementing stringent claims review procedures such that patient requests to enter hospitals will be screened twice before being accepted. Accompanying this move, Blue Cross is lobbying in Congress for strict application of the 1965 legislation they drafted, known as CONREVIEW. This bill requires states to eliminate "duplicate services and those in excess of local community needs." Finally, at the Oct. 6, 1978 First Annual National Hospice Organization Meeting in Washington, D.C., featured speaker and Blue Cross Vice President Neil Hollander gave Blue Cross's seal of approval to licensing hospices as a reimbursable form of health care.

Phase four

Running concurrently with the half-century effort to legislate compulsory health care is the process of destroying medicine as science, interjecting phony "ethical and moral issues" into the debate over medical science breakthroughs and new technologies. The "popular uprising" against the medical profession today stems directly from the policies and programs of the 1916 initiating group, but this final phase of generating a "popular mandate" for nationalized health is largely the work of the Commonwealth Fund.

The Hospice Movement grew out of the Institute of Society, Ethics, and the Life Sciences at Hastings-on-Hudson, founded in 1969. The Commonwealth Fund gave it a major financial push in 1972 to study "bio-ethical" issues—"dying with dignity." States the Commonwealth Fund Report:

"The Institute will begin a study of the 'Limits to Medical Care,' an assignment suggested by members of the Senate Health Subcommittee. The study will address ethical issues raised by the concept of national health insurance, with a particular effort to define justifiable limits of government support for certain classes of patients. The increasing array of expensive medical technology is giving medicine the ability to keep some seriously ill patients alive almost indefinitely and

confronts a government-supported system of health care with a need to limit the costs and kinds of care patients receive. The Institute believes that this highly charged issue should be approached as soon as possible, so that a framework of rational analysis and carefully defined options will be available when the debate 'goes public' as it must one day."

- The Commonwealth Fund initiated and funds—to the tune of \$82 million—the LABM program to integrate liberal arts into the medical school curriculum. This program is being carried out at the Pritzker School of Medicine at the University of Chicago which is also the home of Billings Hospital where Hospice leader Elizabeth Kubler-Ross was based until recently. The theory behind the LABM project is that if medical schools, which enjoy independent funding from the medical community, can be forced to "integrate" with the regular "humanities" schools, their power base can be broken.

- The Encyclopedia of Bioethics is the most ambitious anti-technology project against medical science. The coordination and study that went into planning this encyclopedia of "troubling philosophical issues in today's medicine," published in 1978, pulled hundreds of professors of law and philosophy and medical doctors into discussions and writings on the issues of cloning and dying with dignity. The effort was based at the Georgetown University's Kennedy Institute for Bioethics, which is funded by the Kennedy Foundation.

- The Commonwealth Fund provided the seed money for the attack on DNA research, which promoted the "human issues" of molecular genetics and fed the media scares around biological and genetic research. The campaign began at the 1977 conference on "Ethical Issues and Scientific Issues Raised by Human Uses of Molecular Genetics," sponsored by the Hastings Institute of Society, Ethics, and the Life Sciences and the New York Academy of Science. Approximately 350 scientists, philosophers, sociologists, and lawyers were in attendance.

- The Commonwealth Fund provided the funding for the projects to develop doctors' profiles at both the University of Connecticut and Harvard University called "Knowledge Performance Gap Among Physicians." These projects led to the establishment of the Professional Standard Review Organization which is an organization that monitors a physician's activity and behavior.

—Karen Steinherz

Mexico, France map world energy meet

Lopez Portillo's principle is expanded production to meet world needs

Mexico and France announced last week that they will begin immediately an urgent round of consultations with oil producing and consuming countries to analyze world energy problems and organize support for a world energy conference, as proposed by Mexico's president Jose Lopez Portillo. The two nations will set up a system of "permanent consultation" to jointly monitor the progress of their "consultations," which an April 25 official communiqué characterized as "indispensable to avoid the creation of a dramatic situation that could provoke grave consequences for world political and economic equilibrium."

The "grave consequences" referenced are nothing short of World War III, as Lopez Portillo bluntly stated in his March call for international cooperation to solve the energy crisis. Warned the Mexican president, unless energy sources and technology are used to promote global development, the world is headed for "apocalypse."

The commitment expressed in the Paris communiqué was buttressed by plans to implement accords for French aid in Mexican nuclear energy and industrial development projects immediately, in exchange for Mexican oil. Projects targeted for joint collaboration range from ports, agriculture, mining, electrical energy generation, railroads, automotive, to specific areas of oil production.

This Franco-Mexican initiative, a model North-South political-economic alliance, capped an intensive round of "working meetings"—11 in three days—held in Paris April 22-25 between a high-powered 12-man Mexican delegation headed by Pemex state oil company director Jorge Diaz Serrano and Natural Resources and Industrial Development Minister Jose Andres de Oteyza and their French counterparts, led by French Industry Minister Andre Giraud. The meetings were action-oriented, working off the international policy and bilateral economic cooperation accords signed during the early March state visit to Mexico of French President Valery Giscard d'Estaing.

While important measures were taken to concretize the Mexico-France bilateral economic "association," as

an editorial' in the Mexico City daily *El Nacional* defined it, the centerpiece of the Paris talks was a discussion of world energy policy, and implementation of the Lopez Portillo proposal for a solution to the energy crisis based on the premise that energy is the "patrimony of humanity." Mexico is urging creation of international agreements, probably in the framework of the U.N., that will wrest the control of world energy production and distribution out of the hands of the London-based Seven Sisters oil monopolies and speculators, and use energy as a motor of development of the advanced and developing nations, rather than as a weapon for international economic warfare. This proposition is Mexico's answer to the U.S. Schlesinger oil grab and energy austerity policies, expressed in the current Administration maneuvers to rope Latin America into a Western Hemispheric "strategic reserve"—a raw materials war chest at the service of Washington's war confrontation drive against the Soviet Union.

There is no doubt that the Mexican government views its global energy initiative as a strategy to usher in a new world economic order, and is embarked on an international drive to mobilize sufficient international support to outflank the Washington-London austerity-war confrontation axis. France shares this view. Industry Minister Giraud stated that "international cooperation is the only possible response to the present dangerous situation," noting that the aim of world energy conference was to promote "economies of energy," and discovery and exploitation of new energy sources." President Giscard d'Estaing personally gave his "broad and definitive" support for a world conference, during a lengthy meeting with the Mexican delegation.

President Lopez Portillo's proposal has already received broad international backing, most recently from the Latin American nations gathered at the U.N. Economic Commission on Latin America's General Assembly in Bolivia two weeks ago, which issued a resolution calling on all nations of the world to make a "universal effort" to "exploit, distribute and consume energy with equity and justice. ..." The European

Economic Community endorsed the proposal in a public statement in March, at the urging of Giscard d'Estaing, while Iraq and Saudi Arabia, two key OPEC countries, have both issued parallel appeals for a consumer-producer conference. The Soviet Union could be expected to throw its political and economic weight behind the French-Mexican organizing effort. Lopez Portillo first introduced his proposal during a state visit to Moscow in May 1978, and Giscard discussed the need for a conference with the Mexican delegation to Paris on the eve of his departure on a state visit to the USSR.

Mexico's international organizing, and the working alliance forged with France last week, is undoubtedly aimed at the U.N. General Assembly sessions next September, where, Lopez Portillo has officially announced, he will put his "energy for development" plan before the nations of the world. Another likely forum is the scheduled September World Conference on Oil in Bucharest, Rumania, which Pemex director Diaz Serrano will attend.

As the Paris daily *Le Monde* noted, Mexico and France are in a unique position, because France, while an oil importer, is not a member of the consumers' cartel set up by Henry Kissinger in Paris in 1973, the International Energy Agency; and Mexico, while a major exporter, is not an OPEC member. In other words, their efforts cannot be construed as motivated by narrow "self-interest," and cannot be manipulated into a classic Kissingerian "consumer vs. producer" confrontation scenario. Mexico's "global" approach was well stated by Minister Oteyza, stating that Mexico does not intend to join OPEC, but that does not mean "in any way, (a) hostile attitude on our part toward that organization." "Our idea," Oteyza said, "has been different...consisting in (the belief that energy) is a matter of universal importance that affects producers

as much as consumers, big countries as well as small, capitalists and socialists, and that, consequently, it must be approached in that dimension."

Bilateral economic "association"

Last week's Paris meetings set up the mechanisms to begin to implement the broad-ranging accords for cooperation in Mexico's industrial development signed during the Giscard visit. Based on oil for technology, the Mexico-France economic "association" is exemplary of Mexico's strategy in using its oil wealth. As Pemex chief Diaz Serrano stated in Hamburg, where he travelled from Paris, Mexico will give preference in oil sales "only to those nations which help (Mexico) to develop its own industrialization."

At the suggestion of Mexican Industrial Development Minister Oteyza, "industrial project committees" will be set up to evaluate and promote a vast range of joint development projects. France especially is interested in aiding in Mexican port expansion, which would facilitate increased oil exports. Both Diaz Serrano and Oteyza spoke before 200 members of the French National Business Confederation, whose president, Francois Ceyrac, promoted investments in mixed enterprises in Mexico because it "offers the best conditions of stability and potential development in Latin America."

Of particular importance was the decision to step up French aid in developing Mexican nuclear energy capacity. While no specific plant construction deals have been signed, France has offered technical aid, technician training, and supply of enriched uranium, should the U.S. renege on its uranium supply contracts with the Lopez Portillo government. The chief of France's Atomic Energy Commission will visit Mexico this month.

—Mary Goldstein

FACTS BEHIND TERRORISM

Terrorism 'expert' Cooper confesses to terrorist ties

An internationally known terrorism "expert" presently officially employed as a consultant to the Law Enforcement Assistance Administration and the International Association of Chiefs of Police has admitted that he is a close personal associate of arrested Red Brigades controller Antonio Negri and a half dozen other Italian radical professors now being charged with complicity in the kidnapping-assassination last summer of former Italian Premier Aldo Moro.

H.H.A. Cooper, a British national presently based out of Washington, D.C. and Dallas, stated in an interview with a reporter from this magazine one week ago, that the Italian government's crackdown on the *control elements* behind the terrorist underground is "a repression movement aimed at denying the professors who are theoreticians of change the right to organize and recruit their students ... I personally know Professor Negri and many of the other arrested academics and I can say for certain that they have nothing to do with terrorism ... You just cannot go after the professors who are naturally the theoreticians of social change and connect their theories to acts of violence ..."

Cooper's remarks are nearly a verbatim repetition of the line put out by a number of Italians, especially grouped around the leadership of the Italian Socialist Party (PSI), who are now scrambling to destroy the evidence that could lead to their arrests. Included in this grouping are Norberto Bobbio, Roberto Vacca, and Frances-

co Alberoni—all leading PSI "intellectuals" who, as this publication has documented, are the linguistics specialists who recruited zombified students into the terrorist Red Brigades and Autonomi.

It should be obvious to American law enforcement officials—especially those who read our detailed coverage last week of the successful new investigative approach adopted by the Italian and French authorities in their latest crackdown on terrorists—that Dr. Cooper "doth protest too much." For the past five years, Cooper—an operative reportedly still in the employ of British intelligence—has insinuated himself into the U.S. law enforcement community as an "expert" on terrorism. In 1976, he was the staff director of the LEAA's National Advisory Committee on Criminal Justice Standards and Goals Task Force on Disorders and Terrorism. He directed the preparation of a 600-page report that whitewashed tons of evidence linking the Institute for Policy Studies, the Ford Foundation, the Stern Fund, and other U.S.-based entities to the creation of the Weathermen, the Black Liberation Army, the FALN, and other terrorist groupings. Instead, he declared that terrorism is a "sociological phenomenon" that will inevitably grow more serious and more difficult to contain.

Cooper's confessed association with the man about to be proven in the Italian courts to have masterminded the Moro caper sheds a great deal of light on his past performance. From 1973-75, while already an advisor to the

LEAA, Cooper was the President of the Non-Governmental Organizations Alliance of the UN—an organization that provides safe-houses to the terrorist support groups of five continents. In 1977, Cooper visited Italy as an official "consultant" to the government on antiterrorist policies. At that time, an investigation into the role of the PSI intellectuals was dropped.

Environmentalists, Maoists threaten violence

As this issue goes to press, there are strong indications that the two days of demonstrations planned for the nation's capitol on May 5-6 are being run along lines similar to the July 4, 1976 Peoples Bicentennial operation which drew thousands of often well-armed Maoists and environmentalists to Philadelphia and Washington, D.C.

On Saturday, May 5, an estimated 500-1,000 members of the Revolutionary Communist Party (formerly the Revolutionary Union) are staging a national May Day march to the capitol. This group, headed by Robert Avakian, has made no bones in recent issues of its newspaper *Revolution* that it models itself on the Italian Autonomi terrorists and the Symbionese Liberation Army. Dozens of its members in Houston, Atlanta, Seattle, and Washington, D.C. have been arrested in the past six months on charges ranging from illegal weapons possession to inciting to riot.

Indicative of the potential for trouble in Washington this weekend is the response from terrorist expert H.H.A. Cooper to a question on the possibility of terrorism from the environmentalists: "I don't expect any violence—that is if there are no provocations from the police." Shades of Chicago, 1968?

—Jeffrey Steinberg

Henry Carey: 'Two systems are before the world'

The 1976 inauguration of Jimmy Carter as President ushered the members of the Council on Foreign Relations "Project 1980" into the White House. Since then, on energy, every road to clean, safe, efficient nuclear power has been roadblocked by the Administration and choked with mobs of Schlesinger-encouraged antiprogress environmentalists. On economics, Carter's program for national austerity has been necessitated by the tight-credit, wildly inflationary policies from both the Treasury Secretary and the Federal Reserve. On foreign policy, U.S.-USSR military showdown has become the lawful end of trade wars, import-export restrictions, and raw materials looting from the developing sector. And the glue to hold this national leadership insanity together is Dope, Incorporated, the City of London's worldwide dope business determined to send this nation's population into economic depression "high as a kite."

The Council on Foreign Relations "Project 1980" has absolutely no precedent in the American System. This Dark Ages blueprint stems from only one model: *The British System*.

The conflicting nature of the world views of these two systems is not well known to Americans living in the 20th century. And for that reason this week's American System column presents excerpts from a pamphlet written by Henry

Carey on the difference between the American and the British systems, titled *The Harmony of Interests*.

Henry Carey, one of the foremost economists of the 19th century, joined with Abraham Lincoln to found the Republican Party. Theirs was a political fight to revitalize the national commitment to continue the policies of the Founding Fathers, and especially the industrial development policies launched by Alexander Hamilton, a figure named by the Council of Foreign Relations as an enemy.

"...Two systems are before the world. ... One looks to pauperism, ignorance, depopulation, and barbarism; the other to increasing wealth, comfort, intelligence, combination of action, and civilization. One looks toward universal war; the other to universal peace. One is the English system: the other we may be proud to call the American system, for it is the only one ever devised the tendency of which was that of *elevating* while *equalizing* the condition of man throughout the world.

"Such is the true *mission* of the people of these United States. ... To diffuse intelligence and to promote the cause of morality throughout the world, we are required only to pursue the course that shall diffuse education throughout our own land. ... To improve the political condition of man throughout the world, it is

needed that we ourselves should remain at peace, avoid taxation for the maintenance of fleets and armies, and become rich and prosperous. ... Doing these things, the addition to our population by immigration will speedily rise to millions, and with each and every year the desire for that perfect freedom of trade which results from incorporation within the Union, will be seen to spread and increase in its intensity, leading gradually to the establishment of an empire the most extensive and magnificent the world has yet seen, based upon principles of maintaining peace itself, and strong enough to insist upon the maintenance of peace by others, yet carried on without the aid of fleets, or armies, or taxes, the sales of public lands alone sufficing to pay the expenses of government.

"To establish such an empire—to prove that among the people of the world, whether agriculturists, manufacturers, or merchants, there is perfect harmony of interests, and that the happiness of individuals, as well as the grandeur of nations, is to be promoted by perfect obedience to that greatest of all commands, 'Do unto others as ye would that others should do unto you,'—is the object and will be the result of that mission. Whether that result shall be speedily attained, or whether it shall be postponed to a distant period, will depend greatly upon the men who are charged with the performance of the duties of government. If their movements be governed by that ignorant selfishness which leads to the belief that individuals, party, or national interests are to be promoted by measures tending to the deterioration of the condition of others, it will be late."

—Barbara Gould

WORLD TRADE REVIEW

New trade deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
France and Soviet Union	Two economic cooperation agreements. First agreement calls for tripling of trade by 1985. Second agreement calls for economic, industrial, and technological cooperation, 1980-1990.	NAv	NAv	(1)
China from Canada	China is seeking electronics, data processing, and communications equipment from Northern Telecom	\$1 bn.	(2)	
Soviet Union from France	Technip to supply petrochemical equipment	2.5 bn	N/A	(2)
Turkey from France	Turkish government-controlled telephone authority signs contracts with Le Material Telephonique, subsidiary of Thomson CSF for joint creation of electronic phone component firm with annual capacity of 200,000 telephone lines.	Francs 700 mn Francs	N/A	(7)
Saudi Arabia from Japan	Mitsubishi will construct an offshore crude oil loading terminal 200 miles north of Jeddah for Petromin	\$125 mn	NAv	(3)
Thailand from World Bank	Electric power project	NAv	\$80 mn loan	(4)
East Germany from Japan	Mitsubishi and Toshiba will supply two lamp factories: an incandescent lamp plant producing 80 mn bulbs per year (Berlin) and a fluorescent lamp plant producing 27 mn tubes per year (50 km west of Dresden)	\$60 mn	NAv	(5)
Indonesia from World Bank	flood control project in West Java	NAv	\$50 mn loan	(6)
Mexico from U.S.	Purchase of 1,300 International Harvester tractors	\$29 mn	Eximbank \$17.4 mn loan to Banco Nacional de Credito Rural	(7)
Iraq from Japan	An affiliate of Iraq's Ministry of Industry and Minerals has purchased a million ton per year cement plant from Kawasaki Heavy Industries (hardware and engineering) and Marubeni Corp. (Later, material supply and administrative services)	\$11.5 mn	NAv	(8)
Zambia from Italy	AGIP SpA will prospect and develop uranium mines	NAv	NAv	(9)
Francophone Africa from Western Europe	Consortium of French-speaking African countries Air Afrique orders 3 Airbus (1 A-300 B4 and 2 A-310s), to be delivered in 1981 and 1983 respectively	N/A	N/A	(5)

NAv Not Available.

- (1) Statement of intention. See article elsewhere this issue for further details.
- (2) In negotiation.
- (3) Agreement reached, according to news reports.
- (4) Loan issued.
- (5) Order received.
- (6) Loan approved.
- (7) Signed. Contracts issued.
- (8) Letter of intent received by suppliers.
- (9) Deal signed.

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Gold

London afternoon fixing

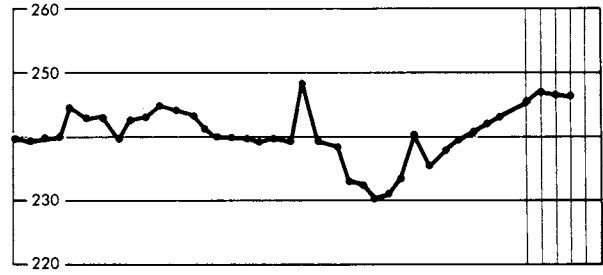
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May 1 247.30

2 246.30

3

4



The dollar in deutschemarks

New York late afternoon

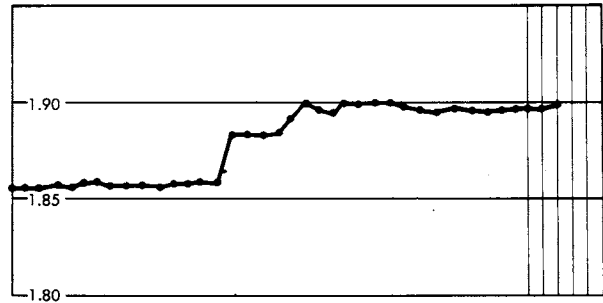
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May 1 1.8990

2 1.9010

3

4



The dollar in yen

New York late afternoon

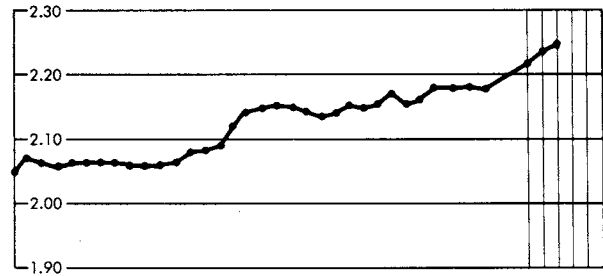
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May 1 224.60

2 225.00

3

4



The dollar in Swiss francs

New York late afternoon

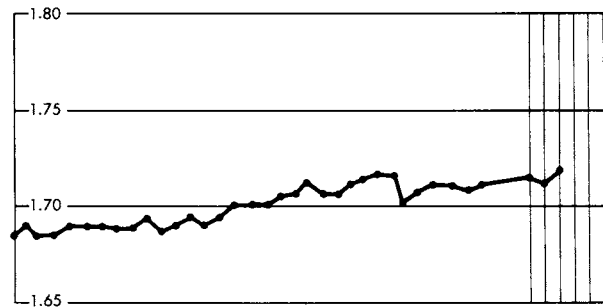
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May 1 1.7205

2 1.7235

3

4



The British pound in dollars

New York late afternoon

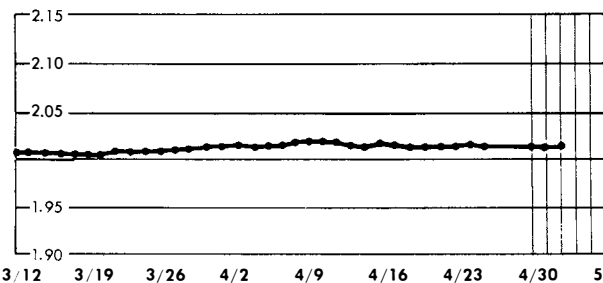
April 30 2.0683

May 1 2.0605

2 2.0704

3

4



3/12 3/19 3/26 4/2 4/9 4/16 4/23 4/30 5/4