

# EIR

Executive Intelligence Review

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The return of the IMF

Euro-missiles and a new arms race for NATO

The OPEC summit: crash of 1980?

**France's bid for world leadership**



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# EIR

## From the Editor-in-Chief

**T**his week our special report, "France's Bid for World Leadership," gives you an in-depth look at France, its role in the world today, and its leader, President Valery Giscard d'Estaing. The question of leadership and the role of strong sovereign nations is the center of the ongoing global crisis—at every point it is the elimination of strong leaders and the destruction of the nation-state itself, as in Iran, that has been placed on the agenda.

France stands out, not only as an independent force, growing on the world scene, but because of President Giscard's central role in that process.

This story is the product of a combined effort by our staff. Contributing Editor Christopher White has overseen the effort, and leads the story with a profile of Giscard and an overview of the international role of France. The research and writing of our French desk experts, Garance Phau and Dana Kastner, has been supplemented by reviews of France's role in Asia, Africa and the Middle East, France's role in the creation of the European Monetary System, and the French role in East-West relations, contributed by our area experts. In all, we have given our readers a little of the depth of understanding that guides our day-to-day work.

This is the last issue of 1979 for the *EIR*—as is customary we do not publish a Christmas-New Years issue. We wish our readers a Merry Christmas and share your hopes for a better new year in 1980.



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### **How the British run the Muslim Brotherhood**

With *EIR*'s next issue in two weeks, we will offer a devastating exposé of how London's Royal Institute of International Affairs, through the British Secret Intelligence Service and the U.S. Pentagon's Office of Naval Intelligence, is currently exerting top-down control over the terrorists of the Muslim Brotherhood and its Khomeini government inside Iran. We will explore why the Naval Intelligence office itself is housing the Iranian Embassy's Military Attaché and "Student Coordinator," even as the Iranian crisis persists, and "Islamic students" deploy for terror in the U.S.A. It is a story of high treason inside the Pentagon, the State Department and the National Security Council—an *EIR* exclusive.

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On the cover: French President Giscard d'Estaing with Mexican President Jose Lopez Portillo. Photo-Richard Melloul, SYGMA.

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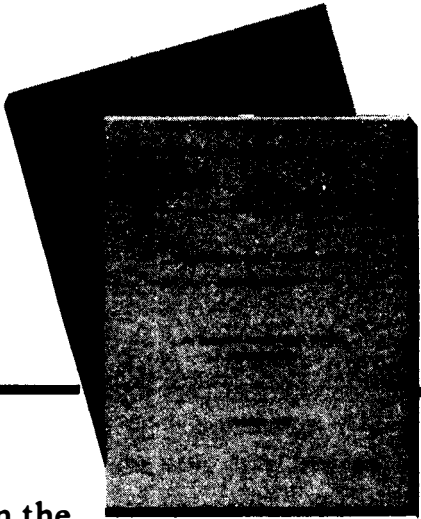
Sen. Ted Kennedy has said the same things about the “Iranian revolution” that certain quarters in the Kremlin are saying. Nevertheless, Kennedy is not an agent controlled by Moscow, reports Contributing Editor Lyndon LaRouche; the similarity, however, does reveal certain intelligence connections of overwhelming strategic importance.

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# EXECUTIVE INTELLIGENCE REVIEW



## -Special Reports-

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## Editorial Comment

by Nora Hamerman

# A sobering year's end

Only wishful thinkers could deny that prospects for humanity's survival look dimmer at this year's end than in December, 1978. One year ago, the European Monetary System was officially launched by the European Community's Nine—excepting Britain—as the basis for a war-avoidance policy. Today, British Prime Minister Margaret Thatcher flaps her way around North America with the demeanor of a British governor-general surveying a reconquered colony. From Washington to Moscow, from Rhodesia to Peking, and most dangerously in Western European capitals, the British model of geopolitics and genocide is gaining ascendancy.

Make no mistake. The zero-growth "One World" of a revived Pax Britannica will mean thermonuclear war and a New Dark Age, from which the earliest recovery will occur in the mid-21st century. What is vital to prevent Britain from leading the world into the third world war of this century, caused by the same geopolitical miscalculations that caused World Wars I and II, is the institution of a new world monetary system based on the concepts of Lyndon H. LaRouche, Jr.

This point is forcefully made in LaRouche's important new book, "Will the Soviets Rule During the 1980s?" Writing last April, LaRouche argued that the weaknesses in strategic thinking by Moscow, Bonn and Paris could doom that alliance's "superpower for peace" concept to impotence. He noted that the fundamental weakness of the Bonn-Paris axis is their unwillingness to openly break with their enemies within the NATO alliance. The vulnerability of Moscow, he showed, lay in the official Soviet inability to distinguish between the historically progressive capitalist impetus behind the institution of the European Monetary Fund, and the British model of genocide as put forward by the International Monetary Fund and World Bank.

The key to the LaRouche plan is moving into

"Phase Two" of the EMS using the European Monetary Fund, a gold-backed credit pool, to finance high-technology exports for industrial development projects in the former colonial sector. Provided a "triangular" arrangement is instituted, involving key Third World countries, advanced-capitalist countries, and the Comecon bloc, the EMF-centered new system can replace the IMF and thus end the austerity stranglehold over the underdeveloped countries that is the major danger of war today.

But both Moscow and Bonn have exhibited the weaknesses diagnosed by LaRouche. The continental Europeans acceded, fatally, first to the IMF-designed credit restrictions against their economies notoriously associated with the name of Paul Volcker in the United States. Next they capitulated to Anglo-American pressure to back prospective military invasions of the Persian Gulf oil fields, justified by the actions of a Khomeini regime put into place for that very purpose by British intelligence and the U.S. State Department. Bonn's capitulation on Dec. 12 to the deployment of new anti-Soviet NATO missiles in Western Europe comes in the same bag.

Meanwhile precisely the blind spot noted by LaRouche has allowed the British network in Moscow around Philby and Maclean to gain the upper hand and produce the "tilt toward Qom" much noted in the U.S. press.

LaRouche's book emphasizes the necessity of mobilizing the "organically" pro-progress outlook of the American people to break Washington out of London's control. As 1980 opens, and with LaRouche's U.S. presidential campaign having just been certified major candidate status by the Federal Election Commission, this is the best chance humanity has for a future. "Whether or not you can muster the moral fitness to survive these present global crises," as LaRouche puts it, now depends on the support for his campaign.

## After Caracas: the demise of OPEC?

by Judith Wyer

The failure of the Saudi Arabians to force a unified oil price at the Organization of Petroleum Exporting Countries (OPEC) semi-annual price setting meeting in Caracas, Venezuela, may well signal the break up of the 19-year-old cartel. After an unprecedented four days of haggling which was polarized between the moderates, led by Saudi Oil Minister Zaki Yamani, and the hawks led by Iran and Libya, the cartel could only agree to a split price of \$24 to \$30 a barrel. At the last OPEC price setting session in June, the cartel agreed to a ceiling of \$23.50.

Throughout 1979, the Saudis have been unable to enforce pricing discipline within OPEC as member states anarchistically bid up their contract prices for oil against the skyrocketing speculative price on the Rotterdam spot market. Yamani this week cogently characterized the result of the increasing heteronomy within the cartel by stating that from now on, world oil markets will look like an "Arab Bazaar," where prices will continue to climb and supply will remain an uncertainty.

### A design

The current collapse of OPEC unity has occurred by design, and is usefully dated from the February "Islamic Revolution" in Iran. The disintegration of the oil markets which expanded the volume of oil traded on the speculative spot markets, and the Iranian revolution itself, were the direct result of scenarios drawn up by the New York Council on Foreign Relations, and its mother institution the London Royal Institute for International Affairs. The design was chiefly implemented through

Royal Dutch Shell, British Petroleum, and British National Oil Company.

The gallery of Iran-led radicals within the oil-producing sector who now threaten unending price hikes, reduced production, and a break with the dollar share a common allegiance to the Muslim Brotherhood, a secretive anti-Western movement created by British intelligence. The purpose of such madness is the creation of a "One World" new economic order in which the multinational companies, the International Monetary Fund and the United Nations would assume supra-governmental domination over sovereign nation states.

### Undermining the Saudis

Up until the downfall of the Shah of Iran in February of this year, the Saudis had a powerful alliance with the Persian monarch based on ensuring that OPEC maintain a moderate pricing policy so as not to undermine the world economy and the value of the dollar. Jointly the Saudis, the world's largest oil exporter, and the Iranians (OPEC's second largest producer) controlled well over half of OPEC's total oil producing capacity and could easily flood the market to undercut any price hawk. Holding tens of billions in dollar reserves, the Saudi royal family was—and still is—unwilling to adopt an alternative to the dollar for oil pricing, for fear of undercutting their own net worth.

Following the "Islamic Revolution" in Iran, Saudi Arabia became increasingly isolated within the cartel. Iran began to catalyze support, particularly within the



North African oil producing nations, for its radical pricing and monetary policies.

In recent months, Iraq has leaned towards an alliance with the Saudis on moderating prices and the critical question of Persian Gulf security, but even with the record Iraqi production of 3.7 million barrels a day, added to the Saudi output of 9.5 million barrels a day, their efforts to reunite the cartel around a moderate policy have failed.

And now, the Saudis themselves are threatened with an Islamic style coup. Such was previewed last month when Khomeini-backed Muslim insurgents occupied the holy Grand Mosque at Mecca. Washington sources reveal that a faction of "Young Turks" within the Saudi elite are working with the Muslim insurgents. These elements are known to be in favor of the same anti-Western—i.e., feudal—economic policies which currently prevail in Iran.

### **OPEC as surrogate**

At this writing a radical clique of OPEC nations including Iran, Libya, Algeria, and Venezuela are moving to impose on the industrial nations the policies that London and Washington have designed. This will be achieved by making certain demands on the consuming nations as a condition for oil supplies.

Exemplary is the demand made by the National Iranian Oil Company last week. The West German state-owned oil company Veba-Demenex was told that continued oil sales must henceforth be paid in West German deutschmarks rather than dollars. According to the Venezuelan ambassador to Iran, an eight hour meeting between the oil ministers of Iran and Venezuela earlier this month concluded that on a country-by-country basis, OPEC members—in effect, as surrogates for the City of London—could force a diversification out of dollars by asking payment in other currencies. This corresponds to the Bank of England's goal of "currency blocs" replacing the dollar as international reserve currency.

In recent weeks numerous OPEC countries have threatened to break with the dollar, including Libya and the wealthy Persian Gulf emirate of Kuwait.

### **High prices, energy austerity**

Just 4 days before the Dec. 17 OPEC meeting, Saudi Arabia along with three other producing nations enacted a blanket \$6-a-barrel price increase in an effort to unify prices and strike a compromise with the hawks. Saudi Arabia, since June, had been selling oil at \$18 a barrel, the cheapest on international markets. The Saudis have vowed to maintain a production level of 9.5 million barrels a day—a full million barrels a day over their official ceiling—in order to create a margin of oversupply to moderate spot-market prices. Similarly, the Iraqis who

have adopted a much more moderate pricing position and have raised their output to a whopping 3.7 million barrels a day, agreeing to sustain that level.

The big question rests with Iran. If a civil war breaks out causing a production shutdown, or if the Iranians decide to arbitrarily reduce production as oil chief Moinfar is currently threatening, then sufficient shortfall could be created to start a new pricing spiral, led by Britain and the "radical" oil producers. Otherwise Abu Dhabi, Indonesia, and Venezuela have already announced production cuts for Jan. 1, 1980.

Since the OPEC meeting started, Libya has announced a retroactive price hike to \$30 a barrel (to Nov. 1) with an option to impose yet another jump before the end of the year. Iran the next day imposed a boost to \$28.50 a barrel, followed by Nigeria and Algeria to the same level.

According to the *Financial Times* Dec. 18, there may be a "silver lining" in this new series of increases. The *Times* notes that now such boondoggle energy projects as the Venezuelan heavy-oil Orinoco project and the Canadian Athabasca project can be made "economical," as well as smaller more risky fields in the North Sea. Such multi-billion dollar ventures are being promoted by the United Nations Institute for Training and Research (UNITAR) which held a conference in Montreal last month. UNITAR is a principal tenacle of the CFR-RIIA "multinational government" plan.

Iranian Oil Minister Moinfar in Caracas glibly noted that world oil prices should climb to \$55 a barrel to make such utopian alternative energy sources as biomass and solar energy economically feasible.

The Secretary General of OPEC, Rene Ortiz, told the press last week that the 1980s would see unprecedented chaos as a result of the collapse of the 50 year old integrated system of oil transportation and marketing which would mean unpredictable oil price increases. The same day a vice-president from Exxon Corporation, A. J. Wolgast, told the press that the world was increasingly being held hostage to the "black spot market" thanks to the Islamic regime of Khomeini, which has been selling massive volumes there at prices to \$50 a barrel. According to the CFR's calculations these soaring energy costs can only be met with an unprecedented reduction of energy consumption in the industrialized nations.

What Wolgast, of course, did not say was that Exxon's six sisters, notably Mobil, Shell, and British Petroleum, have played a pivotal role in forcing up spot prices. The OPEC militants have used these as a pretext for imposing repeated arbitrary price hikes. As the events in Caracas demonstrated this week, the pro-dollar pricing moderates led by Saudi Arabia appear helpless to halt the economic anarchy which has swept OPEC over the year.

## The IMF takes command

*With private bank credit dried up, many developing countries must turn to the IMF, which is demanding fierce austerity.*

Since the Carter administration shocked the world credit markets by freezing Iranian assets on Nov. 14, dollar lending to Third World countries by private banks has nearly ground to a halt. Into the breach has stepped the International Monetary Fund. During the past two years net IMF lending was zero because developing countries could turn to European and Japanese banks as an alternate source of credit. But with private bank credit evaporating fast, most developing countries have no choice but to accept the Fund's credit terms.

Secretary of State Cyrus Vance's mission to put the clamps on Europe coincided with the announcement by U.S. Federal Reserve Governor Henry Wallich before a Senate Banking subcommittee at the end of the week that Third World trade deficits for 1980—which he estimated would top \$100 billion as a result of oil price rises—would be “too massive to be financed away.” Many countries will have to adjust by depressing their economies rather than financing the deficits by borrowing, he stated, adding that controls were required in the private Euro-dollar credit markets to bar “unsound” lending to developing countries from that quarter.

Many leading French and West German banks are now saying that they will neither accept new OPEC petrodollar deposits nor relend the

funds to Third World countries. “Commercial banks cannot go on accepting all deposits offered them,” Commerzbank chief Robert Dhom recently told the *International Herald Tribune*. And Credit Lyonnais' top executive Pierre Brussolette stated: “Financing of Less Developed Countries (LDCs) is not a problem banks have to assume ... We are, under no circumstances, obliged to channel funds to (LDCs) simply because OPEC deposits such funds with us.”

Such statements reflect a serious retreat on the part of European policymakers, particularly the French and West Germans, who had previously proposed to use the European Monetary System (EMS) to mop up surplus petrodollars and direct these funds to Third World industrialization. “You ask whether Germany has capitulated? The answer is yes,” one well-informed West German businessman admitted privately. “The weakness of Europe is that it is unable to tackle U.S. actions in the Middle East.”

Europe's retreat is already setting up the preconditions for Iranian-style disintegration of other Third World economies.

Turkey has reportedly agreed on a new package of austerity measures insisted upon by the IMF, including another major currency devaluation and substantial increases in prices of key commod-

ities consumed domestically, such as gasoline, fertilizers, sugar and coal. According to the London *Financial Times*, the measures “will undoubtedly fuel Turkey's inflation, which is running at between 70 and 80 percent.” In return, Turkey will receive a piddling \$78 million credit from the IMF, \$100 million from a consortium of private banks, and small additional amounts from the Organization of Economic Cooperation and Development (OECD) countries.

Jamaica, one of the several countries on the IMF's Extended Financing Facility (EFF) tranche which carries the most severe conditions and monitoring, is about to be delivered to the chopping block. Last weekend, Jamaican Prime Minister Michael Manley announced that the country would fail to meet IMF officials' December “test,” and that \$240 million in IMF credits would have to be renegotiated.

The Philippines, having completed one round of the EFF this year, has no choice but to renew another EFF arrangement to carry its \$9 billion debt through the next several years, and has just opened negotiations with an IMF team which the London *Financial Times* insists will be “precedent setting” for other “middle-income” developing countries that have gone heavily into debt.

South Korea, for example, one of the more industrialized Third World countries, is rumored to have applied for an \$800 million IMF loan. *The Far Eastern Economic Review* announced this week that the IMF's traditionally “low profile” in Asia will change now as more countries face debt crunches and deepening payments deficits.

## The new bi-metalism

*There is a broader economic design—and a cartel—behind the sudden run-up in the price of silver, and it has thrown a new light on the run-up in the price of gold.*

Since the London *Times* called for a return to the gold standard on December 12, both gold and silver prices have behaved “as if someone had cornered the market,” market sources relate. In the estimation of this journalist, the decision has been made at the highest levels of the City of London banking circles, including the Bank of England, to index the major international currencies to the prices of these two precious metals and reorganize the world economy under the leadership of the Thatcher regime and a regenerated British Commonwealth.

This scenario was developed by Sir George Bolton, the former chairman of the Bank of London and South America (BOLSA), in a series of memos to the Bank of England over the past year and a half.

The evidence of an emerging gold “corner” by London is as follows: On Dec. 18, James Sinclair and Company, the New York-based precious metals trader, reported that the London and Swiss dealers in physical gold had “overpowered” the U.S. futures market. While American futures traders had for several days running attempted to beat the price down, they were met each morning with a powerful surge of buying in London. On Dec. 19, the gold price broke all previously-existing barriers to a record \$496 an ounce.

Sinclair, and other market sources, also reported that a sub-

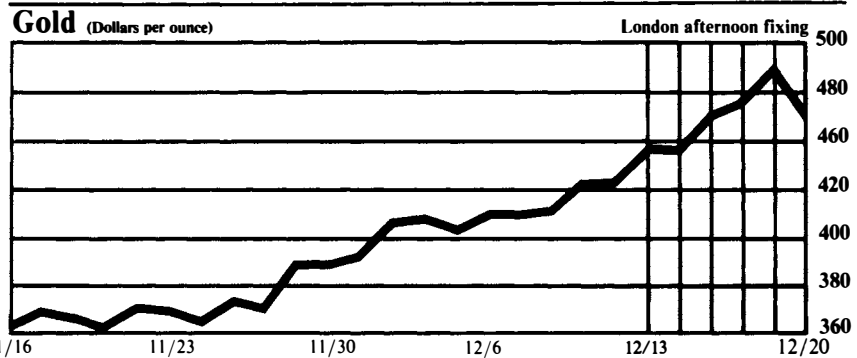
stantial portion of the orders placed in London represented Arab money being parked in gold on a more or less permanent basis.

This reflects a major reversal in the previous pattern of last summer where Arab gold orders were being channeled primarily through West Germany’s number two bank, the Dresdner Bank. We analyzed that pattern then as part of the Giscard-led effort to establish a “Euro-Arab dialogue,” which would culminate in an agreement to funnel OPEC petrodollars through the European Monetary Fund, establishing a gold-backed system of credits for world development. With the threatened loss of Persian Gulf oil supplies due to Washington and London’s “Iran crisis,” top French and West German policy-makers have retreated from this gold-backed EMF perspective. Some private French and West German banks have even refused to accept OPEC dollar deposits. This Franco-German capitulation has once again placed Lon-

don and, secondarily, Switzerland, in a commanding position on world gold markets.

The silver “corner” actually began to take shape in late August when British and Swiss interests decided to bull the market to divert attention from Dresdner’s gold operations and the threatened Arab-EMF link-up. In August and September, dealers in physical silver like N. M. Rothschild, Mocatta and Goldsmid, and Engelhard’s Phillips division, which usually sell silver futures short in order to hedge their inventories, suddenly dropped out of the market. At the same time, the Dallas-based Hunt family and Norton Waltuch of Continental Grain’s ContiCommodities subsidiary took up massive “long” positions. (Waltuch manages an offshore fund for Saudi investors.)

As a result, silver rose even more than gold and the historic gold-silver ratio was shifted. While this ratio has been at roughly 32.5:1 for most of this century, it has fallen this year to about 21:1. According to Paul Sarnoff of ContiCommodities, the Hunt family expects the gold-silver ratio to decline to 5:1. This is certainly not based on any anticipation of a gold price fall.



## For the EMS, small breathing room

*Given the way London is manipulating OPEC and driving up interest rates internationally, the European Monetary System's "phase two" will never happen—unless it happens soon...*

A private, in-house meeting of the Dresdner Bank's foreign exchange experts last week concluded that U.S. inflation would continue at a 15-20 percent rate despite a predicted serious recession in 1980. In that context, said the experts, gold would rise to over \$1000 per ounce within two years.

Similar meetings have occurred throughout West Germany warning that the European Monetary System (EMS)—originally set up as a dollar-stabilizing device—was incapable of stemming the new round of flight from the dollar unleashed by the latest rise in oil prices and interest rate hikes.

Even more worrisome, some proponents of the EMS have joined its opponents in predicting that the combined oil, dollar and interest rate stresses are building up centrifugal forces among the EMS countries which threaten to break apart the EMS as an institution.

The planners of the EMS had envisioned a two-phase process. The first, limited phase consists primarily in using the foreign reserves of the EMS members to intervene in the currency markets. This would stabilize the value of the dollar against the EMS currencies as a whole while maintaining stable relationships among those currencies. These reserves are now simply being overwhelmed by the oil, dollar and interest rate crises.

The opponents of the EMS

don't intend to give it the breathing space to implement the second phase—using the EMS as a nucleus for wholesale international monetary reform. "The EMS will blow apart in the first quarter," gloated a top currency trader from one of London's most famous banks. "The mark will rise 5 percent while the French franc will rise not more than 1-1.5 percent. This will force yet another realignment of internal EMS currency rates—making a sham out of its pretense of being able to stabilize currencies."

With the EMS's stabilizing capacities on the defensive, London and New York bankers are gambling that the latest round of OPEC price hikes will send funds streaming out of dollars and into marks, yen and Swiss francs.

A disunited OPEC is to be the bludgeon forcing other currencies to share reserve status with the dollar. At the OPEC meeting Venezuelan oil minister Humberto Calderon proposed the so-called Geneva 1 formula, i.e., oil be priced in a basket of currencies but each nation be allowed to demand payment in the currency of its choosing. Calderon's proposal was referred to the long-range planning committee.

In the past, the Saudis have used this referral tactic to effectively kill the proposal, but observers believe the breakdown of OPEC internal discipline means that the

policy will be implemented, on a country by country basis.

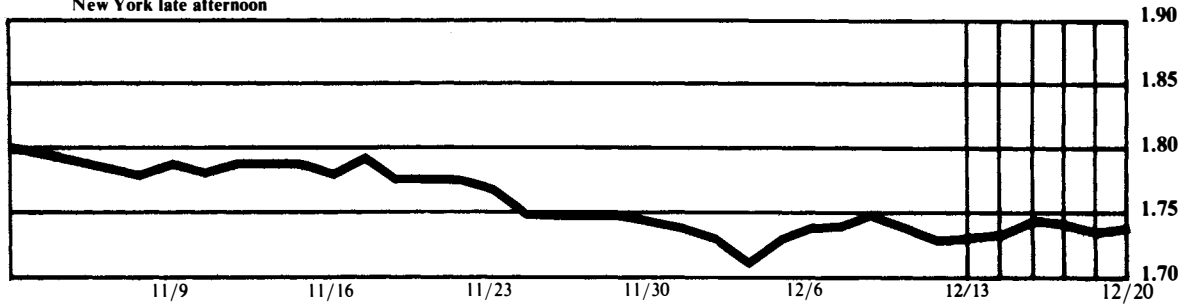
Already, Mideast and other countries have begun placing significant chunks of their foreign reserves in non-dollar currencies. In fact, even staunch dollar supporter Saudi Arabia provoked a 10-point rise in the yen two weeks ago when it purchased \$200-300 million worth of Japanese Treasury notes. Some London banking sources predict that, beginning with oil, 20 percent of world trade will be denominated in deutsche-marks by the end of 1980, compared to 12 percent now.

A top New York analyst added an interesting twist to the currency-diversification scenario. If the English courts rule against the U.S. attempt to freeze Iranian assets, he said, then developing country dollars will leave the U.S. for London—certified as a safe haven—and a significant portion of dollars will be converted into other currencies. On the other hand, if the British courts rule in favor of the U.S., there will be no safe non-U.S. haven. The OPEC countries would fear to flee the dollar so quickly as to rapidly send it—and their own reserve value—plummeting.

At this point no technical measures short of wholesale international monetary revamping can prevent dollar depreciation, fluctuations among all major currencies, increased reserve status for non-dollar currencies and a general flight from currencies into gold and other commodities. Whether this predicament leads to a de facto breakup of the EMS, or provokes France and Germany into a faster implementation of Phase II, remains to be seen.

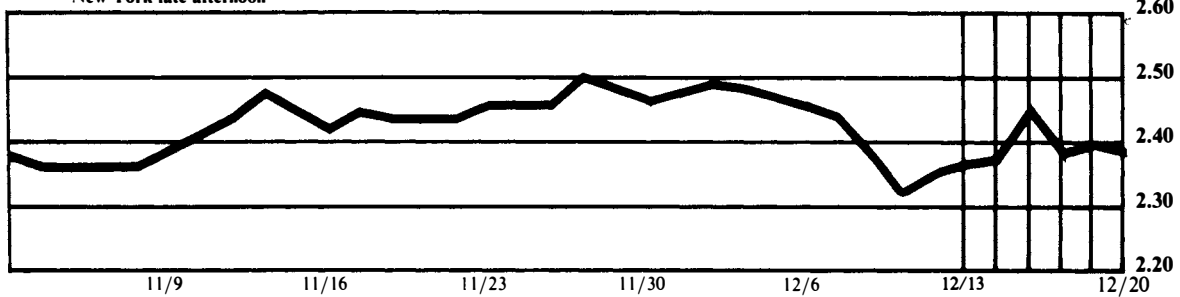
### The dollar in deutschmarks

New York late afternoon



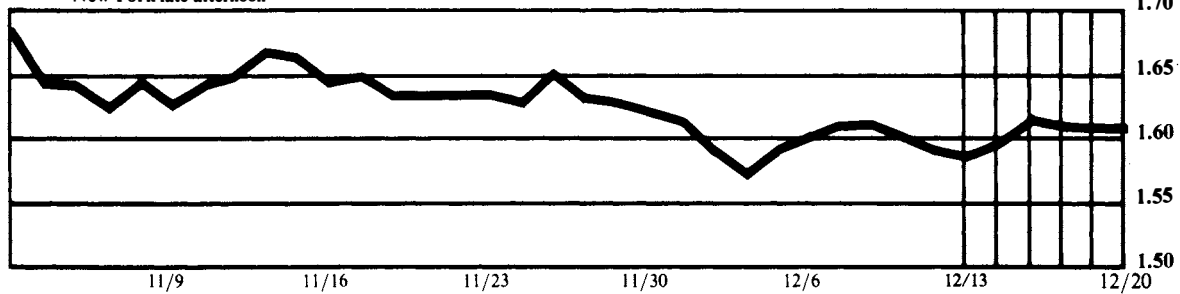
### The dollar in yen

New York late afternoon



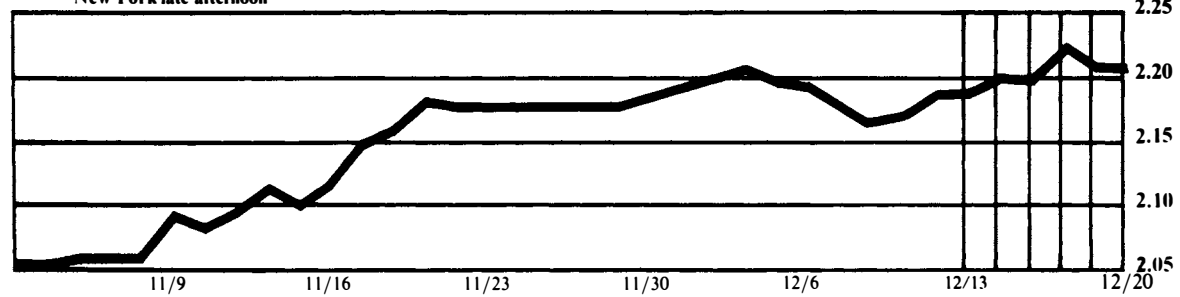
### The dollar in Swiss francs

New York late afternoon



### The British pound in dollars

New York late afternoon



# The Brandt Commission turns the world upside down

by Stephen Parsons

The World Bank's advisory panel known as "the Brandt Commission" released from Leeds Castle in England last week an extraordinary set of policy proposals which would turn the world economy into a Rube Goldberg contraption. Oil and other commodities would be stockpiled, contracts between competing currency blocs would be indexed to commodity prices, and all would be overseen by a new World Development Agency.

The Commission's release is the first popularization of this plan, which proposes to hold the industrial world to ransom for expensive raw materials from Third World countries, who, in turn, would suffer reduction to essentially colonial status and substantial reduction of population size.

Two things are of the highest importance regarding the Leeds Castle business.

First, it represents a decision to surface a policy approach which, according to the *New York Times* and *Washington Post*, has the sympathy of both the State Department and the White House. Previously, hectic planning for this policy—which *EIR*'s cover story last issue dubbed the "one-world conspiracy"—went on in fairly quiet fashion.

Second, various features of this program are already in implementation; a "commodity standard" (see Gold); diversification out of the dollar and the splitting of the world into currency blocs (see Foreign Exchange); and the swift takeover of leading developing-sector economies by the International Monetary Fund/World Bank combination (see International Credit).

The Brandt Commission was formed in 1977, following the collapse of the Paris Conference on International Economic Cooperation, known as the "North-South" dialogue. At Henry Kissinger's instigation, the OECD nations stonewalled development proposals initiated by

France's President Valéry Giscard d'Estaing. World Bank President Robert McNamara then initiated the commission under the chairmanship of the former West German Chancellor. Brandt cemented formal ties with the World Bank at its September 1977 Annual Meeting. The Leeds Castle effort represents a summary report, after two years of work.

## The proposal

The Commission now publicly stands for everything this publication has been warning of since Federal Reserve chairman Volcker's "Saturday night special" of October 6. Volcker's credit crunch on the U.S. economy signaled the beginning of the recession and concomitant renewed downturn of the dollar. Combined with the Iranian crisis—most importantly, the freeze on Iranian assets and threatened oil cutoff to Europe—the stage is now set for measures such as those of the Commission, which include:

- A tax on international trade to finance a new World Development Agency;
- Long-term, price-indexed oil agreements between consumers and producers, including a guarantee of supply;
- Sharply increased financial aid to the less developed countries (LDCs). This would have several features. First, since private banks will no longer be able to either recycle OPEC petrodollars, sharply increased by the oil price rises, other agencies must be used and/or created for recycling. Second, LDC revenue must be "automatically" guaranteed, which could come from a tax on various segments of world trade, including oil.

These funds would be handled in part through a "World Development Agency," an agency that would be much more "sensitive" to Third World needs than the IMF or World Bank.

- "International Revolving Funds" for exploration and research of new energy and mineral resources, complete with insurance systems.
- Establishment of oil buffer stocks to maintain price levels and avoid market fluctuations.
- Ending the role of the U.S. dollar as the international reserve currency, with oil payment and other transactions denominated in a basket of currencies, with or without the IMF as a mediating agency.
- The inclusion of the East Bloc in these arrangements, for a true "One World" international community, as envisioned by such organizations as UNITAR.
- A world food program, along lines of the Club of Rome, which encourages local, small scale agriculture and food reserve banks under supranational institutions' control.

In plain language, this adds up to virtual abrogation of national sovereignty, with beefed-up IMF and even larger supranational "development" institutions dictating policy to all nations. Third World countries would be reduced to the status of colonial states more impoverished than they already are, dependent on the "appropriate technologies" they are permitted to use by these agencies. The advanced sector would be held hostage to the same institutions, their populations paying hand over fist for energy and commodities whose prices are rigged by various cartels.

Meanwhile, with the demise of the dollar and substitution of a basket of currencies or the Special Drawing Rights of the IMF, the world will become "one" through the creation of currency zones or regions which will tend to trade only among their constituent nations, in competition with other such zones. The international banking system is to be rationalized into a handful of major banks under rigid control of the IMF and related organizations.

Conference Chairman Brandt proposed, to push this through from the top by convening a "new kind of summit" of world leaders representing different major regions, possibly through the mediation of a "neutral" head of state.

The Commission's proposal for price-indexed agreements between oil consumers and producers is the front end for similar arrangements for all commodities. These can only work in the context of prices for oil and various

## Who is the Brandt Commission?

The Independent Commission on International Development Issues, known as the Brandt Commission, includes members from nearly every corner of the globe. Here is a partial listing.

**Katherine Graham,**

publisher, *Washington Post*.

**Peter Peterson,**

chairman, Lehman Brothers Kuhn Loeb.

**Edward Heath,**

former Conservative prime minister of Great Britain.

**Olof Palme,**

former Social Democratic prime minister of Sweden.

**Shridath Ramphal,**

British Commonwealth secretary-general from Guyana.

**L.K. Jha,**

governor of India's Jammu-Kashmir state.

**Adam Malik,**

vice-president of Indonesia.

**Eduardo Frei,**

former president of Chile, head of the Christian Democratic Party.

In addition, there are members from Algeria, Tanzania, France, Japan, Canada, and Kuwait.

precious metals such as gold, silver, platinum and key industrial ores rising to grossly inflated levels. These price rises will soon become about the only source of foreign exchange for those LDCs fortunate enough to have one of these metals; that income will go increasingly for inflated energy costs and expanded debt service. The conjunction of the commodities boom with the creation of the various "development funds" and an invigorated IMF is merely the forerunner for Henry Kissinger's International Resources Bank, first proposed in April, 1976. Kissinger's plan rapidly became the most-hated American policy proposal in the field of economics during the postwar period. However, the Iranian crisis "has changed all that," the London *Economist* comments. If Europe does not handle the problem with the perspective of industrializing the Third World, then the World Bank, as advised by its Brandt Commission team, will institute the measures detailed above. Furthermore, if the Soviet bloc decides that the Thatcher government is the place to go for deals with the West, the Brandt Commission's offers to include the Comecon in the new Development Agency's lending plans might look attractive.

## Kissinger's IRB is back



In April 1976, then-Secretary of State Henry Kissinger began circulating a plan for the creation of what he termed an "International Resources Bank" to channel hundreds of billions of dollars of private-sector capital into resource-extraction projects in developing countries. The plan was rejected at the time, and with good reason. Its effect would be to put the world economy into a classic British-colonial mode based on maintaining pockets of cash-and-carry speculative resource looting, and generally enforced backwardness.

The World Bank and International Monetary Fund are attempting step-by-step to implement this policy today.

Kissinger in effect proposed to "solve" the Third World debt problem, which, in the wake of the 1973-74 oil price run-up and 1975 world recession, had reached crisis proportions, by linking debt repayments to a flow of commodities generated through IRB projects. The financial success of Kissinger's program in turn depended on the ability to sustain large price hikes for energy and other raw materials—a gigantic "tax" which manufacturing industry in the United States, Western Europe, and Japan would be forced to pay.

To make the IRB plan palatable to developing sector governments, Kissinger coordinated closely during 1976 with United Nations agencies, such as the "radical redistributionist" United Nations Commission on Trade and Development (UNCTAD). Kissinger's Undersecretary, Charles Robinson, consulted UNCTAD officials while preparing the IRB proposal. UNCTAD, meanwhile, circulated its own version of the IRB in the form of the "Common Fund," a plan to artificially prop up raw materials prices through large-scale financing of commodity buffer-stocks.

Neither the IRB nor the Common Fund gained international acceptance during 1976-77. Many Western Eu-

ropean businessmen, as well as some developing country officials, surmised that the key to Third World financial health is industrialization and that this can be achieved only through heavy imports of capital goods and technology from the advanced countries. High energy and primary commodity costs hinder the ability of Western industry to play this supplier role.

Despite widespread discrediting of the IRB, top policy-planners in New York and London have recently sought to revive the old Kissinger scheme in the context of the present Iranian crisis. Non-OPEC developing countries could run a collective balance of payments deficit of more than \$70 billion in 1980, reflecting escalating oil import prices and declining export earnings due to a U.S. depression. According to the *Financial Times*, Brazil alone may have to borrow \$25 billion on international capital markets next year, an amount which three years ago was considered sufficient to cover the financing needs of the entire non-OPEC Third World.

In this atmosphere, the New York-London banking axis is prepared to act on either one (or both) of two scenarios: 1) a series of forced defaults in which Third World debtors are stripped of their foreign reserve holdings and denied access to credit (as in the Iran case); or 2) selective lending to those countries which submit to reorganization of their economies around high-priced energy and raw materials "development"—the IRB program.

### UNITAR's "appropriate" energy technologies

The second approach was the major theme of a two-week conference on world energy resources sponsored by the United Nations Institute for Training and Research (UNITAR), another "left"-profiled agency, in Montreal, Quebec. In its final document issued on December 7, the conference concluded that the world is *not*



running out of energy—which should be news to no one—but went on to recommend that each country investigate those resources that “could be most economically exploited *within the context of a national economy*, particularly in the developing nations and those not endowed with abundant resources of conventional energy.” (emphasis added)

In other words, UNITAR’s energy experts simply assumed that the “decoupling” of North and South had already occurred, that no credit was available to the Third World from the outside, that each country would be forced to fall back on resources as defined by its own “national economy.” And what kind of energy technologies did UNITAR recommend?

According to the *New York Times*, “one example cited was China’s widespread use of ‘biodigestives,’ which use animal and vegetable wastes to make methane gas for heating and cooking and, as a byproduct, liquid ammonia for fertilizer.” Other resources discussed included “solar heating, wind, the conversion of biomass, or vegetation, into gases and liquid fuels, large- and small-scale hydroelectric power, wood burning and geothermal power, such as natural steam and hot water fields”—sixteenth century technologies—and no mention anywhere of nuclear power, the one technology capable of bringing these countries into the modern age.

“There’s no question that we need something like the IRB,” one UNITAR official commented later, adding that the question of international financial mechanisms had not been taken up at the Montreal conference. Despite this lack of a formal institution, the World Bank and leading U.S. and British commercial banks are already undertaking to redirect lending along lines envisaged by Kissinger. Since early November, very few sizeable syndicated Euromarket loans have been announced and virtually all of these have been linked to energy or metals mining projects. Many involve metals, like silver or copper, whose prices have recently soared to new historic highs and are expected to move still higher in tandem with oil. A few examples follow below:

- **Guyana.** The World Bank may provide the Guyana government with financing for a \$50 million 750 Mw hydropower project. A draft bank report has already commented favorably on the scheme and Guyanese officials believe that, if the World Bank funds become available, the government can obtain an additional \$400 million in private foreign financing for an aluminum smelter project. This is surprising news given that Guyana has been virtually shut off from international credit markets in recent years.

- **Brazil.** Brazil received a “jumbo” credit of \$1.2 billion in late November, which was perhaps the only

jumbo to have been signed since the Iran crisis snarled the Euromarkets. The proceeds of the loan are to be used largely for development of “gasohol,” a ludicrously inefficient energy form. On December 7, the government announced a 30 percent devaluation of the cruzeiro and called for further belt-tightening by the Brazilian population which recently suffered a nearly 60 percent hike in gasoline prices.

- **Peru.** Peru’s “return to financial health” was ballyhooed in the financial media following an early-December seminar sponsored by Manufacturers Hanover Trust, where Peruvian officials announced that the country would be able to amortize \$280 to \$300 million in outstanding debt falling due in 1979-80 ahead of schedule. Peru’s banking creditors have in turn announced that they will refinance \$400 million in debt service falling due in 1980. Peru, which defaulted in all but name during 1977, expects to chalk up a \$1 billion balance of payments *surplus* in 1979.

The reason for this turnaround is not hard to find; although domestic living standards continue to drop, the sharp rise in prices of Peru’s major export commodities this year, including copper, silver, and oil, has brought in plenty of cash. Peru became a net exporter of oil during 1978 and companies like Royal Dutch Shell are now lining up with the government for production-sharing contracts. Since Peru sells most of its oil in the spot market, government officials expect that the country will earn an average of \$40 a barrel on its oil exports in 1980. This would result in nearly doubling Peru’s oil export revenue to \$1.2 billion next year.

Like Mexico and Bolivia, the Peruvian government has stepped up its purchases from domestic silver mines, and is counting the silver as part of its official reserves to back up the country’s enormous foreign debt. When the U.S. government proposed to sell 15 million ounces of its silver stocks on the open market earlier this month—with a dampening effect on the metal’s prices—the Peruvian government, whose leading financial advisor is the London-based Lazard banking group, threatened to purchase the entire amount. Mexico has also been acting to keep supplies off the market. Mexican silver production is largely in the hands of Penoles Mexicanos and other companies associated with the oligarchist “Monterrey Group.” In effect, both governments have joined the “silver cartel” (see GOLD) featuring Swiss and British financial interests, the Texas-based Hunt family and Arab investors, whose goal in cornering the market reflects London’s intention of having major currencies indexed to overvalued silver and gold as the world economy is reorganized around the “International Resources Bank” commodity flows.

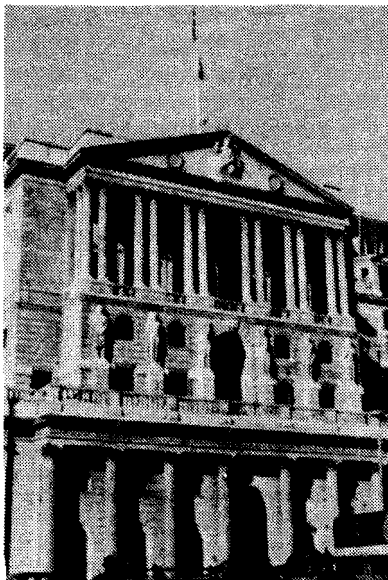
—Alice Roth

### Sir George Bolton's world 'overview'

In a June 11, 1979, memorandum to Bank of England Governor Gordon Richardson, Sir George Bolton, the former chairman of the Bank of London and South America (BOLSA), presented his "forecast" of geo-political events to occur in late 1979 and 1980. We printed excerpts from this memo in the July 10-16 issue of *EIR*. We reproduce the memo here because it has so far proved remarkably accurate—the recent Rhodesian settlement, the present threatened destabilization of the Saudi Arabian regime, and the continued bidding up of the price of oil are all as Bolton "anticipated."

Bolton was also quite clear about where he believes things will go from here: "America seems likely to suffer a series of misfortunes with political consequences." "Western Europe ... cannot remain prosperous," etc. The pound sterling, Bolton claimed, would shortly emerge as the only truly strong currency and the raw materials-rich British Commonwealth would again emerge as the only secure set of economies.

Bolton, of course, is no mere seer. As a director of the British mining company, Lonrho, which is notorious in Africa for its intelligence operations, Bolton played a key role in the recent Rhodesian settlement on behalf of British For-



*The Bank of England.*

eign Minister Lord Carrington, also a board member of Lonrho. Since this memo was written, Bolton has begun to predict the emergence of "commodity-based" currencies, that is, currencies whose value is linked to the price of one or more strategic raw materials produced by the country in question rather than any measure of industrial capability.

*The following are excerpts from Sir George Bolton's June 11 memorandum to Bank of England Governor Richardson.*

"Southern Africa is degenerating into chaos due to lack of international leadership on Rhodesia. The only thing which can deter economic chaos is for the new British conservative government to end the sanctions and stabilize the situation.... Camp David has brought no semblance of peace in the Middle East ... frictions there are the worst in 30 years. The U.S. has abandoned the area, starting with its only ally, the Shah ... the flow of funds from the Gulf of Sudan has ceased because of their support of Sadat, and Libya has troops there ... It is well known that the senior members of the Saudi royal family are trying to build up conciliation with Russia ... other members of the family are taking actions against the royal family ... Saudi

oil production cannot avoid this difficult domestic consideration...

"It is probable there will be no international price of oil by fall because producers will sell to the highest bidder, not to any fixed OPEC price. It is impossible to suggest a price, but based on current activities in Rotterdam it would seem over \$30 per barrel.

"... The only countries in this condition with the means of surviving would be the U.K., Canada, Australia, and others who are self-sufficient in energy resources ... America seems likely to suffer a series of misfortunes with political consequences ... and the resultant confusion will have unfortunate economic and social consequences ... a fall in production, higher unemployment, with insoluble political consequences ... The longer the White House remains impotent the greater the possibility of violent public reaction against the government.

"... Western Europe ... in these circumstances cannot remain prosperous ... it may live off the fat for a time but eventually production will fall and unemployment problems must rise.

"... It would seem likely that the tendency for foreign funds to flow into the U.K. would continue and ensure that sterling remains a strong currency ... the U.K. has a new government which shows every intention of dealing with inflation and restoring Britain's international standing with the aid of its unique situation of being self-sufficient in energy ... In this context we must reexamine the role of the Commonwealth.

"There is no hope of the restoration of the fabric of international trade through the International Monetary Fund or European Monetary System as America is unable to lead the world until 1981 at the earliest. The Commonwealth might provide the example. They have the means to organize a currency with a metallic convertibility that would help restore some belief in money ... which retains its value only for a fleeting moment. That moment is much too close for comfort."

## How the scheme emerged

**November 1975.** At UNCTAD meeting in New York and Geneva, the Committee on Invisibles and Financing of Trade proposes the Integrated Commodity Plan and an international debt-funding bank. A forerunner to the plan for an International Resources Bank, the proposal originated from British Prime Minister Callaghan and Rio Tinto Zinc, Ltd. The Committee is chaired by Gerissimo Arsenis, a British intelligence operative.

**November 18.** The heads of state summit meeting in Rambouillet, France ends with Henry Kissinger forcing Italy and Japan to back down from efforts to grant debt moratoria to the Third World and begin international development.

**April 12-13, 1976.** The Club of Rome, the number one proponent of zero growth, meets in Philadelphia. Shifting its strategy in response to pressure for Third World development, the Club adopts a push for labor-intensive energy programs as the "alternative" to economic stagnation, and advocates a new international structure (and IRB-type institution) to replace national governments.

**April 16.** A *New York Times* article by Ann Crittenden "leaks" a State

Department plan for the creation of an International Resources Bank. Designed by Charles Robinson, then Henry Kissinger's Undersecretary of State for Economic Affairs and previously an officer of the Marcona mining firm, the proposal projects channeling private funds into specific resource extraction projects in the Third World. Interest and amortization of less developed country debt would thus be linked with commodity flows guaranteed by long-term delivery contracts.

**April 20.** *Le Monde Diplomatique* reports UNCTAD chief Gamani Corea's call for Third World debt cancellation. With no mention of an institution to finance real development, Corea instead proposes a "refinancing mechanism" linked to raw materials prices to transform the structure of debt. Corea's plan was also offered one week earlier at an OECD meeting, where officials of The Netherlands, Sweden, Norway and Switzerland pushed for limited debt moratoria.

**April 21.** Federal Energy Administrator Frank Zarb (now at Lazard Freres) warns of "a disturbingly great chance of being subjected to another oil embargo" in the face of increasing Mideast turmoil.

**April 26.** Citibank writes that further monetary instability would break the international hegemony of the dollar and give rise to at least three currency blocs under IMF control: a dollar/yen zone, a deutchemark-"mini-snake" bloc, and a stratum of very weak currencies like sterling, the franc and the lire.

West Germany's most prominent business newspaper, *Handelsblatt*, attacks the International Resources Bank proposal and the U.S. White House, Treasury and Department of Agriculture.

**April 30.** A Financial Times conference on international banking features calls for currency zones from Louis Camu of Banques Bruxelles Lambert and others. Citibank's Richard Costanzo and IMF head Johannes Witteveen insist that the IMF and private banks will have to function jointly as lenders and managers of Third World debt, while Europe must necessarily submit to austerity to contain inflation and bolster domestic currencies.

**May 4.** Nairobi UNCTAD meeting begins and continues until early June with virtually no decisions made.

**May 18-19.** International Labor Organization conference in part discussing labor operations in an IRB-dominated world.

**March, 1977.** U.S. government proposes \$6 billion "Common Fund" to finance raw materials buffer stock, which would keep commodity prices sufficiently high so as to guarantee Third World debt service payments.

**Summer, 1979.** Bank of England advisor Sir George Boulton proposes a commodity-based monetary system, with currency strength pegged to its "metallic" content.

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# Business Briefs

## **Banking**

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### **Chase second top-five bank to shake up brass**

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Chase Manhattan Bank Dec. 19 announced a change in its hierarchy including the early retirement of David Rockefeller as Chase's chief executive officer. This shakeup at the country's third largest bank follows by only two weeks a similar shakeup at Citibank, the nation's number two bank.

David Rockefeller, who holds the title of chief executive officer as well as chairman, announced that effective Jan. 1, 1980, he will step down as chief executive officer, six months ahead of schedule. Rockefeller will also give up the position as chairman on Jan. 1, 1981.

The Rockefeller announcements are only part of the change at the bank. A group of people have come into prominence at the bank who favor "computer wizardry" and retail-loan gimmicks, instead of the bank's meat-and-potato corporate and international loan departments.

John Haley, executive vice-president in charge of Chase's corporate and institutional relations, but who was regarded as the man in charge of Chase's international department, has been downgraded. Instead of reporting directly to the president's office, as he had been doing, Haley will report to executive vice-president Barry Sullivan, who heads Chase corporate banking.

One of the winners in the Chase shakeup is Willard Butcher, currently president. Butcher will replace Rockefeller. Butcher, who sees himself as "tough and driven" and who according to his bank colleagues has as his model Confederate General Robert E. Lee, is part of the "computer wizardry crowd."

It was just two weeks ago that Citibank, the nation's number two bank in size, underwent a similar shakeup favoring another "computer wizardry"

crowd. Exemplary of this is the promotion of computer whiz-kid John Reed, as well as Thomas Theobald and Hans Angemueller to the newly-created titles of "Senior Executive Vice President," apparently setting the line of succession to the Citibank chairmanship now held by Walter Wriston.

The shift in the internal makeup of America's top money center banks is seen as a retrenchment of American banking, as the British-run International Monetary Fund projects a greater role for itself inside the U.S.A.

## **World Trade**

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### **Saudi-Korean deal stalled over bribery charge**

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Hyundai Construction, one of South Korea's largest firms, won't be raking in lucrative Saudi Arabian contracts for some time, says the Dec. 14 Far Eastern Economic Review (FEER). Hyundai is still working on \$2 billion worth of existing projects but has reportedly been blacklisted indefinitely because of allegations that one of their executives attempted a \$2.5 million bribe to a Saudi defense ministry official.

Saudi defense officials confirm that Hyundai is being investigated but there is no confirmation that Hyundai has been blacklisted. FEER, for example, reports the rumor that the U.S. Army Corps of Engineers removed Hyundai from its list of contractors on a \$20 billion group of projects for which it is the Saudis' consultant. Yet, FEER also reports that Hyundai received a contract from the U.S. Corps of Engineers as recently as Nov. 28, despite the fact that the alleged bribery incident took place back in August.

If confirmed, the Hyundai blacklist would be a major blow to Korea's economic strategy. Saudi Arabia provides 75 percent of the \$20 billion in outstanding foreign construction projects, a ma-

ior source of the foreign exchange that fuels Korea's boom. What furrows the brow of the Koreans is that the scandal comes on the heels of Saudi Arabia's cancellation of a major oil deal with Italy—all amid burgeoning scandals inside Saudi Arabia.

## **World Economy**

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### **State says: developing sector must "cut growth"**

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Despite the Brandt Commission's grandiose plan for a "World Development Agency," the U.S. State Department does not foresee any substantial increase in funding from official institutions for the Third World during the year 1980. According to a source close to Under Secretary of State for Economic Affairs Richard Cooper, although the preparatory talks for the new global round of North-South negotiations will begin next month, State does not expect the actual negotiations to get underway until January 1981. In the meantime, the developing sector is faced with an immediate financial crisis as a result of oil-price hikes and the reduced availability of Euromarket funds—a crisis for which State admitted it has "no response."

"Advanced developing countries like Brazil are either going to have to borrow more or cut growth. It looks like they'll have to cut growth," the source said. "But remember three million barrels of oil a day go to the LDCs (less developed countries). Of this, two million go to the upper echelon, like Brazil, which consists of about eight countries. The other one million goes to the lower echelon, which is 78 countries. These MSA (most seriously affected) countries don't have the capability to borrow. They will have to take the real cost of the oil price increases out of their already low levels of living."

The World Bank is also not planning

any major gear-up in its 1980 spending in the wake of the Brandt report. According to U.S. banking sources, private American banks have been eagerly lining up at the World Bank to apply for "co-financing" deals, only to find that their proposals are turned down or postponed for months. Despite the publicity about the World Bank's new orientation towards lending for energy-related projects, World Bank officials say that they expect funding for such projects to amount to only \$500 million next year out of total 1980 spending commitments of \$10 billion.

### *Domestic Credit*

## **U.S. interest rates fluctuate erratically**

United States interest rates moved up and down, and then upward again, in a wide band of nearly 200 basis points this last week. U.S. Treasury Securities, which had hit early October lows at the start of the week Dec. 17, and then rose sharply Dec. 19 to last week's highs.

This erratic behavior is directly traceable to the Federal Reserve Board's manipulation of the Federal funds rate—the overnight, interbank rate—according to Bleichroeder's investment bank in New York. A Bleichroeder's spokesman stated Dec. 20 that "Federal funds have moved by nearly 2 percentage points in the last week and a half. The Fed is playing for maximum confusion."

This same erratic behavior is also observable in the gold markets, where the price of the golden metal has moved from \$450 to \$496 and back down to \$475 within the space of four days, Dec. 17-20. This confusion in the money markets has made market behavior prediction virtually impossible. With no one knowing which way the markets will go, it is possible for the same forces to continue to prevent any dollar stabilization plans from materializing.

Federal Reserve participation in rigging the money markets is a standing tradition within the last 3 years. Under the chairmanships of G.W. Miller and now Paul Volcker, the Fed has repeatedly tightened money market rates before major auctions of Treasury debt. This sets a plateau for U.S. interest rates, moving them ratchet-fashion upward. Now the Fed is keeping the currency markets in worked-up confusion, preventing defense of the dollar.

### *Agriculture*

## **Senate Committee promotes gasohol**

Senators Talmadge and Helms, respective chairman and minority leader of the Senate Agriculture Committee, have pushed through a bill to provide \$1.4 billion in federal grants and loans to promote "small-scale production of alternative fuels from agricultural commodities and forest products."

"The agriculture and forestry biomass program," says a committee release, "is aimed at putting a nation-wide network of on-farm and small-scale commercial energy plants into production relatively quickly while a long-range synthetic industry is being developed over the next several years. It also contains provisions to encourage conservation of fossil fuels on farms and in rural communities."

Not simply a "gasohol bill," say its sponsors, the program is "the most comprehensive piece of legislation ever proposed to develop and utilize the renewable resources of the farm and forest for energy purposes." As Helms has stated in promoting the legislation: "Instead of massive government intervention people have come to expect from Congress, our bill is an integrated thrust of support to farmers and small woodlot owners interested in developing the tremendous energy potential now at their fingertips."

## *Briefly*

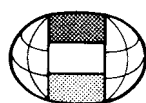
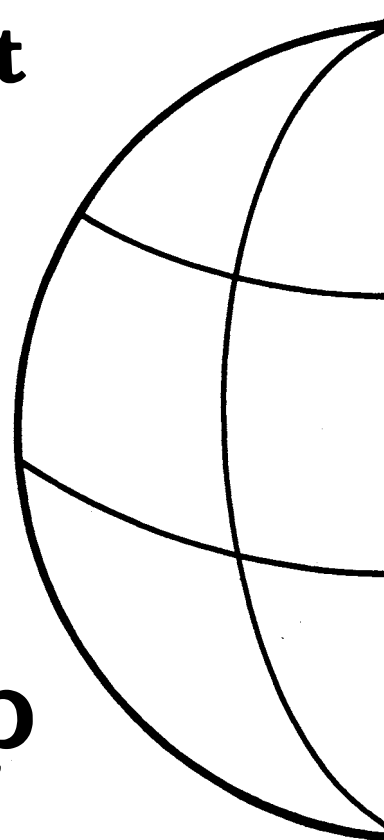
● **JAPANESE TRADING COMPANIES** may be the next target in the rapid-fire series of scandals sweeping Saudi Arabia, according to rumors circulating in Washington and certain European capitals. After the Italian ENI oil-company scandal depriving Europe of a large chunk of Saudi oil, the Hyundai scandal denying South Korea a huge share of construction contracts, and the U.S. Justice Department investigation of oil company activities in Saudi Arabia, Japan remains the only large Saudi trading partner not yet hit with a corruption scandal.

● **SHEIK AL-QURAIISHI**, the governor of the powerful Saudi Arabian Monetary Agency, said Dec. 20 that recent allegations now circulating in Europe of a huge theft of billions of dollars from the Saudi treasury by 21 princes were "baseless." He added that this charge was part of a "hostile campaign" against Saudi Arabia because of its "principled stand on all international questions, notably Middle East problems." These charges were voiced in the pages of the International Currency Review, an international currency magazine that is run and largely written by the foreign exchange trading department of N.M. Rothschild's investment bank.

● **A MAJOR GOLD FIRM**, based in London, recently folded under the pressure of having taken short positions against the metal. This firm reputedly lost more than "100 million dollars" after taking its bearish position in an upward rising market that saw gold hit \$496 per ounce this week. The parent company of this billion house stepped in, folded its subsidiary and only reopened its doors after an internal house cleaning.

## France's bid for world leadership

by Christopher White



Valery Giscard d'Estaing was elected President of the French Republic in April 1974. In the five-and-a-half years since that event, he has emerged as one of the leading statesmen to have held such a high office in the postwar period. Under his direction the French nation has again taken up a leading position among states on behalf of the tradition of humanism's grand design. The succession of initiatives launched from the state level in that period and culminating in the formation of the European Monetary System in June of 1978 at the Bremen summit of European Economic Community heads of state have correspondingly marked Giscard out as one of the major enemies of the political forces grouped around the British monarchy.

This reality is a far cry from the euphoria which greeted Giscard's election in the pages of the British and the American press back in 1974. At that time, C. L. Sulzberger, now retired from his position as roving editor of the *New York Times* wrote of Giscard as a "French Kennedy," who would dispense with the retrograde nationalism of General de Gaulle in order to collaborate with Britain's Prime Minister Harold Wilson in the renegotiation of Britain's membership in the EEC, and who would become a principal sponsor of London's plans for the "new European monetary and economic union." Now the same British conduits have organized slanderous attacks on Giscard and his policies both inside and outside France. This process reached a high point prior to last month's Dublin summit of EEC heads of state. In the weeks before that meeting, representatives of all layers of British opinion were mobilized on behalf of a campaign to stop the French.

In the intervening period between 1974 and today, the evolution of French policy has by and large disappeared from the pages of American-based newspapers, unless some attempt happens to be launched—as at the



Photo: Richard Melloul—SYGMA

time of the 1977 Shaba province affair in Zaire—to assimilate French policy, in appearance at least, into the overall thrusts of London and its allies in the United States. For Americans, the only coverage of what France's policies actually are is what has been made available through *Executive Intelligence Review* and the news service New Solidarity International Press Service.

France and the French President have been blacked out in that way because of London's fear of the new European Monetary System. Thus, in these pages we present a review of the leading features of that policy to place into circulation in North America a convenient overview.

### **Development and detente**

The European Monetary System has been designed as the cornerstone of a new gold-based monetary order. It is a stepping stone from policies to offset the "benign neglect" of the U.S. dollar under the Carter administration by ensuring monetary stability within Europe, toward the implementation of a new monetary order which will replace the bankrupt regime of the International Monetary Fund's conditionalities-based approaches worldwide. In his televised address to the French nation last month Giscard announced that the new monetary system "will have been created by the spring of 1980."

The new monetary system, known now as the European Monetary Fund, is designed to turn around the present depression in advanced sector economies by generating a capital-goods-led export boom in the developing nations. The basis for the new system is provided by the tight alliances between Giscard and West Germany's Chancellor Helmut Schmidt, an alliance which has thus far been backed up by commitments secured from the factional supporters of President L. I. Brezhnev within the Soviet Union. Under the EMF, long-term, low-interest-rate, gold-backed credits will be extended for the financing of capital-intensive, city-building projects in the Third World. This approach will create the basis for a self-sustaining boom in the world economy, and will, as a byproduct, remove the cause for the outbreak of wars by breaking the grip of the Malthusian-in-outlook institutions internationally which are committed to the financial and raw materials interests of the City of London.

U.S. Democratic Party presidential candidate Lyndon H. LaRouche is viewed by many leading circles in Europe, including in France itself, as the intellectual author of these new monetary system arrangements. The black out of this, the central feature of French policy, is in large measure a function of that reality. Widespread public recognition and debate of the new arrangements within the United States would greatly enhance both the

LaRouche campaign and the effectiveness of the work of his allies in Europe, a prospect which London fears even more than the EMS.

It is the creation of the European Monetary System and the web of supporting international alliances which have been built up on behalf of the effort which has thus far characterized the quality of the Giscard presidency. The battle to implement that new system globally over the next weeks and months will however be decisive in determining one way or another the kind of world to be created in the 1980s.

### Legitimist elite

In retrospect this reality should not have confused the anglophiles even back in 1974. Giscard's efforts on behalf of the EMS now can almost be seen as a continuation of his efforts since his service as General de Gaulle's finance minister in the early and mid-1960s. Thus, Giscard has always argued, as he did in his speech to the annual meeting of the International Monetary Fund in Tokyo on Sept. 9, 1964, for the creation of a gold-based international credit system which could permit Third World development to take place.

This view was expressed in an interview with the French radio station Europe No. 1 on Aug. 22, 1966.

"Why do the Europeans think of gold?" Giscard asked. "Because they do not have a currency corresponding to the renaissance of their economy. They have solid national currencies. Europe has once again become a world economic power. It does not have a currency which expresses its presence in world economic reality. The truth is that we would probably talk a lot less about gold if there was a European currency equal to the great currencies of the world.... The economic renaissance of Europe presupposes a European monetary presence."

Though this approach to policy has been Giscard's since the early 1960s, it is itself the result of an outlook that was imbued in early years. Giscard was brought up by his father Edmond Giscard d'Estaing to be a conscious continuer of what is known in France as the Legitimist tradition. This is the tradition in French statesmanship which subsume such historic nation-builders as Louis XI, Henri IV, the Cardinals Richelieu and Mazarin, Jean Baptiste Colbert, and the Marquis de LaFayette, the ally of Benjamin Franklin and George Washington in the international effort to create a republic on this side of the Atlantic. Giscard, in fact, traces his family from the Admiral d'Estaing who headed the French naval forces deployed on behalf of America during the War of Independence.

## Views not entirely new

Valery Giscard d'Estaing's views on the need for a new world monetary system and Third World development have matured, but they are not entirely new. While presiding over the National Assembly's economic affairs in the 1960s, and serving as Finance Minister in the governments of both de Gaulle and Pompidou, Giscard's statements and writings were already expressing features of what later became "the theory behind the European Monetary System."

In an interview published in *Europe*, Aug. 22, 1966, Giscard—having just left de Gaulle's government—declared that France must "export capital," as this is France's "traditional vocation."

To do so, he continued, requires "allocating on the internal level the necessary resources for the financing of these capital exports."

"When there are international monetary meetings," he said, "the United States thinks of the dollar,

the British think of the pound, and the Europeans think of gold. Why do the Europeans think of gold? Because they don't have a currency corresponding to the renaissance of their economy... Europe has again become a world economic power... The economic renaissance of Europe supposes a European monetary presence."

On Mar. 18, 1968, on the eve of leaving for a visit to the United States, as President of the Finance Commission of the French National Assembly, Giscard stated:

"The only region in the world which is in a position politically and technically today to draw the lines of a new international monetary system is Europe. As the disciplinary effects of gold began to attenuate, a monetary order could only rest on a balance between forces of the same dimensions. Such has not been the case since the war in the IMF, dominated by the U.S. financial power. To ensure this equilibrium, Europe has to define a single policy expressed by a single voice... This single thesis would entail the definition of a new credit instrument based on gold and whose management would be ensured under conditions in which the responsibility of Europe and America would be on an equal footing...."



This tradition has defined the continuity of the elite from which Giscard has drawn to staff his cabinet, including such childhood friends as Foreign Trade Minister Jean-François Deniau and such family friends as Jean François-Poncet. The latter, the current foreign minister, is himself the son of a good friend of Giscard's father.

Giscard's father, now slandered as a follower of Vichyite General Petain in World War II, was an aggressive fighter on behalf of what he called the "American system of technological progress and increasing productivity" against the enemy whom he identified as British Keynesianism. Giscard, when at school, would deliver speeches against Great Britain, the "hereditary enemy" of France.

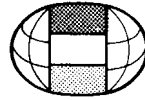
The French elite of which Giscard is a part has kept alive the tradition of nation-building out of which France was created in the first place. It has been the work of LaRouche and his associates in Europe which has provided the conceptual approach necessary to bring the work of nation-building off the drawing boards and to create the prospects for global implementation. Every step in that process during the presidential term of Giscard to date has been fiercely contested by the forces associated with the leading opponents of the nation-builders grouped around the City of London. Giscard's North-South dialogue proposal of 1974 and 1975 was sabotaged directly by then Secretary of State Henry Kissinger in order to prevent a hook-up with the conceptual approach recommended by LaRouche in his proposal for the creation of an International Development Bank. As part of this process King Faisal of Saudi Arabia, a proponent of gold-based international monetary arrangements, was murdered. Giscard's efforts with Algerian head of state Houari Boumediene were similarly abruptly terminated with the murder of Jean de Broglie, a leading French political representative in the Arab world and elsewhere. And France's relations with the Soviet Union have been undermined through the assassination of Robert Boulin, mooted to be the next prime minister of France.

Trails in all these murders and sabotage operations lead back to a circle of so-called intellectual anglophiles within France organized around Jacques Soustelle, the Jesuit anthropologist and organizer of "Secret Army Organization" (OAS) assassination attempts against General de Gaulle during the period prior to 1963. Soustelle is a leading member of the networks associated with the same forces responsible for the blackout of French policy here in the United States. Soustelle, in turn, typifies the evil of the network which has to be cleaned up internationally if the new monetary system is to be implemented and the work of rebuilding the nation builder tradition is to be taken forward successfully.

## Energy Policy

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### The 'grand design' for nuclear power



French President Giscard d'Estaing has plenty of reasons for boasting that his country's nuclear program is the most ambitious in the world. Not only is France ensuring that its own growing energy needs will be met increasingly with cheap, abundant nuclear energy, but nuclear energy development has become one of the weapons in Giscard's diplomatic arsenal.

President Giscard's repeated calls for "organized cooperation" between the industrialized and oil-producing countries goes hand in hand with his attempts—vain in the case of the United States—to get the West to embark on a crash program for the development of nuclear energy. It was only on Giscard's insistence that a call for the development of nuclear energy was included in the final resolutions adopted by the summit of the heads of state of the seven industrialized powers which took place in Tokyo on June 28 and 29 of this year. Most developing sector countries do not have to be asked twice if they are willing to embark on such programs, and readily seek out France as a reliable partner in such endeavors.

A good example of French intervention in a foreign country on behalf of nuclear energy is West Germany. On a state visit there early last October, Giscard stressed to Chancellor Schmidt, his partner in the founding of the European Monetary System, the importance of breaking through the deadlock that has stalled nuclear plant construction in West Germany. Provisions for 50,000 megawatts of nuclear power generating capacity by 1985 have already been cut in half. But after Giscard's intervention, there are more and more signs that government and industry are ready to fight for the country's nuclear development program.

There is, in Giscard's mind, something about nuclear energy which goes beyond the question of mere economics or energy independence. Rather, the development of atomic power and other industries that are based on scientific breakthroughs are an indication of the birth of a new era of civilization. Giscard expressed this in a Sept. 14 interview with Roger Therond in *Paris-Match* magazine:

With the appearance of nuclear energy, with the development of biochemistry and connected branches, with computer sciences, we are achieving a scientific power of another nature. In other terms, the human race is going through—and will go through—a period of transformation which is objectively quite extraordinary in relation to what we have known in the past, and, unfortunately, the problems seem extraordinarily difficult to resolve. They are, in any case, totally different and not up to the traditional means that we use...

### The program

Imagine a country the size of the state of Texas, with one fifth the population of the United States, and having begun its modern industrial development relatively late in this century. Imagine 20 nuclear plants with a combined capacity of over 13,000 megawatts (Mw) in operation by the end of this year and 27 more (with a combined output of 25,800 Mw) under construction. This is France's current conventional nuclear plant program.

Thirteen percent of France's electrical energy came from nuclear power plants in 1978. It went up to 16 percent with the Aug. 1 opening of the fifth unit at the

Bugey nuclear power plant in east-central France. Production has more than doubled in the last two years.

Last April, the government announced an acceleration of the drive for nuclear energy. The new target is now to meet 54-60 percent of the country's *electricity* needs by 1985, or a projected 20 percent of total *energy* consumption, with nuclear power. During 1980 and 1981, the national government-controlled electricity monopoly, Electricité de France, will launch programs representing 11,800 Mw each year.

In 1978 electronuclear energy produced in France reached 28.8 billion kilowatt-hours exceeding the figure for 1977 by 68 percent thanks to the fact that the first 900 Mw reactors in the pressurized water reactor program had been put into service. (During the first period of nuclear power plant construction, 1964-1973, units were 700 Mw each; then, construction began on the 900 Mw series, and since 1978 plants have been 1,300 Mw.)

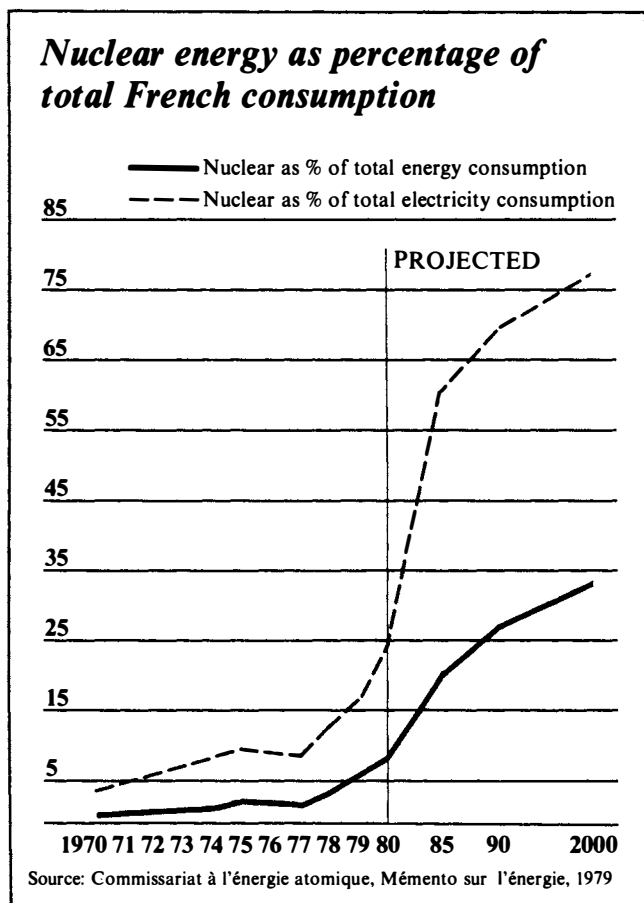
Of the 27 plants that are under construction, one is a fast breeder reactor, the Super-Phenix, which has a 1,200 Mw capacity. Breeder reactors produce fuel and more fuel than they consume with an efficiency 50 times higher than conventional reactors. The first French breeder, the experimental Phenix with its 250 Mw capacity, has been in operation for several years. The Super-Phenix will be located at Creys-Malville, and despite the environmentalist movement's attempts to stage a major international show of force against the plant, construction is proceeding on schedule.

### Background

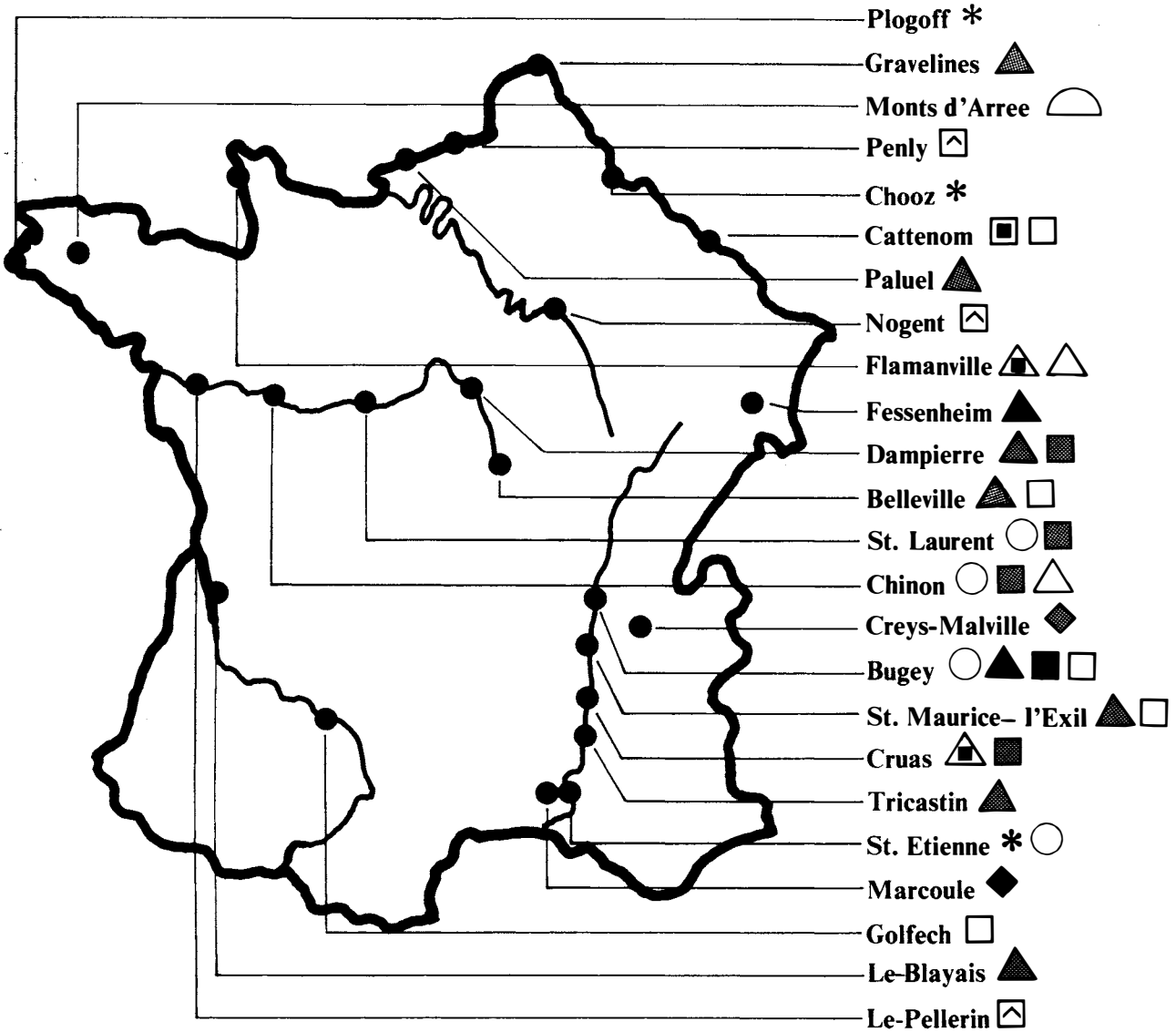
France has long been committed to the development of its civilian and military atomic capabilities, as necessary features of its drive for national political independence. The need for such a capability in both fields was made clearer than ever when in 1966 de Gaulle was forced, for political-strategic reasons, to pull France out of NATO's integrated military command.

This drive was first launched right after the war by Gen. Charles de Gaulle's provisional government during 1944-45 with the decision to start from scratch a national atomic research and engineering authority, subsidized by the state for civilian and military goals. De Gaulle first appointed Frederic Joliot, a brilliant graduate of the Paris École Municipale de Physique et Chimie (who, along with his wife Irene Curie, discovered "artificial radioactivity" in 1934) to a nuclear physics chair at the National Center for Scientific Research (CNRS). There, his preliminary work was carried out under the auspices of Maurice Thorez, general secretary of the French Communist Party, who was in charge of national reconstruction in the provisional government.

In 1945, the Atomic Energy Commission (Commissariat à l'énergie atomique) was set up under Joliot with



# Nuclear power stations in France April 30, 1979



- Key**
- graphite gas reactor
  - ◐ heavy water gas reactor
  - ◇ fast breeder reactor
  - △ once through cooling system
  - closed cooling system towers
  - \* projected sites
  - ^ permit granted
  - in operation
  - ▣ under construction
  - ◻ commitments for 1979
  - ◡ site application under consideration

## French nuclear electricity resources

March 1979

### Operating

	No. Reactors	Capacity (Mw)
<b>Operating</b>		<b>7,350</b>
Traditional reactors	9	2,600
Breeder reactors	1	250
Pressurized water reactors	5	4,500

### Under construction

Pressurized water reactors 900 Mw	23	20,700
Pressurized water reactors 1,300 Mw	3	3,900
Breeder reactors	1	1,200

### Planned (commissioned 1979)

Pressurized water reactors 900 Mw	2	1,800
Pressurized water reactors 1,300 Mw	3	3,900

Source: French Atomic Energy Commission

Source: French Embassy, Washington, D.C., Press and Information Division

the three-fold assignment of: 1) prospecting and extraction of uranium ore in France and its colonies, 2) planning of a national nuclear industry, and 3) creation of a massive research center (later known as Saclay) and extensive contacts with French industrialists for development of appropriate machines, testing devices, etc.

Skipping over the ins and outs of the CEA's development, which include the firing of Joliot in 1950 by Prime Minister Georges Bidault (who later became infamous for his support of terrorism against de Gaulle's post-1958 government), to the more recent period, we arrive at 1974 and the "Messmer plan," named after Gaullist Prime Minister Pierre Messmer.

At the height of the oil crisis that followed the 1973 Middle East war, Messmer announced a new energy program during a televised interview and statement on March 6, 1974. His statement is still relevant to the thinking of the present government and is the core of its program.

... The energy question has been posed for a while. It has been posed in fact since last October, since that war which broke out in the Middle East once again. And at that time there were two reactions. There was the reaction of those who thought that it was a crisis, expressed by the current embargo, which should be responded to with circumstantial measures, like, for example, prohibiting driving on Sundays and a certain number of measures of the same kind, measures which we did not take. And then there were those who, like us, thought that it was a profoundly new situation in the world, a situation of new relations between the producers of raw materials, of oil in particular, and the consumers of raw materials. So, those of which we were a part thought that in the face of this situation

it was necessary to take pondered, thought-out, long-term measures. That is what we have done, and that is why we waited a while...

France has not been very well endowed by nature in energy resources. We hardly have any oil on our territory, we have much less coal than England or Germany, and we have much less (natural) gas than Holland... In the years to come we will try to increase our supplies in order to cover the increase in consumption. As far as oil is concerned, we don't have much hope, except of finding oil in the seas that surround us and perhaps abroad. And we will try, but this is undoubtedly not for tomorrow. But our great hope is in electrical energy of nuclear origin. Because we have had good experience in all this since the end of the Second World War. And we have developed all aspects of nuclear activities, civilian and military, over the past dozen years as you know. And also now we have the will to do so because we believe this is the solution to our needs.

On this very day we have taken an extremely important decision. We have made the decision to launch during 1974 and 1975 the construction of 13 nuclear power plants of a thousand megawatts each, which will cost about a billion francs each. This is an extremely important decision. I will show you how and why. Thirteen thousand megawatts was the total thermal power capacity of Electricité de France two years ago in 1972. It was EDF's total power capacity in 1962. Consequently, beginning in 1974 and 1975, we are going to launch plants which will represent the totality of EDF's available energy production in 1962. No country in the world, except for the United States, has made a comparable effort. This is one of the truly great achievements which we will be realizing over the next year.

In the five years that have passed since the Messmer Plan began, the United States, so praised by Prime Minister Messmer, has lost its position in the forefront of the global drive for nuclear energy development, particularly under the Carter administration.

It is therefore not surprising that environmentalist Ralph Nader announced this summer that he was planning a trip to Western Europe, in order to create a "consumerist international," specifically targeting France. In an Aug. 6 interview with *Le Point* magazine, Nader said: "I do not think that there exists anywhere in the world a pronuclear technocracy as arrogant as that in France."

The French nuclear industry and its scientists could hardly be paid a better compliment.

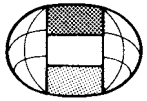
—Dana Sloan

<b>Cost of Energy in France</b>			
January 1978			
	Nuclear	Oil	Coal
<b>Investment in Francs*/KWe</b>	2,840	1,750	2,030
<hr/>			
<b>Cost of Kwh in Centimes**</b>			
<b>Investment</b>	5.0	2.9	3.4
<b>Operating costs</b>	2.1	1.8	2.2
<b>Fuel cost</b>	3.3	9.4	7.0
<hr/>			
<b>Total</b>	10.4	14.1	12.6

Source: PEON (Production d'Electricité d'Origine Nucléaire) Commission, 1/79.      \* 4.2 francs=\$1.00  
 \*\* 4.2 Centimes=\$.01

## East-West Relations

### Cooperation with the Soviets for world peace



Last April, a decision was made in Moscow of crucial import to world peace. That decision, taken jointly by French President Giscard d'Estaing and Soviet President Brezhnev, consisted of an agreement—unprecedented in Soviet-Western relations—to hold regular yearly summit level meetings between the heads of state of the two countries, and to set up a “direct liaison between the Kremlin and the Elysée Palace.”

Giscard's April 25-27 talks with Brezhnev in Moscow were a high point in the development of Franco-Soviet relations since General de Gaulle first broke through the Cold War crisis with his call for “détente, entente, and cooperation” between the two countries.

The international context in which these and other accords were signed—only weeks after China invaded Vietnam with the prior knowledge and consent of the Carter administration—gives a hint of how these relations have kept the West from blundering its way by miscalculation into a thermonuclear showdown with the Soviet Union. France, with its foreign policy formulated independently of the Anglo-American camp and its independent nuclear strike force to back it up, is increasingly the world's best guarantee of survival.

Giscard and Brezhnev also established the principle of maintaining continuous bilateral consultations at various levels to ensure the necessary quality of political cooperation. These 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.”

The foremost aim of these summits and consultations, as emphasized in the joint “Program for the development of cooperation between France and the Soviet Union in the interests of peace and détente” (see EIR, May 8-14, 1979, for excerpts of accords signed), is “to rid humanity of the threat of war.”

The two countries also broadcast their resolve to “apply decisive efforts to help anticipate and remove hot spots of tension and settle unresolved international problems,” citing among them Asia, 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”) and Africa.

Giscard has carried further the implied broadside against the Carter administration's Camp David Mideast accords and other international policy. Since Carter came into the White House, Giscard has stated and restated that Carter's “human rights” crusade goes against the grain of détente. Less diplomatically, Giscard asserted in a July 2 interview with *Newsweek* that the Carter administration was to blame for the deterioration of U.S.-Soviet relations.

As the political basis of Franco-Soviet relations is consolidated, so too are their economic relations. The objective set in 1974 of tripling trade between 1975 and 1979 is now considered reached, and new avenues for increasing already advanced cooperation in such fields as peaceful uses of nuclear energy, space and computers are being opened. In March of this year, French companies were awarded an 85 million franc contract (approximately \$20 million) to supply the Soviet press agency Tass with an “IRIS 80” model large computer. The contract had previously been awarded to Univac, but was unilaterally cancelled in August 1978 by Carter on a human rights pretext. A 1980-1990 program for industrial, technological and economic cooperation established the framework for an intensification of those relations.

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### *‘A question of paving the way for détente, entente and cooperation’*

*Following are some of the statements made by French President Giscard d'Estaing on the occasion of summits with Soviet President Brezhnev and at other major diplomatic events in Franco-Soviet relations.*

**June 30, 1976 statement on the tenth anniversary of Franco-Soviet cooperation accords.** It has been 10 years since General de Gaulle's visit to the Soviet Union and the decisions made there, inaugurating a new and capital phase in relations between our two countries.

For the Soviet Union as well as for France, it was a question of opening the way, first between themselves and ultimately between all the nations of Europe, for détente, entente and cooperation.

The Permanent Franco-Soviet Mixed Commission, which has become as a result of its increasing role what we both now call the Grand Commission, was born out of this concern for realism at the service of a grand political conception...

Nonexistent in 1965, industrial cooperation has taken an essential part in our relations. Projects of great scope have already been realized, whether it be the construction in Issoire by a Soviet company of the world's largest matrix press, or the construction in the Soviet Union of chemical plants, cellulose production units and, soon I hope, a powerful aluminum factory.

Scientific cooperation has greatly developed in such fundamental fields as nuclear energy, space, and computers....

**October 12, 1976 interview with Moscow correspondent of French TV station no. 1 broadcast throughout the U.S.S.R. (a week earlier an interview with Brezhnev was broadcast across France).** ... When two countries like the Soviet Union and France have cruelly suffered and suffered in fact side by side the trials of the last war, they share the same attachment to the cause of peace. And the policy that leads to peace is the policy of detente....

Detente is not only the state of nonwar, or the absence of war. Detente must also be the will to live together and thus to accept our differences....

The second aspect is the contribution we must all bring to development. ... This is why France took a position in favor of the search for a new international economic order. ... And we find this same concern in the Soviet Union, since like us it participates in the United Nations work on commerce and development...

**June 21, 1977 address in honor of Brezhnev during his Paris visit.** ... By refusing to yield to the climate of distrust and confrontation of the post-war era, by being the first to resolutely set out on the path of detente, France and the Soviet Union set an example....

France and the Soviet Union must consult together and draw the necessary conclusions as to the danger that nuclear weapons proliferation would represent for humanity. They are thus all the more qualified to affirm at the same time their willingness to meet the requirements of many countries that are acceding to the peaceful uses of atomic energy. The technological capacity of the two countries, along with their sense of duty toward the international community, entitles us to propose this approach which is both positive and responsible....

This is true for the Middle East, where our two countries could do much to encourage a just and lasting settlement whose principles they have defined in similar terms, a settlement awaited by the peoples of that part of the world who want to be able to devote themselves in safety to their economic and social progress....

France expects much from the Soviet Union, with its riches, its capacities and its influence, is in a position to contribute in these different ways to the cause of detente, nuclear safety in the world and development....

## Economic Policy

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### Giscard's fight for a new monetary system



It is not currently decided whether the European Monetary System will become the "seed-crystal for a new world monetary system," as officials believed at the July 1978 founding of the EMS, or degenerate into a "regional currency bloc" along lines proposed by Prof. Robert Triffin, the current mastermind of the European Community Commission. However, there is total consistency in French President Giscard's approach to the EMS since the initial discussions with his West German counterpart Helmut Schmidt on the plan at the beginning of 1978.

In a nationally-televised interview Dec. 12, Giscard resummarized his program for the EMS, and the basis for his promised personal initiative for a new world monetary system early this coming Spring. The world has two interrelated problems, the French President stated. One is the "extravagant monetary disorder" in the West, against which the European Monetary System has become an "island of stability." The other is the failure to create an agreement for development between the Northern and Southern hemispheres; without such an agreement, Giscard concluded, the European Monetary System could continue to play the limited role it has thus far.

The European Monetary System was proposed at a July 1978 summit of European Community leaders in Bremen and ratified at the Dec. 5, 1978 summit following. It provides a narrowed band of fluctuation between European currencies (excepting sterling), and a fund for defense of these currency parities through the pooling of 20 percent of participating nations' gold and dollar reserves (gold valued at market prices). Effectively, the EMS officially remonetized gold and set the basis for gold's return to leading reserve status after the 1971 removal of the dollar-gold link by then Treasury Secretary John Connally. American officials admit, with some bitterness, that the longstanding French holdout position for retaining gold's reserve role, dating back to 1960s Finance Minister Michel Debré's obstinacy against Anglo-American plans for demonetization, has ended in a French victory.

As Giscard's recent television address indicates, the

French Sector in the European Monetary System is far more significant than the traditional French commitment to gold, as expressed by de Gaulle's financial advisor, the late Jacques Rueff. Indeed, Giscard became Finance Minister in 1968—following the May destabilization—to replace Rueff and was the man who negotiated a compromise in favor of gold demonetization with the Wilson and Johnson governments. This role had less to do with Giscard's personal views on gold than the weakness of the French franc in the weeks prior to the September 1968 International Monetary Fund annual meeting, and de Gaulle's need to find a new finance minister to carry the white flag. Giscard, according to press accounts and *EIR*'s own sources in the French government, is now fully committed to gold remonetization, as a means of achieving the objectives he set forth in the cited television talk.

According to *Die Welt* Dec. 11, the two basic monetary features of the Giscard plan are 1) a parity link between the dollar and the European Monetary System currencies, establishing a regime of quasi-fixed rates, and 2) remonetization of gold as a central bank reserve. It is not known whether Giscard intends to value currencies in terms of ounces of gold, or to use gold at a central bank-regulated price as a means of stabilizing international credit flows, or both. However, the likely course of action, according to senior French government officials, is to employ EMS gold stocks to issue gold-indexed loans in very large volume, absorbing tens of billions of Eurodollars at long maturities and low interest rates.

However, the technical aspects of the gold issue are of second-order importance, as a matter of financial implementation. The driving force is Giscard's consistent recognition of the central importance of the development issue in world politics, from his 1976 sponsorship of the Paris Conference on International Economic Cooperation (the "North-South Dialogue") to the present. In this respect, France has taken a leading role on behalf of Europe in the Arab world, a role lauded by Saudi Arabia's Sheikh Yamani in a Brussels address Dec. 14. Giscard, Yamani said, was the only Western leader to offer the oil exporting countries the opportunity for cooperation with the industrial nations that they sought.

France's political relationship to the Arab world and the developing world generally will, in fact, determine what technical proposals come into force. There are only two ways to handle the surplus revenues of OPEC, estimated at anywhere from \$80 to \$140 billion, depending on the price of oil. One is to place these revenues through the International Monetary Fund and World Bank, both institutions committed to retarded development, and the continuation of the Third World's raw-materials-economy status. The other is to create a new, European-centered institution to draw on this surplus and other parts of the \$500 billion Eurodollar market

float, and convert it into financial assets of the type suitable for long-term development financing. Rather than exchange their revenues for Special Drawing Rights, or a basket of hard currencies, as the IMF and most Anglo-American banking spokesmen have proposed, the Arabs would finance their own and contiguous countries' development.

In one version of the Giscard plan, dated Dec. 12, 1978 (see box), Giscard's foreign trade minister proposed to raise \$100 billion on the collateral of the EMS reserve pool—most of which, of course, is pooled gold holdings. The proposal demonstrates the general nature and scope of the Giscard approach, although the year-old details may not be projected onto the French President's current efforts.

—David Goldman

## \$100 billion for progress

*On Dec. 12, 1978, French Minister for Foreign Trade Jean-François Deniau addressed a meeting of the leadership of the UDF coalition of progovernment political parties. Here are portions of the speech.*

"We reject the bureaucratic superstate. Our conception is that of a confederated Europe in which the European Council sets the orientations of the Community with respect for the sovereignty of the States...

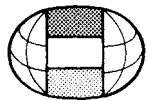
"Our program proposes that the nine member governments of the Community launch a development plan for employment by investing together over five years sums which could amount to 500 billion francs."

"Half of these sums would come from national efforts coordinated on the European level, the other half from Community loans, the Community itself borrowing these sums on the basis of the credit (collateral—ed.) provided by the considerable monetary reserves of its members. These loans, denominated in ECUs, would be retroceded to the member countries and would serve to finance a vast program of industrial, regional, and infrastructural investments on the European scale which present a particular interest from the standpoint of employment."

Deniau added that this 500 billion franc program would serve to promote progress and modernization in the developing countries. "It would be a credit policy to ensure a relaunching of orders, a sort of Marshall Plan which would aim to increase the standard of living and the buying power of the countries toward which Europe could export part of its production."

## North-South Relations

### The 'trialogue' approach to Third World development



Since becoming President of the Republic of France in 1974, Valéry Giscard d'Estaing has identified France as that nation which will bring Europe, Africa, and the Middle East together in an ambitious program of industrial development premised on the transfer of advanced technology and scientific expertise from Europe to these Third World sectors.

Labeled the "Triologue," this policy has been built on the foundations and institutions created for Middle East and Africa policy by Giscard's predecessor Charles de Gaulle during the latter's 11-year regime.

The key to the Triologue's success is to bring Arab monetary resources into the funding of European technological transfers to the African continent. To accomplish this, Giscard has singled out certain countries and diplomatic approaches as central.

In the Middle East, Giscard has sought to build what the French daily *Le Figaro* calls a "Paris-Riyadh-Baghdad axis": France in alliance with Iraq and Saudi Arabia and the small states on the Saudi kingdom's borders.

Also in the Arab world, but with an eye to the African continent, Giscard has attempted to develop, against considerable odds, a relationship-in-depth with Algeria, the nation with which France fought a bitter civil war from 1954-1962.

For Giscard and his collaborators, Algeria is an entree into Africa, a pillar of French strategy toward the continent. This strategy has depended on using French influence to weaken the British hold over such strategically central countries as Sudan and Nigeria and to cool down "hot spot" crises, while speeding up the industrial and agricultural development of "francophone" (French-speaking) nations such as the Ivory Coast, Congo, and Cameroon.

#### De Gaulle, Pompidou and Jobert

In his Arab policy, Giscard can bring into play the capabilities that de Gaulle studiously developed.

Starting in the late 1950s, de Gaulle oversaw a comprehensive rethinking of French Afro-Arab strategy. Up to that point, France had been the primary arms suppliers

of Israel and had maintained close ties with the Israeli defense and intelligence establishment, seeing Israel as a "weapon" that could be used against apparently hostile states such as Nasser's Egypt and preindependence Algeria.

Upon assuming the presidency, de Gaulle seriously questioned this strategy and evolved the notion that for France to achieve viable national sovereignty the country had to take the lead in industrializing and developing areas formerly ruled by colonial governments. The policy shift away from Israel was given added justification when it was discovered that elements of Israeli intelligence were abetting de Gaulle's enemies in the OAS right-wing terrorist organization and were even attempting, through the Permindex "Murder, Inc." organization, to have de Gaulle assassinated.

Once these discoveries were made, de Gaulle cleaned out much of the Zionist penetration into French intelligence and put such pro-Israel generals as Zeller and Challe (later to become a manager of the Israeli state navigation company, Zim) on trial for treason.

De Gaulle also began to fashion those networks in leading policy institutions to implement the new French policy. To this day, Gaullist advisers in these institutions—the Institute for Asian Studies, responsible for training elites and administrators in Syria, Iraq, Lebanon, and Egypt; the National Center for Strategic Studies; the Ecole Nationale d'Administration; and the Polytechnique—the leading institutions building the framework for French policy toward the Third World.

With the onset of the 1967 Arab-Israeli war, de Gaulle's policy openings toward the Africans and Arabs increased. He regarded Israel as the initiator of that conflict and ordered an arms embargo. Not surprisingly, this drew the Zionists' wrath and Israeli intelligence moved into the forefront of attempts to destabilize the French government during the 1968-1969 period.

Israel may have drawn satisfaction from de Gaulle's step down from power, but his successor, Georges Pompidou, continued and refined the general's foreign policy design.

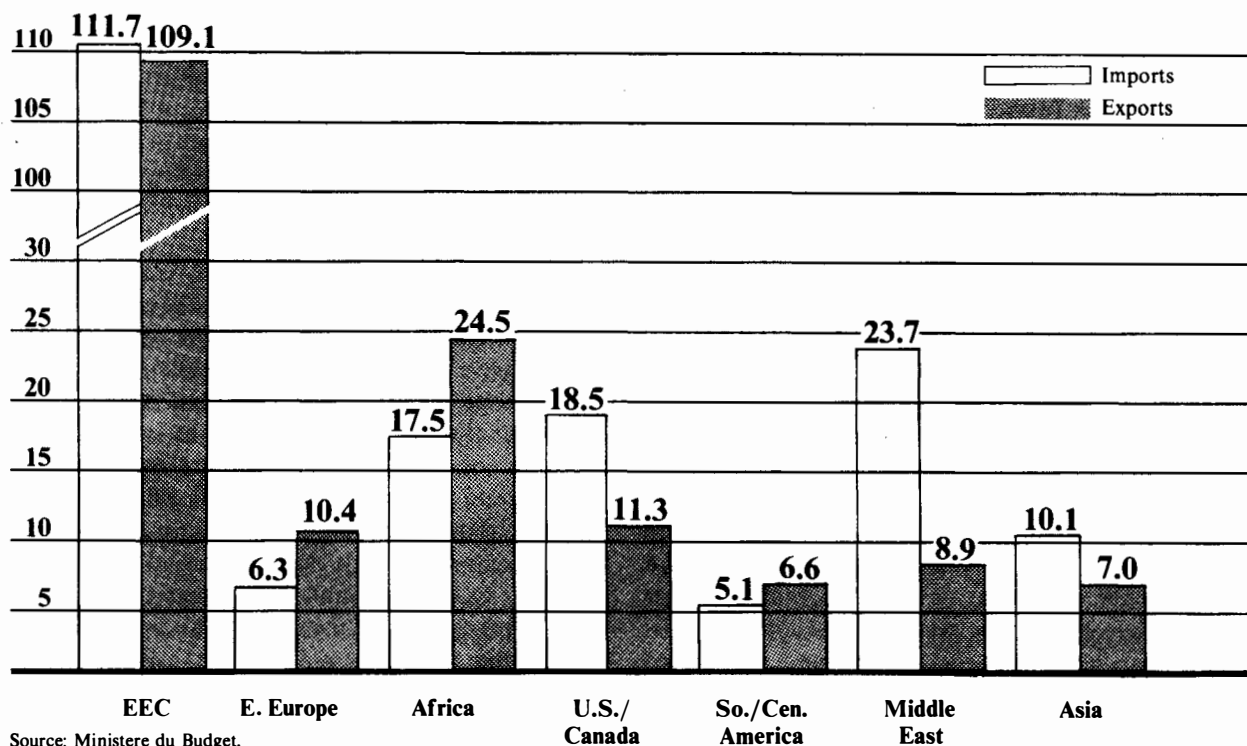
When the U.S. dollar was decoupled from gold in 1971 Pompidou and Foreign Minister Michel Jobert put together a plan to build a new gold-based world monetary system based on a series of French-Arab monetary and strategic agreements. The early 1970s saw the rise of Arab financiers as important money brokers.

Jobert sealed a number of bilateral oil deals between France and the Arab world during the 1972-1974 period, promoting, in the process, a whole cluster of European-Arab bilateral oil-for-technology deals. It was then that Henry Kissinger and the major oil multinationals arm-twisted Europe into joining his International Energy Agency. Only France, at Jobert's insistence, stayed out



## France: World trading partner (French imports and exports by region, Jan.-June, 1979)

(In billions of francs; 4.2 = \$1)



Source: Ministère du Budget,  
Direct. Gen. des Douanes et Droits Indirects

of the IEA. Jobert's notion of Euro-Arab cooperation was made concrete in January, 1974 with his invitation to Saudi Oil Minister Yamani to become the first Arab minister ever to address a European Economic Community ministerial summit.

### 'Move toward Gaullism'

In mid-1974, Giscard came to power and Jobert was demoted. The *New York Times* temporarily breathed a sigh of relief. *Times* editor C. L. Sulzberger called Giscard a "French Kennedy," and predicted a shift in French orientation to one favorable to London and Manhattan.

This tune didn't last for long. Giscard soon indicated that he intended to maintain cooperative relations with the oil-producers and to resist Kissinger's IEA campaign. A French television editorial in late 1974 made it official: Giscard's position on the question of relations with the oil-producers was a "move toward Gaullism."

From this anti-Kissinger vantage point, Giscard was able to negotiate with Saudi Arabian King Faisal for the convening of a "North-South" dialogue in 1975 which would provide the framework for economic and political negotiations between the consumers and producers of

oil. But on the eve of the first scheduled meeting, King Faisal was assassinated.

Out of the French-Saudi connection was born the "trialogue" concept. In the spring of 1975, Giscard made the first-ever visit by a French head of state to post-independence Algeria. In discussions with then-President Houari Boumedienne, Giscard worked out a comprehensive plan for "three-way cooperation" between Europe, Africa, and the Middle East. The first stage would be represented by multibillion-dollar energy-for-technology deals between France and Algeria.

These two countries, Giscard said in an April 10, 1975 speech, "are called upon to play a special role because of their original and open position within the regions to which they belong. Naturally turned toward the Mediterranean, Africa, and the Mideast, France aspires to bring closer together Europe, the Arab world, and the African continent. Traditionally open toward the Mediterranean West, having more than any other country the will to rapidly assimilate the technological and conceptual contribution of the West without breaking its eastern ties, Algeria is already in close touch with the developed world and is engaged in a rapid process of industrialization."

In an interview the next day, Giscard declared: "We have examined together the grand initiatives which could be undertaken in terms of cooperation, i.e., large-scale projects around which our two countries could meet. And in these big projects one can see the seeds of what could be undertaken between Europe and the whole of the Arab countries."

### 1979: Trialogue launched

During 1978-1979, as the European Monetary System took shape, the Trialogue approach has taken on new dimensions. The term itself has been utilized more frequently in accounts of Giscard's policy.

Thus, on May 21 of this year, the French financial paper *Les Echos* reported that the "trialogue" would be the feature item of Giscard's diplomacy at an African summit in Kigali, Rwanda. Similarly, in early July, when France's Prime Minister Raymond Barre traveled to Iraq for meetings with Iraqi leader Saddam Hussein, *Le Matin* reported that "the trialogue" would be the central topic of their discussions.

At the African summit meeting, Giscard spoke before the leaders of all the francophone countries, but at a locale, Rwanda, that was, significantly, not a former French colony—a symbolic gesture of the intent of Giscard's African diplomacy to move beyond the limited boundaries of former colonial relationships. In fact, one non-French-speaking country, Liberia, current chairman of the Organization of African Unity, was invited to attend the conference.

Throughout the year, Giscard has maintained a policy toward the African continent of moving in on British turf. He traveled, for example, to Sudan in spring of this year, on the way back from the Franco-African summit. Giscard's diplomacy gave President Numiery enough maneuvering room to come out and attack the Camp David Mideast treaty. At the same time, French trade deals with Nigeria have increased, and Paris has been the site of the first foreign visit by the new President of Kenya, Arap Moi.

Giscard has also built a close relationship over the past months with Zaire's President Mobutu, in an attempt to undercut the Hapsburg-run Belgian Union Miniere interests in that country. Giscard's input into Zaire has enabled the French to play a key role in mediating the formerly tense relations between Zaire and Angola. These efforts, aided on the one side by French oil interests in Angola, have resulted in Zaire kicking out of its territory the leading rebel against the Angolan regime, Holden Roberto, who for years used the Congo-Zaire as a base for tribal incursions into Angolan territory.

Prime Minister Barre's trip to Iraq was even more momentous in its policy implications. At their meetings, he and Saddam Hussein agreed to "deepen and enlarge

the domains of cooperation and consultation between the two countries" and to work together to "assure progress, justice and economic stability in the relations between the developed and developing countries."

During the same week in July, Giscard made a special trip to the United Arab Emirates to secure energy supplies for France in return for technical and economic assistance to the UAE. Reports circulated at the time of major French offers to ensure the security of the states of the region, as well as to motivate a special summit between the EEC and the oil-producers of the Gulf and to launch a new diplomatic offensive to supersede the Camp David treaty.

Given the fears of both Saudi Arabia and Iraq of regional destabilization flowing out of the Iran crisis, *Le Matin* noted, both governments were probably counting on France being able to "take the lead, in the name of the EEC or not, in the creation of a sort of 'collective security pact' for the Middle East." Giscard is looking for the creation of a "mechanism of Euro-Arab cooperation that would form the primary pole of the Euro-Arab-African rapprochement, the idea for which he launched at the beginning of this year."

This "Giscard plan" would counteract the Camp David treaty and aid the "search for an overall peace in the Middle East."

The article concluded with speculation that the European Monetary System could provide the basis for extensive nuclear and related exports to the Arab world.

While the Iran crisis has appeared to overshadow Giscard's "trialogue" diplomacy, leading policy-making quarters recognize that France now has the unique capability to help solve that crisis in a way that could avoid war and economic dislocation. This was the underlying theme of Giscard's television interview in late November in which he stressed that only a "new world monetary system" could avert more Iran-style crises.

The key to the French capability lies not only in its friendly networks in countries near Iran, such as Iraq and Saudi Arabia, but in France's recent careful cultivation of the "Bakhtiar option." For several weeks, deposed Iranian Prime Minister Shapour Bakhtiar has been in Paris, preparing cassette tapes of propaganda against the Ayatollah Khomeini and sending these into Iran through areas of anti-Khomeini strength such as Azerbaijan, the scene of recent revolts. Bakhtiar, whose son, Guy, is a career officer in the French secret service, is a figure around whom the Iranian opposition forces could rally in the coming weeks, especially as the Iranian economy continues to unravel and social chaos spreads. Bakhtiar is also a figure whom regional neighbors of Iran could support and who could help bring Iran into the matrix of energy-for-technology arrangements that have been shelved by the Khomeini regime.

—Mark Burdman

## Asian Policy

### Advancing an alternative to the 'China Card'



In late January of 1980, French President Giscard d'Estaing will visit India and will likely be the first foreign leader to meet with the expected winner of the early January elections, former Prime Minister Indira Gandhi. This visit, and the meeting of these two world statesmen, is certain to have a significant impact not only on the French role in Asia but on the world.

France's relations with India, their third largest trading partner in the region after Japan and Korea, are a crucial part of an emergent French strategy which aims at constructing an alternative to the China-centered strategy of the Anglo-American axis. Though France has placed great importance on China, particularly since the days of de Gaulle's groundbreaking 1964 recognition of the Peking regime, it has also opposed the policy of playing China off against the Soviet Union and encouraging China's great power pretensions.

Under Giscard, this French approach has been demonstrated as recently as the October visit of Chinese Party Chairman Hua Guo-feng to France (and other countries in Western Europe) where he was received with a great display of ceremony, expressing French recognition of China's role, but with a cool response to Hua's call for a united front against the Soviet Union. Giscard's view, stated earlier, is clear:

French policy has always been to favor Chinese participation in different aspects of international life. In this way, France encouraged China to take its place in the U.N., on the Security Council ... and in all disarmament talks. But, at the same time, France was also implementing the policy of detente and the improvement of relations between the Soviet Union and France's Western partners. This will remain fundamental to our policy.

I think that, on the whole, everyone recognizes that the development of relations with China must be practiced in such a way as to not create tensions or risks in relations with the Soviet Union. In my opinion, one must be more explicit than that: we must indicate clearly that the establishment of new

relations must be conducted in such a way that it is not a destabilizing factor ... but compatible with the goal of detente and security.

#### France, India, and Indochina

This view has expressed itself in French relations with two of the key powers in Asia, the two who, along with the Far Eastern powers of Japan and Korea, are likely to determine the future of Asia—namely India and Vietnam. Regarding Indochina in general, there is a historic French link which, despite the French war with Indochina, has remained largely unbroken. In the case of Vietnam, it has in fact taken on new importance.

French relations with Vietnam, including trade ties which make France the largest Western economic partner of Vietnam, have been quietly growing of late. Several French concerns carrying on manufacturing operations in Vietnam, including a pharmaceutical plant, have continued operations under new agreements reached since the reunification of Vietnam, while Elf-Acquitaine is assisting Vietnamese oil exploration efforts in the South China Sea.

These agreements followed particularly the visit of Vietnamese Premier Pham Van Dong to Paris in late April, 1977. Extensive French credits were made available to Vietnam and agreements were reached on French construction of a steel mill by Creusot Loire in Vietnam, an agreement which has yet to be carried out from the Vietnamese side (reportedly because of Soviet pressure on Vietnam not to consummate the deal).

The best expression of French policy however has come in regards to the Kampuchean crisis. France has played a mediating role, initiating the U.N. meeting on relief aid for Kampuchea late this year and clearly distancing itself from the Anglo-American-Chinese bloc's policy of support for overthrown Cambodian leader Pol Pot. Despite the presence in Paris of Kampuchean pretender-to-power, Prince Sihanouk, the French have made it clear they will not tolerate renewed Chinese aggression against Vietnam and seek a peaceful solution to the Indochinese situation.

With India, the French role perhaps has the greatest potential. Giscard has the golden opportunity in January to demonstrate to what is sure to be a Western-wary Mrs. Gandhi the full extent of French support for Indian industrialization and modernization. The key area of cooperation is nuclear energy, which has already seen important French input into the development of India's nuclear energy program. The area of French input of greatest importance is the fast breeder program underway in India. Now an experimental program, the fast breeder is seen by Indian planners as the key to enabling them to utilize their large thorium reserves as fuel. Ne-

gotiations for further French assistance are ongoing, though plagued by disputes over the price of French-supplied enriched uranium. Giscard's visit should help consolidate these deals.

A strong and economically developing India, with close ties to France, would represent a powerful ally in the developing sector for France's broader plans for North-South relations within the framework of a fully functioning European Monetary System.

Franco-Japanese relations will be of paramount importance in this regard and in regard to France's policy toward China. Traditionally, these relations are not close although Japanese interest in France has increased over the past decade as the country looks to strengthen its ties to Europe.

### France in Korea

The relationship between France and South Korea has been very strong since the military coup in May 1961 that brought General Park Chung-hee to power. Anxious to expand Korea's relations with Western powers other than the United States, Park sought out ties to both West Germany and France. Chancellor Adenauer and President de Gaulle were two of the first world leaders to extend diplomatic recognition to Park's government.

The tradition of French independence, as represented by de Gaulle, formed the basis for a close relation between the two countries, as it was the goal of Park Chung-hee's coup to strengthen Korea's independence and "self-reliance." Economic ties have become particularly important; Korea is the second largest importer of French products in all of Asia, with high-technology capital goods taking a large chunk of the total.

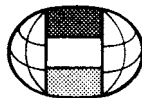
Most representative of the close relationship between the two countries was the agreement reached in 1973 for France to provide Korea with nuclear reprocessing technology. The deal was negotiated by Gaullist Prime Minister Jacques Chirac and Korea Prime Minister Kim Jong Pil. Kim, who was the chief architect of the 1961 coup, has often been described as a "Korean Gaullist," and was often used by late President Park Chung-hee for sensitive talks with both France and West Germany.

Following the announcement of the deal, the United States put tremendous pressure on Seoul to cancel the agreement, with Secretary of State Henry Kissinger playing a leading personal role in the affair. In 1976, the pressure succeeded and the Koreans did not gain access to the reprocessing technology. Nevertheless, overall cooperation on nuclear energy development has continued between the two countries.

—Peter Ennis

## Inside France

### The 'left' and the 'right' against the President



Lately, the Gaullist component of the coalition of parties that makes up the French government of President Valéry Giscard d'Estaing has been rejecting en bloc government-submitted legislation and blasting the President's foreign policy, particularly toward the developing sector.

Political analysts report that the Gaullist RPR Party is simply trying to distance itself from Giscard and his policies with an eye to running RPR Party leader Jacques Chirac in the 1981 presidential elections. While such reports have a grain of truth, the reality, as a cursory look at the London-based press or its allied Rothschild-owned French dailies like *Le Matin* or *Le Monde* shows, the City of London and the Washington, D.C. crowds are determined to use whatever means are available to prevent Giscard from extending the European Monetary System world-wide as he pledged to do during his Nov. 17 television appearance, and extending his term in office for another seven years.

London and Washington have deployed a classic "left versus right" operation against the President on the issues of national economy and foreign policy, including a de facto alliance between the Gaullist Party and the French Socialist Party.

In fact, while the Gaullists are taking a critical stand against the President's African policy and his management of the French economy, the left is charging that Giscard is an imperialist ruler who won't even listen to his own majority, much less the poor underdeveloped African nations.

### The budget fight

This past week, Prime Minister Raymond Barre was forced to invoke Article 49 of the French Constitution. The issue was the adoption of the state budget submitted by the Giscard government to the National Assembly. Less than a third of the National Assembly voted for the budget—the "left" parties voted censure motions and the Gaullists abstained. By refusing to vote on a govern-

ment bill, the Gaullists were provoking the use of Article 49—and for the third time in a week.

Article 49 is an important element of the French Constitution put in place by President Charles de Gaulle in 1958. To reject a government bill outright means a no-confidence vote against the government itself. Then the President can dissolve the national Assembly, send the deputies packing and schedule a new election.

The Gaullists were careful not to vote to censure. It could have cost them a third or more of their voting strength in the Assembly. The fact is that among the French people, Giscard's popularity is high, while that of the Gaullists is low.

The Gaullists nonetheless did abstain. They were demanding that a few thousand dollars be trimmed from the budget or else. . . . Giscard, by turning the question into a constitutional issue, answered as de Gaulle had done in presenting the 1958 Constitution. "My role as President of the Republic," said the General, "is not to let any party take the least step toward weakening the institutions and notably those which are the responsibility of the executive power."

### **The Bokassa diamonds scandal**

The Gaullists chose to battle Giscard on economic policy matters not because of any fundamental disagreement, but because, in a period of continuing inflation and rising unemployment, the party saw it as an effective tactic toward the laboring populations. (They obviously did not consider that proposing to reduce social expenditures would translate into a similar reduction in the party's popularity.)

But it is in the area of foreign policy that the Gaullist attacks on the President are the most scandalous and where the left and right most closely converge.

Leading the attacks is new RPR General Secretary Bernard Pons. His first charge came right after the Dublin summit of European Community heads of state. There, Giscard and his friend West German Chancellor Helmut Schmidt had countered British efforts to wreck the Community. An unhappy Pons demanded that Giscard begin to "act as tough as Dame Thatcher when it comes to international negotiations."

At the latest RPR Central Committee meeting, Pons reproached the President for not siding with U.S. military and economic warfare tactics against Iran and then questioned Giscard's African policy, such as the decision to militarily intervene—when necessary—to remove a dictator like Bokassa of the Central African Empire or to stabilize a Chad.

In so doing, Pons added the RPR's voice to the

Second International's months-long campaign against French presence in Africa. Following the French intervention into the Central African Empire, the French Socialist Party and *Liberation* magazine attempted to spark a scandal investigation around charges that Bokassa had given a gift of diamonds to Giscard when he was finance minister of France 10 years ago.

This week, *Le Monde* ran a "sweet and sour" commentary by Gaullist Messmer, an associate of Chirac, on Giscard's African policy. "Looking over the recent past, the result (of French African policy) is rather favorable," he says. "Our African policy comforts our friends, discourages adventures, helps social and economic progress. But, for the future, it runs a grave danger. Direct or indirect military intervention wounds the pride of the Africans and provokes sharper and sharper criticisms. One day, an additional intervention, no matter how justified, will unleash a general furor. Should we be the object of that furor, it is French African policy as a whole which would be swept away like a tornado."

Messmer's remarks have little to do with fact. No African nation has protested French intervention to prevent an Iran-style destabilization, but rather it has been London and what remains of the British empire in Africa.

### **The left Gaullists**

The tactics being pursued by the RPR Party have already led to a reconciliation between Chirac, a "right" Gaullist, and "left" Gaullist leader Charbonnel, a long time British agent. Pons' purpose is to bring the "left" Gaullists back into the mainstream as a bridge to the Socialist Party.

Since the Communist party rejected the common program with the Socialists, any possibility of a viable left candidate to oppose Giscard in the 1981 elections has been destroyed. With the help of Zionist agent and Secret Army Organization (OAS) operative Jacques Soustelle, the Socialists have been looking elsewhere.

Free-enterprise advocate Michel Rocard is "offering" a right wing alternative to party leader Mitterrand, using his connections into the French Businessmen's Association, the Barre Cabinet and the New York Council on Foreign Relations.

Rocard's ally Edmond Maire, head of the CFDT trade union, has been issuing calls for class war.

François Mitterrand is seeking a rapprochement with the Gaullists. Two weeks ago he met privately with his former public enemy Chirac and has been issuing proclamations calling for "Salut Public" coalitions and the like.

—Garance Phau

## The U.S. backers of the Muslim Brotherhood's killers

by Nancy Coker

Specially trained assassination squads of Iran's intelligence service SAVAMA have over the past days entered United States territory to carry out "hits" like the Dec. 7 murder in Paris of the Shah of Iran's nephew, Shariar Mustapha Shafik.

Estimates, confirmed privately by U.S. law enforcement and immigration service officials, are that the trained assassins number between 50 and 300 and that they entered the United States using passport visas forged by the students that occupied the U.S. embassy in Teheran. Several of these would-be assassins have already been apprehended and other suspects are now being tracked down—despite the fact that the White House and the State Department are trying to clamp down on effective enforcement measures in order to "placate" and "humor" the Iranian regime led by the Ayatollah Khomeini.

There is no doubt that these assassination deployments are being coordinated by the Muslim Brotherhood, the international intelligence conspiracy that is shaping the policies of the Khomeini regime. When Shafik was killed, Ayatollah Khalkhali, the head of the Fedayeen-i Islam, the Iranian branch of the Brotherhood, immediately claimed responsibility for having ordered the hit. By Dec. 10, only three days after the murder, the *Christian Science Monitor* reported from Paris that French police had the necessary evidence to prove that Khalkhali was indeed behind the murder.

Khalkhali has indicated that the Shafik murder is only one in a series of planned assassinations. "The Islamic fedayeen are continuing their activities in Europe and the U.S. to identify wrongdoers and punish them for

their actions," he told France's *Le Figaro*. "Wrongdoers," he noted, could include "even the people who inhabit the White House"—a direct threat to assassinate President Carter that should be taken seriously given Khomeini's Dec. 17 characterization of the President as "worse than Hitler."

Khalkhali later told the Paris-based *Liberation* magazine, "I follow my own rules, according to the principles of Islam. In this domain I don't have to consult anyone, not even the Imam Khomeini."

### Terrorist capability

According to reliable sources in Washington, the Iranian assassins, posing as students, are receiving aid from the Iranian embassy, with cash reimbursements for their activities reportedly being funneled through Brotherhood-front businesses owned by such pro-Khomeini businessmen, as Nahidian, a rug merchant who subsidizes Khomeini followers among student groups in the Washington, D.C. area.

This interplay between the Embassy and the Iranian "student" assassins is only one among many indications of the enormous terrorist capability that Khalkhali and SAVAMA can employ.

For one thing, much of the massive funds that come into Iran from oil revenues are being earmarked for SAVAMA.

Secondly, Khalkhali—and his partners, the U.S.-trained Defense Minister and SAVAMA head Mustapha Chamran and the former "VISTA volunteer" now Interior Minister Sadegh—have at their disposal the highest technology and the most expert political intelligence

coordinators: a clique of generals who ran the old SAVAK agency of the shah are now the heads of SAVAMA. These generals—Farouzian, Fardoust, and Kaveh—were trained under the British, NATO, and Israel. They applied their skills for Khomeini when they aided the overthrow of the shah in February of this year, in collusion with NATO General Robert Huyser, an emissary for NATO Commander Alexander Haig.

These three generals were present in Paris and London in the days and hours preceding the Shafik murder.

Aside from money and intelligence expertise, the SAVAMA has a large pool of potential agents among Iranian students abroad. For example, several thousands of the 50,000 or so Iranian students in the United States belong to groups under the control of the Muslim Student Association, headquartered in Plainsfield, Indiana. As *EIR* has documented, and as independent American and Pakistani investigators have corroborated, the MSA is controlled at the top by individuals, such as Mahmoud Abu Saud of Southwestern Missouri University, who are self-professed founders and members of the original Muslim Brotherhood created in Egypt in the late 1920s. They were jailed and expelled from Egypt and other Arab countries in the 1950s, and are now using the U.S.—and Europe—as the base for Islamic fundamentalist terrorism internationally.

In the U.S., the MSA apparatus harbors trained assassins posing as students. The “safehouse” infrastructure is supplemented by the fact that certain well-connected Americans are committed to more Khomeini-type destabilizations.

Take, for example, Princeton University Professor Richard Falk—now under fire by an Alumni Ad Hoc Committee for his pro-Khomeini sentiments. He told a Dec. 14 Boston conference of 200 students (120 of them Iranians) that “the real issue in Iran is the struggle for national self-determination against economic, cultural, and political burdens imposed by Western civilization. ... The shah had embarked on an ambitious nuclear technology program,” the antinuclear activist Falk continued. “It was this development pattern, oriented to the needs of the international capitalist order, which formed the basis of the shah’s rule. It was this development pattern, which, necessarily, inevitably required as integral to it a system of torture and political repression.”

Coming full circle, many of those who now rule Iran were tutored in the MSA apparatus in the United States. Former Foreign Minister Ibrahim Yazdi, the current Foreign Minister Sadegh Gotbzadeh (who spent five years at Georgetown University) and Defense Minister and SAVAMA head Mustapha Chamran (who did his postgraduate work at the University of California at Berkeley) were all members and leaders of the MSA or the so-called MSA-Persian-Speaking Group.

## Congressman speaks out

# Idaho’s Hansen demands Iran probe

*Representative George Hansen (R-Id.) told the National Press Club in Washington, D.C. on Dec. 13 that he had sent letters to House Banking Committee Chairman Henry Reuss and House Foreign Affairs Committee Chairman Clement Zablocki demanding an immediate congressional investigation and hearings on the “serious issues raised by the Iran crisis.”*

*Hansen also warned of the danger of imminent Muslim Brotherhood terrorism in the United States.*

*The Idaho Congressman, who recently returned from a fact-finding mission to Iran where he met with the American hostages and with Iranian government officials, decried the State Department’s complicity in the Iran crisis. The State Department had refused to debrief Hansen, the only American who has visited the hostages being held in Teheran. In addition, no national network or major newspaper has yet covered his initiative, despite the fact that the Congressman released his letter and related findings to a large array of media.*

*What follows is an “Outline of Serious Issues Raised by the Iranian Crisis,” prepared by Representative Hansen.*

The people of the United States demand to know and need to know how and why the Iranian captivity developed. There is no excusing the violation of international law and human rights by the government and people of Iran. However, explanations by our own government regarding arbitrary decisions causing great risk to American lives and property have been contradictory and confusing, causing a serious need for hard facts and basic truth.

For example, there is now no doubt, both through admissions by government officials and by disclosures made by myself, and others that our State Department precipitated the invasion of the United States Embassy in Iran. Without any other fact, the serious consequences for the personnel now held hostage in the Teheran embassy and for our nation itself warrant a full and immediate investigation to determine responsibility for the disaster and to insure that failure both of intelligence and of the response to available intelligence shall not recur. And there are many other issues of similar grave concern.

There is good reason to believe that the mere fact that Congress will begin to investigate these matters would have a positive impact on the resolution of the Iranian crisis.

The American people will not tolerate either a cover-up or a Kangaroo court on issues involved in this crisis. To prevent mockery of justice and assure objectivity, it is critical that concerned committees of Congress exercise their investigative responsibilities into a broad range of questions, the more obvious of which are the following:

**On the crisis itself—**

1. Who made the decisions to admit the Shah into the United States ignoring the advice of both the intelligence community and internal elements of the State Department itself, regarding the high risk of invasion of the Teheran embassy and the kidnapping of the personnel stationed there?
2. Why was such a decision made without prior strengthening of security forces or even a temporary closing of the embassy?
3. Why were existing security forces not authorized to use available force to protect the embassy?
4. What benefit from the Shah's entry into the United States counterbalances the resultant physical danger to embassy personnel, destruction of embassy property, compromising state secrets and ensuing terrorist attacks against American embassies elsewhere in the world?

**On the handling of the crisis—**

1. Since diplomatic relations have not been severed, why, in the five weeks since the capture of the embassy, has there not been one apparent official contact between the government of the United States and *any* official of the government of Iran?
2. If our official position is that we will not negotiate with the Iranians until the hostages are released, on what issues would such negotiations occur?
3. Why, if we will not negotiate, do we seek to have others, like the U.N. and the World Court, negotiate in our place?
4. Why, after more than a month, have our government's representatives officially or unofficially, failed even to get into the country or see the hostages?...
6. How did we permit the loss of two lives and the burning of several of our buildings in Pakistan, long after the Iran crisis was underway?

**On the cause of the crisis—**

1. Department of State documents refer to substantial pressure to admit the Shah. From what source

did the pressure come? How much did it influence the decision to admit the Shah?

2. Did the State Department know in advance that Mexico would not readmit the Shah after expiration on Dec. 9 of his six month tourist visa?

3. Was his admission here under the excuse of medical necessity a ruse to procure his permanent admission?

**On the questions raised by the crisis—**

1. Was the confrontation a result of a foreign policy aimed at benefitting certain special interests even if the general welfare is undermined and American lives are endangered?
2. Are Americans paying taxes to line the pockets of special foreign and domestic interests and for purposes not in keeping with our own national interests?
3. Are American consumers the victims of oil diplomacy which has raised the price of domestic energy, devalued the dollar and set off rampant inflation all for the benefit of a few big banks and oil companies?
4. Because of all the damage done to American interests by the Iran crisis, how can we be assured of the future security of American personnel and property in foreign lands?

**On other questions regarding the crisis—**

- ...2. How can domestic oil profiteering be labelled wrong with investigations and penalties, but the role of a nation like Iran in boosting OPEC prices be overlooked?...
3. How can we disrupt friendly relations with South American nations over their alleged human rights violations, but refuse to look at the record of Iran?
4. How can it be proper to investigate foreign currency deals by the Franklin National Bank, but unreasonable to see how major American banks fit into the handling of Iran over the last 25 years?
5. Why can the CIA generally be fair game for investigation and even emasculation, but not its role in activities involving the government of Iran, past and present?
6. Why would we make such an issue over the security of secret documents and U.S. operations in the Pueblo incident involving North Korea and not register more concern for the loss of secret documents in our Embassy in Teheran which has become a propaganda coup for the Iranians?
7. What was the policy basis for Secretary Vance overruling the security measures recommended by his field experts on the Teheran embassy?



8. In the matter of my own trip to Iran, how do the State Department and Security Agencies justify their failure to debrief me on the information obtained in direct contact with Iranian officials in Teheran? They cannot, without such procedure, know whether I have valuable information on:

- a) Current government makeup and operation in Iran.
- b) The positions and decision-making responsibilities of the different members of the Iranian government with whom I talked. Recent events have emphasized that Iranian officials have diverse opinions on many issues, even to the release of the hostages.
- c) The security and physical situation at the American embassy and other key areas.

d) The condition and other data regarding those hostages I saw. (It might be recalled that after my visit the number of known hostages was increased from 49 to 50).

9. During that visit, after initial successes, I contacted the State Department and White House in Washington to see if I could be of assistance while I was there on the ground floor, but found little interest. Why were they not even concerned for the welfare of the hostages?

10. Why has the State Department failed to open and maintain channels to the new Iranian government?...

11. Why has the State Department... continually lobbied to keep Congress inactive and in a support role to inactivity?

## Government refuses to act on threat from terrorists

The White House, the State Department, and the Justice Department are refusing to take any appropriate action to pinpoint and root out Muslim Brotherhood agents in the United States, despite their knowledge of the Brotherhood terrorists' capabilities and plans and despite the clear and present danger to the President himself.

Ever since Nov. 5 and the taking of hostages at the U.S. Embassy in Teheran, White House press spokesman Jody Powell has consistently *defended* Islamic fundamentalism as a "bulwark against Communism," citing National Security adviser Zbigniew Brzezinski as his source for this analysis.

The following interchange, as detailed in an official press conference transcript, is indicative.

**Q:** Jody, now that somebody at the Muslim Brotherhood has claimed credit for terrorist actions against U.S. installations in at least two cities, and now that the Saudis have named the Brotherhood as one of the responsible organizations in the

destabilization in that country, why isn't this government saying anything about that organization?

**Mr. Powell:** I don't have any comment on that.

**Q:** I just want to follow up.

**Mr. Powell:** You get one follow-up.

**Q:** Advisors to this administration have been extremely soft, to say the least, on the Muslim Brotherhood. Is that one reason why you would find it embarrassing if you had to hold them responsible for these actions?

**Mr. Powell:** I don't believe—I don't remember comments directed toward the Muslim Brotherhood or specific organizations. I think there have been comments about the fact that in terms of East-West conflicts, that those who hold a devout faith in Islam would find the materialism and the atheism of Communism to be repugnant to them.

The State Department, through spokesmen Hodding Carter and Tom Reston, has been equally evasive.

On Dec. 4, Hodding Carter declared that the State Department was "neither capable nor authorized" to deal with the Brotherhood in answer to a question that was prefaced with an outline of how Muslim Brotherhood networks were responsible for anti-American activities in Pakistan and for the Mecca mosque incident in Saudi Arabia.

On Dec. 13, Reston, who was asked about reports that 200 to 300 Iranian terrorists had just entered the U.S., stated: "Security precautions in this matter are not the concern of the federal government. This question is being left to local authorities to handle the situation." One member of the press corps pointed out, privately, that this attitude would give "carte blanche" to Iranian terrorists, since local authorities had no capability of handling a situation national—and, in fact, international—in scope.

The State Department later went so far as to deny that visas were being forged in Teheran for entry into the United States. But one Customs Service official who independently confirmed the visa-forgery phenomenon declared that the resulting terrorist infiltration of the U.S. "constitutes a massive conspiracy—with U.S. government officials deeply implicated."

## Shades of 1960

# Carter's new military alliance in Southeast Asia

by Dean Andromidas

The Carter administration is quietly assigning military advisors and personnel to its former bases in Thailand. According to reports in the London *Guardian*, specialists have arrived to prepare the command and control system for B-52 strategic bombers at five airbases used to bomb Indochina during the Vietnam War.

If the above report sounds distressingly similar to South Vietnam in 1960 it is no coincidence. It is the most dramatic development of the Carter administration's policy of reviving an active regional military alliance in Southeast Asia. Unlike John Foster Dulles's Southeast Asia Treaty Organization (SEATO), the aim of which was to "contain" Communist China, this project seeks the active cooperation of China in a grand alliance aimed at the Soviet Union and the Socialist Republic of Vietnam.

The cornerstone of this plan is the effort of Washington and Peking to include the nations of the Association of Southeast Asian Nations (ASEAN), consisting of Singapore, Malaysia, Indonesia, Thailand and the Philippines, in this anti-Soviet alliance. Since the close of the Vietnam war in 1975, and especially since the Chinese invasion of Vietnam this year, ASEAN has been under ever-increasing pressure to fill the "vacuum" left by the American "withdrawal," by transforming its economic and political association into a military alliance with Peking. In recent weeks, the drive for an ASEAN military pact has been spurred on by seemingly endless American and Chinese statements on the need to "defend" Thailand from the "hostile" military forces of Vietnam, and its ally Kampuchea (Cambodia).

Vietnam has responded to the escalating tension in the area by insisting that all reports of "Vietnamese

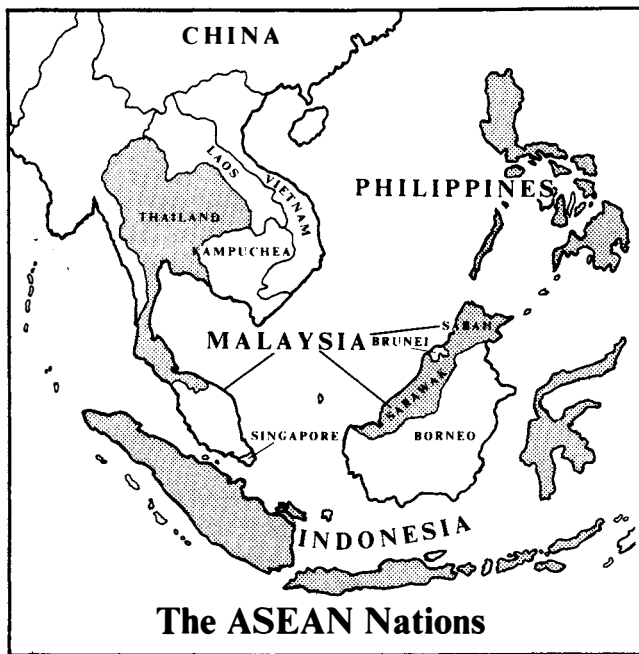
hostility" toward Thailand are designed to provide a cover for a new Chinese invasion of Vietnam. On Dec. 1, the Foreign Ministry in Hanoi addressed a letter to U.N. Secretary-General Waldheim, urging the United Nations take action to stop the impending Chinese invasion. Observers have noted that this week's closing in Peking of so-called Democracy Wall, where numerous complaints and denunciations of the Chinese leadership have been lodged on wall posters, is a sign that China is planning for an early attack. During the first Chinese invasion, some of the "Democracy Wall" dissidents passed information on the Chinese plans to foreign correspondents and diplomats.

### **The Thai trigger**

According to the British daily *Guardian*, several hundred U.S. Army, Air Force and Navy personnel in civilian clothes, together with a group of agents from the Central Intelligence Agency, have deployed to Thailand since last January, with the mission of reactivating a network of five airbases.

A steadily increasing number of Americans have taken up positions at the former U.S. naval base and logistics center at Stathip, southeast of Bangkok. Others have deployed to U Tapao, the largest of the airbases. Logistics and support personnel are said to be preparing ground systems capable of handling the rapid deployment of a squadron of B-52s.

The reintroduction of U.S. military personnel follows recent public statements by Thais and U.S. government officials referring to the 1954 Manila Pact, under which the Thai government can ask for aid from the United States, Great Britain, and other signatories, in the event



Thailand is attacked. It was the Manila Pact on which the now-defunct SEATO was based.

China, meanwhile, has stated it would militarily support Thailand should a conflict with Vietnam take place. Chinese strongman Teng Xiaoping told visiting Thai Air Marshal Harin Hongskula last October: "China will side with the ASEAN countries if Vietnam attacks them, and it will side with Thailand if Vietnam attacks it."

Through these statements, the Carter administration and Peking have deliberately established Thailand as a trigger for wider conflict in Indochina. Both countries hope to use the volatile situation on the border between Thailand and Kampuchea to provoke a confrontation between Thailand and Vietnamese forces based in Kampuchea. Thailand is backing what remains of the military forces of the deposed Pol Pot regime. Such a confrontation would seriously drain Vietnamese military forces, enabling China to invade Vietnam from the north. Moreover, a Thai-Vietnamese conflict would provide Peking with a pretext for its second invasion.

### Chinese provocations

The Chinese are backing up their words with actions, sending "advisors" into Thailand to plan the conflict with Vietnam. Citing Western sources, the Vietnamese army newspaper *Nhan Dan* reported Nov. 16 that China has sent teams of specialists to refugee camps in Thailand on the pretext of preparing to resettle them in China. It is widely believed these "advisors" and "specialists" are actually recruiting fresh troops for the Khmer Rouge/Pol Pot forces and sending them to China for training. They have then been sent back to carry out operations in Cambodia.

The Chinese are also cooperating with the U.S. Central Intelligence Agency to train 10,000 Laotian refugees from camps in Thailand. Most are Meo tribesmen who had fought for the CIA during the Vietnam war. A 4,000-man division has already been formed and is conducting operations inside Laos.

These operations are being given de facto if not active support from the international aid organizations conducting relief operations along the Thai-Cambodian border. While the State Department is quick to accuse the Phnom Penh authorities of refusing to allow the distribution of relief supplies to be monitored, it is well known that such monitoring is nonexistent along the border areas. Tons of supplies are being handed directly to the Pol Pot troops, many of whom run the refugee camps. This is even admitted by National Security advisor Brzezinski's top assistant Les Denend who told the press "we had to bend the normal sorts of controls that we might want to maintain."

Despite the assertion that such moves are merely in defense of Thailand if Vietnam should conduct military "incursions" into Thai territory it is clear they represent preparations for opening a "second front" in support of a Chinese invasion of Vietnam and Laos from the north. This is supported by direct Chinese military deployments along the border.

The Chinese deployment has not gone unnoticed, least of all by Moscow. Last month, a Soviet naval task force consisting of a cruiser and two destroyers called at Haiphong port to mark the anniversary of the signing of the Soviet-Vietnamese friendship treaty. The task force's arrival was well publicized by the Vietnamese. The fleet's commander, Vice-Admiral N. Yasakov, first deputy commander of the Soviet Pacific Fleet was grandly received by Vietnamese Premier Pham Van Dong and Army Chief of Staff General Van Tien Dung.

### ASEAN military bloc

Though ASEAN has been very vocal in its criticism of Vietnam's invasion of Kampuchea to depose Pol Pot, every country in the organization has "second thoughts" when the implications of an alliance with China against Vietnam are considered.

The prevailing mood in the region was aptly summed up recently by a prominent columnist in the Philippines, Teodoro Valencia. While welcoming the news of increased U.S. arms shipments to the region, Valencia dryly wrote: "We will never know up to what point the Americans will go before quitting on us. ... The United States wants to serve notice on Vietnam that if she does not behave, America will fight to the last ASEAN country. We welcome the arms, but we are not sure we want to shoot any Vietnamese."

It is precisely because of this hesitant attitude that

Washington and Peking have launched a no-holds-barred pressure campaign on ASEAN. Thus far, Singapore's Prime Minister Lee Kuan Yew has enthusiastically endorsed the Chinese-American attacks on Vietnam, and his Foreign Minister Sinnathamby Rajaratnam has promoted this policy in international forums. The armtwisting has primarily been directed at Indonesia, Malaysia and the Philippines.

Indonesia, the most important country in the region with 130 million people is the key target of attack. Pressures have included economic, "human rights" manipulation of the Chinese community in the country, and the threat of Iran-style "Islamic" destabilization. (Indonesia has the largest Muslim population of any country in the world.) More and more, the country is conforming to Chinese-American policy.

Indonesia is close to normalizing long-broken relations with China. This came one step closer with the recent announcement of a plan for the repatriation of one million Chinese ethnics holding Peking passports. This has been a major obstacle to normalization, especially since Indonesia was the target of a Chinese-backed coup attempt in 1965, which included elements from the Chinese community living in Indonesia.

The high degree of pressure on Indonesia was recently reflected in a series of articles in Kampuchea's nationalist paper, *Merdeka*. On Dec. 3, the paper attacked Thailand for sponsoring United Nations resolutions against Vietnam, and thus "dragging" all of ASEAN into a "confrontation policy" with Vietnam. The U.N. resolution sponsored by ASEAN on Thailand's initiative "was clearly master-minded by the United States and China," the paper said.

Earlier, on Dec. 1, the paper carried an interview with Indonesia's former national security chief, Gen. Sumitro, who criticized ASEAN for sponsoring resolutions on Kampuchea against Vietnam. "ASEAN is playing with fire," he said, and is "disregarding the consequences" of these actions.

In Malaysia and Thailand, the story is the same. According to diplomatic sources the Malaysians are informing friendly visitors that it is the level of Chinese control over the Malay economy via the ethnic Chinese community that has been largely responsible for the country's increasingly hostile attitude toward Vietnam.

Finally, in the Philippines, where the United States is maintaining huge military installations, the government of President Ferdinand Marcos is coming under increasing attack for "corruption" and "human rights" violations. A major radical destabilization operation is also being carried out through "guerrillas" and "social activists" around the country. This Jesuit-controlled Christian left is in many cases working closely with the Chinese-backed "New People's Army."

## *Japan goes anti-Soviet?*

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# Ohira plays the 'China Card'

Japanese Prime Minister Masayoshi Ohira's just concluded trip to China has dramatically restructured Asian politics. In the 1950s all of Asia was polarized around the creation of the U.S.-Japan alliance and SEATO (South East Asia Treaty Organization) which were poised to "contain" China. Now, Japan and China have formed an anti-Soviet axis to which they hope to recruit the nations of Southeast Asia as well as both North and South Korea. A key component of the new axis involves bringing all participating nations within a revived yen bloc—the Asian counterpart to proposed currency blocs in Europe, the Americas, and so forth.

Ohira has long favored cooperating with the Carter administration and particularly National Security advisor Zbigniew Brzezinski in engineering the new lineup in Asia. But most Japanese observers had insisted that Ohira would be contained by widespread opposition within Japan. That view was strengthened by the narrowness of Ohira's victory over the coalition supporting former Prime Minister Takeo Fukuda. Ohira's actions subsequent to that early November vote show that in fact he has not been "contained."

Two points of discussion with his Chinese hosts remove all doubt that Ohira reached an anti-Soviet "understanding" despite all his public disclaimers. First, Vietnam. Just as in January of this year, Ohira warned China not to invade Vietnam but then indicated that Japan would enforce no penalties on China if it went ahead.

Japan agreed to an immediate \$200 million in yen-denominated loans at concessionary terms (10 years grace and 3 percent interest) normally reserved for foreign aid recipients, Japan promised \$200-250 million in each of the succeeding 5-8 years. At the same time, Japan continues its freeze on aid to Vietnam, including food aid, imposed following the overthrow of the Pol Pot government in Cambodia.

Just as in February of this year, China is taking Ohira's position as tacit acceptance of its planned invasion.

The second point of discussion was Korea. The U.S. State Department long considered Park Chung Hee the

major obstacle to achieving an entente between North and South Korea within the framework of a Japan-China-Korea axis against the Soviet Union. Park made no secret of his opposition to this strategy, commonly termed the "China card."

In the aftermath of Park's assassination, Ohira and his Chinese hosts sat down to decide how to bring Korea into the fold. This, however, proved a stickier issue than the Vietnam issue: Japan would not openly agree to China's policy of open attack on South Korea's current "lack of democracy." But what was discussed privately became clear when Chairman Hua stated that Japan and China must discuss the "problem" in South Korea with "our American friends." This is the first time a Chinese official has admitted that the three nations are discussing the Korean peninsula.

### Yen currency bloc

Integral to the Japan-China axis is the emergence of a revived yen bloc. In this regard, the fact that Japan's new soft-term loans are denominated in yen cannot be dismissed. The background to this is as follows. When Michael Blumenthal as U.S. Treasury Secretary visited Tokyo on his way back from China—just weeks after China's invasion of Vietnam—he urged Japan to make its international loans in yen rather than dollars. The object was to set up a yen trading bloc parallel with other trading blocs in order to eliminate the reserve currency role of the dollar and to strengthen the International Monetary Fund as the central bank presiding over these currency blocs.

In the last month, Ohira made three key decisions propelling the yen bloc forward. He appointed as the new governor of the Bank of Japan Haruo Maekawa. Maekawa is committed to the yen bloc notion. He has virtually prohibited international dollar loans by Japan's banks, and now he has announced a program of hundreds of millions of yen-denominated loans beginning with China.

The financial centers in New York as well as Washington, D.C. apparently approved of these decisions. During the period of Ohira's China trip, they suddenly recovered, making an astounding 10 point jump on Dec. 10 alone.

### Pacific basin plan revamped

The Japan-China-Southeast Asia axis against the U.S.S.R. and the moves toward a yen bloc conforms to a scheme pushed in the United States by Zbigniew Brzezinski, the Stanford Research Institute, and Republican presidential hopeful George Bush known as the "revamped Pacific basin." The supporters of this strategy in Japan include Ohira, his new Foreign Minister Saburo Okita, and the Nomura Research Institute.

In the late 1960s, Japan's industrial leaders proposed a Pacific basin economic development strategy. They envisioned a U.S.-Japan partnership to industrialize the developing nations of Asia and Latin America including cooperation with *both* the U.S.S.R. and China. American think tanks such as Stanford proposed revisions aimed at limiting economic aid to Southeast Asia to resource development, not manufacturing, to cooperation with China as opposed to the U.S.S.R., and a greater regional military role for Japan. The China axis yen bloc policy is an implementation of this "revamped Pacific Basin."

The advisors behind this policy are Nomura Research Institute, which collaborates closely with Stanford, and Japan's Foreign Minister Saburo Okita. Nomura, back in 1978, proposed a \$20 billion resource extraction economic cooperation plan to counter a \$500 billion world infrastructure development plan proposed by the Mitsubishi Research Institute. Recently, Nomura's head, Kiichi Saeki, proposed a three-point plan for U.S.-Japan relations: 1) strengthen U.S.-Japan cooperation particularly in the areas of economy and technology; 2) Japan's self-defense forces must function "properly" and *in cooperation with other country's military forces* (a NATO-ization of Japan long opposed by Japan's leaders); and 3) gain greater acceptance for Japan's military among the Japanese people. Not accidentally, Saeki, who collaborates with London's International Institute for Strategic Studies (IISS), has long supported the "China card"

Foreign Minister Okita is a member of IISS, the Club of Rome and the Trilateral Commission. While he has at times advocated "appropriate technologies" for developing countries, he has for the most part sided with the "high-growth" forces; he served as an advisor to former Prime Minister Takeo Miki. As one Japanese observer commented, "Okita has no politics. If you want a low-growth program he will design that, if you want high-growth he can design that."

Okita began his public career serving with the economic staff of the Asian Development Board, Japan's wartime colonial apparatus in China, where Ohira also served. He was commissioned by China to advise them on a development scheme. His advice: avoid overemphasis on rapid industrialization. The same advice came from Washington and London.

At a Nov. 11 meeting, the Carter administration insisted that Japan's yen loans not be tied (not be conditional) upon China using them to purchase goods in Japan. Despite the uproar from Japanese business, Okita demanded that Japan accede to Washington's wishes. Cooperation with Washington, he said, is the basis of Japan's China card. Is it any wonder that the proponents of Brzezinski's "revamped Pacific basin" list Saburo Okita as their most important collaborator in Japan?

—Richard Katz

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# International Intelligence

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## ASIA

### ***Korean Generals hit "flunkeyism"***

Memories of May, 1961 were widespread in Korea this week when a close knit group of young generals staged a virtual coup in the country and issued a political manifesto. The insurgent generals, led by Army intelligence chief Gen. Chon Too Hwan, were virtual unknowns before they seized the dominant position in Korea, as was their mentor, the late President Park Chung-hee, when he came to power in a coup almost twenty years ago.

While the generals have been careful to maintain the existing civilian government in Seoul, their manifesto stated they have a "mission" to end corruption in Korea, particularly among business and political officials, and to end "flunkeyism," i.e., overdependence on the United States. The Carter administration, which has been strongly promoting "liberalization" of Korea since the October assassination of Park, is thought to have been shocked and angered by the coup.

Since the coup, which began with the arrest of Martial Law Administrator Chung Seung Hwa and 15 other top generals Dec. 12, the entire command structure of the armed forces has been overhauled. Virtually all top army posts, as well as sections of the newly-named civilian cabinet, are filled with men close to Gen. Chon.

It is significant to point out that most of the generals involved in the uprising come from two graduating classes of the Korean military academy, the eighth and eleventh. Gen. Chon himself is from the eleventh class—the first class to complete the academy's four year course.

More intriguing is the role of those from the eighth graduating class. It was primarily young colonels from this class, led by Col. Kim Jong Pil, who masterminded Park's 1961 coup. Eighth class graduates now occupy the key posts of Army Chief of Staff, Martial Law Ad-

ministrator, Third Army Commander, and director of Korean Central Intelligence. Whether Kim, who is now president of the ruling Democratic Republican Party (DRP), played a role in these events is the biggest unanswered question in Korea.

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## EUROPE

### ***Thatcher begins new phase of Iran crisis***

Great Britain's Margaret Thatcher arrived in the U.S. this week to proclaim that Britain fully supports the U.S. should Washington adopt a policy of economic and military retaliation against the regime of Ayatollah Khomeini. Sources say Thatcher advocates the U.S. intensifying its confrontation with Khomeini into a new phase.

According to the London Telegraph Dec. 19, Washington, with British backing, will demand of both continental European nations and Japan that they back a full trade embargo. Such a move, according to numerous informed sources, would trigger an Iranian oil embargo and a new oil-price spiral with serious damage to the economies of continental Europe and Japan who are Iran's prime oil importers.

West German Chancellor Helmut Schmidt last week reportedly told the press that he would support further U.S. sanctions against Iran. Behind the scenes, however, West German government officials state that many of his countrymen are extremely worried over the fact that any such action on the part of the U.S. will seriously damage Germany's financial and trade position.

Earlier this week, at a press conference, White House spokesman Jody Powell announced that "other remedies" are available. Leaked sources define the other remedies as a military blockade of the Persian Gulf through which 20 million barrels a day of oil flow.

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### ***Left Labourites seek Euro-Communist friends***

The Italian daily *Il Giornale* last week published an analysis by its London correspondent Gino Bianco of the recent initiative by the "Marxist-colored" left wing of the British Labour Party to woo and win Europe's Communist Parties. Since the NATO decision to go ahead with its theater "modernization," the left-Labourites, under former "energy" minister Anthony ("Technology is Dangerous") Wedgewood Benn, have become disenchanted with the European Social Democratic parties. The Labour Party announced the formation of a committee under left political economist Stuart Holland to establish institutional contacts with the Eurocommunist parties.

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## MIDDLE EAST

### ***Iraqis condemn U.S. complicity in Iranian embassy incident***

The Deputy Prime Minister of Iraq, Tariq Aziz, stated this week that "what is happening in Iran is not detached from American plans in the region (referring to the Persian Gulf—ed.) and what America can use as a pretext for intervention." Aziz concluded that Iran "is doing a great service for the Americans in the region."

Middle Eastern sources indicate that the Iraqis are now lending logistical support to the various minorities in Iran that are waging a fight against the fundamentalist Islamic regime. There have been unconfirmed reports over the last two weeks of border clashes between Iran and Iraq.

Moreover, the Iraqis have begun to broadcast Persian and Kurdish lan-

guage broadcasts into Iran in support of the growing unrest in tribal and minority regions. A Baghdad domestic-service broadcast into Iran in Kurdish this month condemned Khomeini "for hiding behind the cloak of religion." The broadcast noted that "religion has nothing to do with the despotic, reactionary and chauvinist Khomeini, because Islam is tolerance and love and champions rights, whereas Khomeini is full of hatred."

Tension continues to mount in Iran with the murder this week of Ayatollah Mofatteh, who reportedly was preparing to break with Khomeini to support his chief religious rival who is leading the revolt, Ayatollah Shariatmadari.

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## LATIN AMERICA

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### *Anti-American violence erupts in Panama*

Panama faces destabilizations as a result of the arrival of the deposed Shah of Iran. Following the arrival of the deposed Shah in Panama Dec. 16, student demonstrators attacked the U.S. embassy and the Panamanian Foreign Relations and Justice Ministries to demand that the Shah leave the country. Demonstrators dragged the American flag through the streets, shouting anti-imperialist slogans. A tight guard now surrounds the American Embassy.

The protests fulfill the "predictions" made two weeks ago by a top level intelligence operative, indicating a policy to "spread" the Iranian crisis to Latin America. The operative, known to be a controller of international terrorism, reported to *EIR* that both the Philippines and Panama would experience destabilizations as a "spinoff of the Iranian crisis." In both cases, the "predictions" came true.

There are also indications that economic pressures were exerted on Panama to force the government to accept

the Shah. Reports in the U.S. press implied that the decision to accept the Shah was a precondition for receiving future economic aid from the United States. A U.S. functionary was quoted following the Shah's arrival: "I'm not saying that there is an immediate economic payoff for Panama ... but the United States is certainly indebted to Panama and can't let its economy go down the drain."

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## SOVIET UNION

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### *Nuclear power debated in U.S.S.R.*

A fight is brewing over the Soviet Union's nuclear power development program. At a conference on nuclear energy, Academician A.P. Aleksandrov, president of the Soviet Academy of Sciences, declared that "there are no grounds for constricting the development of nuclear power engineering in the U.S.S.R. Nuclear power plants are very safe. There has not been a single significant breakdown at any power station."

This is the second time that Aleksandrov has had to reply to arguments presented by Academician Dollezhal in the Soviet Party journal *Kommunist* against concentrating nuclear power plants in the heavily populated Western section of the Soviet Union.

Two articles in the most recent *Kommunist* are indicative of this environmentalist argument. One identifies environmentalism as the "antiwar movement" of the current "mass struggle"; the other calls for a "mass education program" to instill in the Soviet population more "environmental thinking."

Ecology is the topic of "global modeling projects" now being conducted between Soviet "systems analysis" experts and Western modellers for such groups as the environmentalist Club of Rome.

## Briefly

● **SHOUL EISENBERG**, the notorious Israeli arms merchant, is rumored to have had a hand in the assassination of South Korean president Park Chung-hee. Eisenberg, based in Tokyo, has long had dealings with Korea, including a highly publicized role several years ago in bribing Korean officials. Eisenberg is also said to have been the middle man in the transfer of Israeli arms and equipment of the KCIA.

● **CUBA'S CABINET** was reshuffled late last week. The ministers of transportation and public health were dismissed. Dr. Sergio del Valle, who has served as Minister of the Interior, was appointed to head the public health ministry. Political observers believe the shakeup may be related to a factional struggle in the Soviet Union.

● **AYATOLLAH KHOMEINI** has been, and may still be, secretly a member of the Muslim Brotherhood organization, a clandestine society in the Islamic world, according to the Paris-based *Liberation* magazine. *Liberation* interviewed Ayatollah Khalkhali, the head of the Fedayeen-e Islam, which, said *Liberation*, is the Iranian branch of the Egyptian Muslim Brotherhood.

● **GEN. DALLA CHIESA**, the Italian Carabinieri's anti-terror specialist, has been given command of the northernmost of Italy's three Carabinieri divisions. The move by the coalition Cossiga government is in response to a ferocious terrorist assault over the last months in the northern industrial cities. Dalla Chiesa was formerly national Chief of Anti-Terror Operations, a special plenipotentiary post.

## Euromissiles and an arms buildup

# The quest for 'limited war'

by Konstantine George

President Carter, in a speech before the Business Council in Washington, D.C. Dec. 12 announced that the U.S. defense budget will rise to \$157 billion next year, an increase 5.6 percent above the rate of inflation. Carter pledged a floor on defense spending equal to a rate of 4.5 percent over inflation for the next five years.

Close up examination of administration policy statements, and the statements of their British prompters, around the speech reveal a policy fraught with the implication of national suicide, should a second Carter term occur.

The speech was delivered just prior to the arrival of British Prime Minister Margaret Thatcher for talks on "strategic arms control, strategic arms, test ban, NATO theater nuclear forces, international energy and economic policy, Iran, the Mideast, Zimbabwe, the Caribbean"—in short, everything. Carter and the British "iron lady"—who demands a confrontationist policy toward the Soviet Union in both Europe and the Third World—emerged from their talks announcing they had no disagreements on anything.

Carter's defense speech was also timed for delivery with the NATO Foreign Ministers' vote Dec. 12 in Brussels for production and deployment of Pershing II and ground cruise missiles of intermediate range. The NATO ministerial meeting represented a victory for British-Thatcher policy, reflected directly in Carter policy. In particular, it revealed that West German Chancellor Helmut Schmidt had abandoned all leadership in Western security policy to Washington, by voting for a missile "modernization" scheme that is a thin cover for preparing for "theater limited," "tactical nuclear war"

in Europe. That is the heart of the policy pronouncements linking Thatcher's Dec. 18 speech before the Foreign Policy Association in New York, Carter's Dec. 12 defense-spending speech, and the NATO ministerial vote the same day.

The guts of the policy, with presidential public-relations camouflage removed, were announced by National Security Adviser Zbigniew Brzezinski, shortly before the Carter speech. Brzezinski made clear that the present and potential second Carter administration would be run on the premise that a so-called "limited" or "regional" nuclear war with the Soviet Union is not only possible, but acceptable. In complete contravention of the ABC facts pertaining to U.S.-Soviet nuclear conflict, Brzezinski asserted: "the United States will have the capability to ride out a Soviet first strike and respond in a manner that is flexible, rather than having the option of only an annihilatory response."

Brzezinski, in delivering such pap as administration policy, assumes a Soviet nuclear strike targetting U.S. missile sites. Such a hypothetical nuclear strike is termed "counterforce." Counterforce went out of the window with the advent of ready-fueled ICBMs, meaning that long before the arriving missiles ever reached the opponent's silos, the opponent's missiles would be in flight.

The cornerstone fact in understanding the potential nuclear war conduct of the Soviet military is that they would not be so stupid as to deploy ICBMs to destroy empty missile silos.

In conjunction with the doctrine of "limited" nuclear war, Brzezinski clearly defined Carter administration policy, presently, and hypothetically into the 1980s, as



actively seeking regional "hot spot" confrontations with the Soviet Union around the Third World, beginning with the Persian Gulf region, any one of which could serve to trigger the global nuclear conflict. Brzezinski hailed the Iran crisis as "the end of the post-Vietnam era," signaling "unpleasant decisions ... as the world is undergoing the most profound transformation in the international system since the Thirty Years War." The period of the Thirty Years War, 1618-48, resulted in the decimation of Europe's population and economy.

### **Providing 'hardware'**

The specific contents of the Carter defense budget and the contents of the NATO decision are intended to provide the "hardware" required for this administration policy. The components of the increased outlays are structured as follows:

1. Priority funding for the establishment of a strike force and its logistical components for third world interventions, to a tune of \$9 billion additional funding. The new programs to be funded include the CX military air transport (successor to the Lockheed C5A), 16 new naval supply ships, known as "Maritime Prepositioning Ships," to be stationed as logistical support vessels in the proximity of crisis areas. The moderation of an earlier proposed force reduction of the Marine Corps by 10,800, now scaled down to a cut of 3,800.
2. Increased allocations, the specifics of which will be worked out during 1980, for military construction and supply build-ups at existing U.S. bases such as Diego Garcia in the Indian Ocean-Persian Gulf region. A Department of Defense delegation headed by the Assistant Secretary of Defense for International Security Affairs (ISA), is currently touring the Indian Ocean littoral for this purpose, as well as conducting negotiations with Saudi Arabia, Oman, Somalia and Kenya towards U.S. procurement of additional military bases in the region. A similar Congressional tour is scheduled for January, headed by House Armed Services subcommittee chairman, Samuel Stratton (D-NY).
3. \$5 billion funding for production of the Pershing II and ground cruise missiles of intermediate range to be stationed in the European NATO theater, as per the agreement reached by the NATO Foreign Ministers at their Dec. 12 Brussels meeting.
4. The immediate development of the MX missile program. Under this program, tens of billions would be spent on a missile system designed to "safeguard" the United States from the Soviet "counterforce" missile strike that would never occur.
5. The final go-ahead was given for production of air-launched cruise missiles to commence in 1980.

The decisions announced by Carter stem from a series of policy decisions reached by ruling London circles no later than December 1978. The Royal Institute for International Affairs (RIIA), a high-level policy mouthpiece for London's inner core policy-makers, convened its annual conference on Dec. 11, 1978. U.S. Secretary of State Cyrus Vance was the keynote speaker. Vance outlined a three part policy, summarized as "passage of SALT II," "modernization and expansion of theater nuclear weapons forces (TNF)," and the creation of crisis intervention strike forces.

Two of the three "goals" outlined have now been met. The third (SALT II) is being pursued. A private discussion held three weeks ago, and leaked into the press, between Henry Kissinger and Defense Secretary Harold Brown, exemplifies the point. The substance of the Brown-Kissinger talks became clear when, following Carter's speech, Kissinger was quoted saying that, given the scope of the defense increases proposed, he would now consider lending his support to the passage of SALT II.

### **Brown unveils strike force**

In a little-noted press conference delivered at the Pentagon on Dec. 14, Defense Secretary Harold Brown underlined the immediate priority of the quick strike force. Brown announced that a multi-service task force, drawn from the Army, Navy, Air Force and Marine Corps, would soon be created to "plan for the rapid deployment of Army and Marine Corps units to the Middle East or elsewhere ... (the strike force) will play a major role in the 1980s."

Brown's remarks specified that task force headquarters would be set up at MacDill Air Force Base, Florida, "to plan for a range of contingencies ... the forces earmarked will constitute a very large fraction of U.S. conventional forces ... including the 82nd and 101st Airborne Divisions and the great bulk of the U.S. Marine Corps."

Thus, the overwhelming majority of U.S. ground forces, not stationed or earmarked for either NATO or South Korea, are now committed as strike forces south of the Tropic of Cancer. The Carter administration's support for the genocidal "conditionality" policies of the IMF-World Bank, ensure that U.S. military deployment will occur in the capacity of enforcers of IMF doctrine.

Administration string-pullers like Britain's Margaret Thatcher have been fond of calling the 1980s the "dangerous decade." A second Carter term guarantees the truthfulness, indeed the extreme understatement, of that phrase.

## Can a peace treaty mean war?

# Why the CFR wants SALT II

If your principal concern is to maintain the power of the British oligarchy in world affairs, as it is for the New York Council on Foreign Relations (CFR), then “you have a better chance of doing it with SALT II than without it,” according to Lloyd N. Cutler. Cutler is counsel to President Jimmy Carter, and is one of the top legal minds for the New York CFR. He argued “The Case for SALT II” in a Washington Post op-ed column this week.

In the excerpts of that column appearing below, Cutler advances various arguments for SALT II's passage, each appropriately camouflaged, but not inaccessible to the trained analyst. Basically, there are three reasons that the British oligarchy—and the CFR circles—want to have the SALT II treaty passed by the U.S. Senate during this administration.

First, SALT II will provide their faction with the leverage wanted for a general economic agreement with the Soviet leadership, permitting them to subordinate the national sovereignty of “neutral” states to the International Monetary Fund and other supranational agencies (see ECONOMICS). Admittedly, SALT II as a peace treaty will be ineffective unless it is coupled with a broad economic agreement, uniting East and West to industrialize the Third World. However, for the CFR, SALT II is an instrument for a different sort of “economic agreement,” by which the USSR allows, in effect, the restoration of the British empire over the Third World.

Secondly, the aim of this faction is to use SALT III negotiations as the framework for negotiating “deeper cuts” in advanced scientific and technological research—something they seek to impose on the West, but which caused the Soviet leaders to kick over the table when Cyrus Vance first took the “zero growth” proposal to Moscow in 1977. But there will be no “deeper cuts” through SALT III, if SALT II isn't passed. And finally, the British-CFR element fears that their policy of preparing for a “limited nuclear war” in the European theater against Soviet-led forces will fall through if the Soviet Union launches a major “strategic” arms buildup. The

Anglo-American side would then have to match the Soviets on the strategic plane leaving them penniless for the “tactical” or “theater” nuclear weapons buildup they now plan. Such a Soviet strategic buildup would almost certainly occur if SALT II is not passed by the Senate.

The following is Lloyd N. Cutler's way of stating those points.

“...It will be more difficult to maintain strategic equivalence without SALT II than with it. Without it, the Soviets can add more to the power of their own forces, widen any advantage they may achieve in the early 1980s and conceal from us what they are doing. All this will lengthen the time and increase both the cost to us and the uncertainty of maintaining parity. ...

“Failure to ratify would also have an adverse impact on NATO's actions to deploy in Europe modernized and longer-range U.S. nuclear weapons systems so as to offset the threat of the Soviet SS20. For the NATO governments in Europe, a decision to deploy under American control nuclear weapons capable of reaching targets in the Soviet Union is a political decision of great internal and external consequences. For them the decision to deploy the new weapons is justifiable on two parallel grounds: military needs, and as the first step in a plan to negotiate theater nuclear weapon limitations. These limitations would be in the context of SALT III, alongside the further intercontinental limitations that will also be part of SALT III. But such a plan depends on the existence of SALT II.

“SALT II does not cut the existing strategic arsenals very deeply. But it does ban completely many systems now on the drawing boards and it places substantial limits on MIRVing, new types and other avenues of breakout and proliferation. ...

“Above all it lays the basic groundwork for further cuts in SALT III. I would liken the SALT II treaty to a Wall Street bond indenture. It contains all the critical definitions, all the warranties and covenants, all the events of default, all the procedures for notice and consultation. Once this basic indenture is in place—whether for a \$100 million bond issue or for launcher ceilings and subceilings of 2,400, 1,320, and 1,200—it is a relatively simple matter to negotiate an increase in the size of the bond issue or a decrease in the launcher ceiling.

“But if we have no SALT II, no basic bond indenture, then the future negotiation of agreements on lower ceilings will be incomparably more difficult. As in SALT II, agreement on any one point will depend on agreement on all other points. All the definitions, all the counting and non-concealment rules will have to be traded out again. Without SALT II in place, an agreement on deeper cuts would probably take many more years to achieve.”

## Thatcher calls the tune...

*Taking as her premise the "balance of power" doctrine which the British oligarchy has employed to provoke most of the major wars of the past three centuries, British Prime Minister Margaret Thatcher delivered the following remarks to the Foreign Policy Association in New York Dec. 18:*

We face a decade—I have called it "the dangerous decade"—in which the challenges to our security and to our way of life may if anything be more acute than in the 1970s. The response of Western nations and their leaders will need to be firm, calm and concerted....

The *fact* of global interdependence—I apologise for the jargon—is nothing new. Four hundred years ago South American gold and silver helped to cause inflation in Europe—an early example of the evils of excess money supply....

But the popular *perception* of interdependence lagged far behind the fact. When I was in my teens a British Prime Minister could still refer to Czechoslovakia as "a far-away country" of whose quarrels the British people knew nothing; and an American President could still experience difficulty in persuading his people of the need to concern themselves with a European war.

### East-West relations

The immediate threat from the Soviet Union is military rather than ideological. The threat is not only to our security in Europe and North America but also, both directly and by proxy, in the Third World. I have often spoken about the military challenge which the West faces today.

Meanwhile they expand their armed forces on land, sea and air. They continually improve the quality of their armaments. They and



their allies outnumber us in Europe. Their men, their ships, and their aircraft appear ever more regularly in parts of the world where they have never been seen before. Their Cuban and East German proxies likewise.

...The Russians have the weapons and are getting more of them. It is simple prudence for the West to respond. We in Britain intend to do that to the best of our ability and at every level including the strategic. President Carter has shown that he intends to do likewise. And the Alliance last week decided to modernize its long-range theatre nuclear weapons. This in due course will help to balance the new and sophisticated weapons the Russians already have targetted on Europe. The strategic power of the U.S.A. in the Western Alliance remains paramount. But I would underline the contribution of the European members of NATO....

I have been attacked by the Soviet government for arguing that the West should put itself in a position to negotiate from strength ... I am not talking about negotiations from a position of superiority. What I am seeking is a negotiation in which we and they start from a position of balance; and if both sides can negotiate, genuinely, to maintain that balance at lower levels, I shall be well content. It is in that spirit that I approach the proposals which have recently been made by President Brezhnev and others.

## ...and Carter is dancing

*President Jimmy Carter delivered the following remarks before the Business Council at the White House Dec. 12:*

For nearly 20 years, the Soviet Union has been increasing its real defense spending by three or four percent each year. In contrast, our own defense spending has declined in real terms every year from 1968 through 1976....

As in the past, when the winds of change threaten to arouse storms of conflict, we must be prepared to join our friends and Allies in resisting threats to stability and peace.

The steady buildup by the Soviets, and their growing inclination to rely on military power to exploit turbulent situations, call for a calm, deliberate and sustained American response....

With American leadership, NATO also took the crucial step of adopting a bold long-term defense program. That program is helping us increase our capacity to deter or defeat any surprise attack against our European Allies.

We are also taking steps to redress the balance in Theater Nuclear Forces.

In the early 1960s, the U.S. removed its medium-range missiles from Western Europe. We could do this then because there was overwhelming U.S. strategic superiority. But the Soviet Union did not show similar restraint. The accelerating development of their ... SS-20 missile is a major escalation in theater nuclear armaments....

In the SALT II negotiations, we carefully protected our freedom to correct this weakness. Now NATO is moving toward strengthening its nuclear weapons to offset actual Soviet deployments. Then, on the basis of strength, we can negotiate with the Warsaw Pact to reduce nuclear weapons in the European theater.

# Why does Kennedy parrot a Moscow line on Iran?

by Lyndon H. LaRouche, Jr.

The *New York Post* reports that Senator Edward Kennedy's recent remarks on Iran have made the senator the instant darling of the lunatic mobs of Teheran. It appears that everyone and his brother, especially political candidates, is rushing to the nearest news media to comment on the senator's unfortunate remarks.

Although many of the senator's critics are honest, patriotic, concerned citizens, too many of the candidates with the biggest mouths in the press are, to my knowledge, a gang of hypocrites. Granted, the senator's statement was a hideous piece of unpatriotic lying about Iran; some of the published criticisms of the senator's statement are approximately as bad as the senator's remarks themselves.

However, I do have some things of importance to disclose on the significance of the senator's lying description of the so-called "Iranian revolution." I focus your attention on the remarkable similarities between the senator's statement and a line now being prominently circulated by numerous significant Moscow spokesmen.

I happen to know, from my expertise as founder of a private international political-intelligence news agency, that Senator Kennedy is neither an agent nor a sympathizer of Moscow. I know who controls the senator and what those controllers represent; it is not Moscow.

Nonetheless, that Kennedy's statement echoes the current Moscow line is the key fact about the senator's statement itself.

I explain the significance of that similarity. First, I clear away several preliminary issues and questions.

## **The fraud of national unanimity**

The argument that no candidate ought to speak publicly on the current Iran crisis I denounce as a down-right fraud.

The truth is this. The White House leaked to the *Boston Globe* and other news media the fact that Henry A. Kissinger and David Rockefeller had pressured the U.S. government to admit the exiled Shah of Iran for medical treatment in the United States. That leak to the *Boston Globe* I happen to know to be the truth.

Then Congressman Hansen (R-Id) announced to a Teheran press conference that he had seen documentary proof that the U.S. State Department had known in advance that admitting the Shah to the United States would produce something like the present hostage situation.

At that point, according to press reports, Kissinger and Secretary Cyrus Vance met and agreed to cooperate in covering up each other's dirty role in the Iran affair. That swindle was the basis for the Executive Branch appeal for "national unanimity" on the present Iran situation.

President Carter is being very foolish, politically, in going along with that "national unanimity" nonsense.



Those who keep silent on the Iran situation are supporting President Carter in exactly the same way a rope supports a hanging man. If the hostages are murdered, as seems almost certain, it will be Carter who will be blamed. If a mistaken course of military action leads to a shut-off of petroleum supplies from many OPEC nations, it is President Carter who will be blamed.

If there were a legitimate basis for requesting "national unanimity," there is a definite procedure which the Carter administration, or any presidency, follows in case of a national emergency during a major election campaign. The White House has but to invite all of the candidates to Washington for a private discussion of the problem; then, an agreement is worked out on what points will not be raised, an agreement whose legitimate purpose is to protect some current, short-term enterprise in the vital national interest. I am a registered Democratic Party candidate, one of the three leading Democratic candidates in the New Hampshire primary. I have offered to go to Washington on this issue. Neither I nor to the best of my knowledge any other major-party presidential candidate has been asked to go to Washington on this matter. In the absence of such an appropriate procedure, this chatter about "national unanimity" is a fraud.

Moreover, it is my knowledge that President Carter is being totally misadvised on Iran and related matters. The *Boston Globe* leak was factually accurate; so was Representative Hansen's leak. In addition, White House

spokesman Jody Powell, among others, has stated that Zbigniew Brzezinski is committed to support of the Muslim Brotherhood, and that the White House is going along with Brzezinski's policy. It is the Muslim Brotherhood which not only rules Iran, but which organized the attacks on the U.S. embassies in Pakistan and Libya.

It is therefore in the most vital national interest that Mr. Carter find better advice than that being offered by such discredited advisors as Vance, Brzezinski, and Kissinger. Some responsible voices must speak out publicly, to help create the situation in which advice such as that of Vance, Brzezinski, and Kissinger is replaced.

Senator Kennedy's offense is not that he spoke publicly on the Iranian situation. The senator's offense is solely that he lied to the effect of giving comfort to a Muslim Brotherhood which is presently in a virtual state of war with the United States.

### The Iran issue as such

By every accepted standard of international law, a virtual state of war exists between the United States and the Khomeiniac dictatorship of Iran. Insofar as U.S. military action against Iran were to serve a useful purpose in net effect, the United States would be justified in using that force.

The Khomeiniac regime has invaded U.S. territory (the U.S. embassy in Teheran) by force of arms. It has taken U.S. nationals within that embassy hostage in a shameless act of international terrorism. It has avowed the intent of its actions which have the effect of economic warfare against the United States, and has conspired to bring forces influenced by the Muslim Brotherhood into aid of both acts of violence against the United States and economic warfare against the United States.

These actions not only constitute clear *casus belli*, but also define the Khomeiniac dictatorship and its parent organization, the international Muslim Brotherhood, as indictable outlaw organizations under the body of international law reflected in the so-called Nuremberg Code.

### The issue of U.S. military operations

If the United States were able to occupy Iran by force, to bring down the Khomeiniac dictatorship, and to foster the creation of a new, responsible government by the Iranian people, I would fully recommend and support such military action.

The problem is that recommended forms of military action would not only be ineffective for the kind of problem Iran presently represents, but the probable secondary consequences of such military action would involve greater damage to the interests of the United States

than the current status quo in Iran and in de facto Iran-U.S. relations.

For a major military operation, Iran would be a logistical nightmare without massive Soviet support of such U.S. actions. A so-called punitive, exemplary operation against critical economic and military targets within Iran would merely contribute to a general destabilization of the Middle East situation as a whole.

The primary interest of the United States, together with its transatlantic and Japan allies, is to create a total containment of the Muslim Brotherhood problem in the Islamic world, to keep the chaos and confusion from spreading to destabilize Saudi Arabia (principally) or to create epidemic chaos in the Middle East nations proximate to Iran. All deployment of U.S. means, including military force, should be taken in cooperation and consultation with our French and Arab-nation allies, to create an effective cordon sanitaire around the Muslim Brotherhood problem.

The Iranian policy of the United States government must be to anticipate a "Ninth Thermidor" against the "Jacobinesque" lunacy of terror now rampant in that nation. This policy must be tempered by recognition of the de facto status of the Khomeiniac regime, and shaped by concern to secure the safety of U.S. nationals presently held in jeopardy in Iran.

### **The character of the Khomeiniac dictatorship**

There are two most-relevant historical precedents for characterization of the present Muslim Brotherhood dictatorship in Iran. More broadly, that regime is a parody of the French Jacobin Terrorist regime of the 1790s. More immediately, the regime has crucial points of similarity to the genocidal Peking client-regime of Pol Pot in Cambodia (Kampuchea).

The ruling stratum leading the mobs is an evil, feudal caste of land-owning mullahs, a social stratum analogous to the Fronde in French history. It is these mullahs who forced the father of the exiled Shah to become a monarch, whereas the Shah's father had preferred to develop Iran as a republic on the model of Kemal Ataturk's efforts in Turkey. It is this corrupt, feudalist caste of mullahs which has kept the Iranian peasant in wretched poverty, illiteracy, and almost bestial superstition over the decades. It was this caste of mullahs which resisted, with considerable success, every effort by the Shah's government to conduct a modernizing land reform in Iran of the sort which would have uplifted the masses of the people and brought Iran into the orbit of developing, modern capitalist nations.

In the case of the Jacobin Terror, the Paris mob which provided the social basis for the Robespierre dictatorship and the bloody terror of Danton and Marat was a horde of illiterate, half-crazed peasants brought into Paris by

promises of welfare handouts. It is the same with the Teheran mobs. The latent insanity and violent, irrational superstition of the mass of Iranian peasantry has been deployed as a social battering ram by the Iranian equivalent of the Fronde, the feudalist, land-owning caste of mullahs.

The Shah's government did, indeed, conduct systematic political repression in Iran. This repression was directed most significantly against the pro-industrial, pro-land-reform forces typified by the deposed prime minister, Bakhtiar. Otherwise, the Shah's grandiose expenditures on armaments, combined with his compromises with the feudalist, land-owning mullahs, restricted the actual economic development of Iran under his rule to a mere facade, a facade which did not reach down into the gut of the economy. Without a real economic development program, and without political parties to mobi-

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*"...recommended forms of military action would not only be ineffective against Iran presently, but the probable secondary consequences would involve greater damage to the interests of the United States than the current status quo in Iran."*

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lize a democratic force of the urban population (especially) as a constituency force for economic development, the Shah, in effect, prepared the doom not only for his regime, but for Iran as a nation.

Under the lunatic leadership of the Khomeiniac regime, the gross economic output of Iran is best estimated to be no better than one-quarter of the level of production under the Shah. Agricultural production is a disaster. Without massive and growing imports of food to feed the lunatic mobs of Teheran and other cities, famine and epidemic would begin to create genocidal effects on the population of Iran as a whole. If the Iranians were to be marched out of the cities into the countryside, a genocide similar to that which occurred under Pol Pot in Cambodia (Kampuchea) would immediately ensue.

### **The Khomeiniac ideology**

Khomeini and his revolutionary council represent the Iranian branch of the Muslim Brotherhood. Another branch in Pakistan is known as the Jaamat-al-Islami. There is another, self-styled Sunni branch historically based in Cairo and Beirut, and other subbranches in

nearly every branch of Islamic doctrine and culture throughout the Islamic world. The Iranian Student Association, for example, is a branch of the Muslim Brotherhood, as is most of the top leadership of the Muslim Student Association, an umbrella organization linked to the Iranian Student Association. There are also various other front organizations of the Brotherhood, including one established under British secret intelligence patronage in Aden.

Not only does Carter's national security advisor, Zbigniew Brzezinski, support the Muslim Brotherhood as, supposedly, a "bulwark against communism in the Middle East," but the Muslim Brotherhood is the principal instrument of Brzezinski's "arc of crisis" policy. In addition to supporting the Brotherhood as such an instrument of his personal policy, Brzezinski has prompted President Carter and others into believing that the Brotherhood represents "Islamic fundamentalism," and is therefore somehow analogous to the Baptist fundamentalism which the President espouses.

The implication of the misleading label "Islamic fundamentalism" is the argument that if we were to declare the Muslim Brotherhood an outlaw organization, we would be guilty of fostering religious persecution. That argument is not only false, but a hoax. Islamic fundamentalism, so-called, has nothing to do with the Koranic Islam of the Prophet Muhammad. It is a cult based on the doctrine of the cult of Apollo and of the successor cult to Apollo's, the Ptolemaic version of the cult of Isis. Since Saint Peter collaborated in Rome with Rabbi Philo Judaeus to suppress the cult of pseudo-Christianity of Simon Magus all the great religions—Christianity, Judaism, and Islam—have been repeatedly penetrated by Isis cults which profess to adopt the outer nominal features of Christianity, or Judaism, or Islam. Manichaeism and Donatism are the prototypes of this in Christian history; cabalism is the root form of cultism introduced into Judaic circles; Asharism is the prototype of cults introduced under the guise of Islam. The Muslim Brotherhood is a cult of assassins whose theological doctrine is a parody of the most extreme version of Asharite cultism.

It is of historical relevance to report that the model statement of the Asharite doctrine employed by the creators of the Muslim Brotherhood cult is a manifesto, entitled "The Destruction," attributed to an eleventh-century inquisitionist and book-burner, al-Ghazali. It was this manifesto which organized the destruction of Islamic civilization from within, creating the decay which led into the total destruction of Islam's civilization during the final phase, the Mongol rule of the thirteenth century.

Exemplary of the effects of al-Ghazali's doctrine upon Islamic civilization is Iraq. During the reign of

## Documentation

### Pravda: extradite the Shah

*In an authoritative Pravda commentary Dec. 5 by "A. Petrov," the Soviet Communist Party called for the extradition of the former Shah from the United States to Iran—a turn in Soviet policy. "Petrov" expressed sympathy for the "Iranian revolution" and cited Sen. Edward Kennedy's condemnation of the Shah's regime. Excerpts of the Pravda article follow:*

The tension in Iranian-American relations is growing. The latest actions taken by the United States indicate that Washington has decided to raise tension and to turn this into one of the most serious international conflicts of the post-war period...

Instead of being an example of restraint, responsibility and calm in the current situation ... certain circles of the U.S.A. are counting more and more on the use of force.

They assert that this is in response to the holding of U.S. embassy personnel as hostages in Tehran, which is a violation of the norms of international law. The seizure of the U.S. embassy undoubtedly is not in keeping with the international convention on respect of diplomatic privileges and diplomatic immunity. But this act cannot be taken out of the overall context of U.S.-Iranian relations. The activities of the U.S.A. in respect to Iran which do not at all agree with the norms of law and morality cannot be forgotten.

Did the activities of the U.S. special services, which organized the overthrow of the legitimate government of Iran in 1953 and imposed on the Iranian people for a quarter century the arbitrariness and lawlessness of the Shah not contradict international law? Does the stand of those in Washington who reject the demand of the Iranian people for the extradition of the Shah and the return to Iran of his plundered wealth have much in common with international law? ... (Petrov quotes condemnation of the Shah by Kennedy).

The U.S. has made not extraditing the Shah virtually "a question of national honor." However, hiding a criminal does not at all raise the honor and authority of a country....

Caliph Haroun al-Rashid, the region known today as Iraq supported about 35 million persons in relative prosperity, whereas modern Iraq has less than ten million citizens. A traveller through Iraq can see with his own eyes the irrigation systems, not fully restored to this day, which represented a greater rural prosperity than is yet established in the modern, developing Iraq of today.

In a strict application of Muslim Brotherhood cult-theology, the following argument exists. If a Brother is holding a loaded pistol to the head of a victim, the Brother argues that his pulling the trigger will not injure the victim unless "Allah wills" that the bullet should kill the victim. Similarly, Ayatollah Ruhollah Khomeini encouraged the production, traffic in, and use of opium and heroin on the grounds that these substances were not specifically prohibited by the Koran. This sort of doctrine is identical with such pseudo-Christian cults as a radical monophysite doctrine among a branch of the Copts, and otherwise with such cults as Manichaeism and Donatism. In Judaic cults, cabalism subsumes identical lunatic reasoning.

Khomeini is to Islam as the Rev. Jones was to Christianity.

### **Dealing with the Khomeiniacs**

It should be clear from examination of the Muslim Brotherhood's cult-doctrines that punitive military action against Iran will not accomplish any useful result. Destruction of industrial wealth (petroleum refineries and fields) is not a credible penalty against a force dedicated to destruction of modern technology. Starving millions of Iranians to death—through economic penalties such as cutting off food supplies—will not deter a maniac bent on the suicide of most of the designated "martyrs" of his population.

Looking into the paranoid minds of the Khomeiniacs, there is only one sort of penalty which would work as an efficient deterrent: the imminent destruction of the Muslim Brotherhood internationally. To control a child, control its mother. To all Brothers, the Brotherhood is the "mother." Threaten to destroy the mother and the child can be controlled in that way.

At this point of the Iranian crisis, it is possible that no action exists by which the hostage's lives could be saved. However, the only means which might have saved the hostages, and which might still succeed, is action against the Muslim Brotherhood, declaring it an outlaw organization to be hunted down and brought to justice in the way the Nazi party was hunted down as an outlaw organization. In addition, that is the only policy which would contribute to stability within the OPEC nations generally, and which would lay the basis for the subse-

quent emergence of a responsible government in Iran itself.

Unfortunately for the hostages, unfortunately for the nations which depend upon Middle East petroleum, Zbigniew Brzezinski represents interests which are dedicated to promoting the power of the Muslim Brotherhood.

The problem in the Iranian crisis is that the Carter administration continues to be dedicated to the policies which place the hostages in jeopardy in the first place, policies which must inevitably cause far worse injury to vital interests of the United States and its allies than the present Iranian crisis itself.

"National unanimity" for such a wretched policy is not patriotism, but is conniving to give aid and comfort to the declared enemies of the United States.

### **The Moscow angle**

Although Moscow continues to denounce emphatically the invasion of the U.S. Teheran embassy and the taking of the hostages, many voices from Moscow's highest circles have adopted the same position as Senator Edward Kennedy on the character of the Iranian revolution itself.

It is remarkable that this Moscow sympathy for the character of the Iranian revolution represents a recent and abrupt about-face. Following the Khomeiniac takeover in Iran, Moscow persistently denounced the Muslim Brotherhood and recognized the character of the Teheran dictatorship as a Muslim Brotherhood obscenity. This policy persisted up to the eve of the hostage situation. Then, Soviet broadcasts into the Middle East signaled a possible change in line. More recently, regular sources of Soviet policy statements have joined in adopting the line of those radio broadcasts.

This occurs in the context of high-level rumors to the effect that Moscow and Washington have reached a secret agreement on Iran, under which the Soviets would be invited by Washington to exercise treaty rights to occupy the northern portion of Iran. These are rumors, but they come from so many authoritative sources in both the United States and Europe that the report cannot be brushed aside. Moreover, if one understands the ABCs of the factional combinations in and around the Politburo in Moscow, Moscow's shift to endorsement of the Iranian revolution's struggle against "American imperialism," although not of the violations of international law by the Khomeiniacs, is consistent with the rumor of such a secret understanding between Washington and Moscow.

There are essentially two main lines within the Soviet leading circles. One current is predominantly oriented to Paris and Bonn; the other is predominantly oriented to



London and to the Council on Foreign Relations crowd in New York City, the latter the crowd behind Vance, Kissinger, Brzezinski, Kennedy, and so forth. From about May 1978 until most recently, Moscow was predominantly oriented away from London toward negotiation with the entire West through the channels led by France's President Giscard d'Estaing and Germany's Chancellor Helmut Schmidt.

Now, Moscow has developed the perception that Giscard and Schmidt—especially Schmidt—are losing ground to the London-Manhattan crowd. Moscow's estimate is that the Paris-Bonn forces are not any longer an effective deterrent against East-West confrontation. The immediate reaction in Moscow, when such an estimate might be adopted, is to seek out a new accommodation with the London-Manhattan axis. The offer of a secret agreement on Iran from Washington would tend to have the effect of tilting Moscow away from Paris and Bonn and toward the national strategic estimate that the London-Manhattan crowd will predominate during the years immediately ahead.

Such a shift in Moscow's strategic estimates would correlate with an abrupt "radicalization" of the Moscow line. This "radicalization" would be effected through the convergence of two principal influences upon Soviet policymaking.

Whenever Moscow sees no deterrent to a confrontational course within the overall Atlantic Alliance, Moscow tends to desire the maximal internal weakening of the economic, political, and military power of the Atlantic Alliance. In such a circumstance, it will officially encourage even movements which it privately abhors, such as the Khomeinist obscenity, insofar as it views those forces as contributing to weakening the objective correlation of combined political, economic, and military power of the NATO-centered forces.

Secondly, the pro-London currents within the Soviet leadership are of a two-fold composition in political character. The first element of this composition is a radically "Marxist-Leninist" variety of influences, which traces the existence of the Soviet state from origins in the Jacobin Terror of the 1790s. The second element, overlapping the first, radical facet, is predominantly a post-1965 phenomenon, the insertion of a penetration operation into the Soviet leading circles under the umbrella of "systems philosophy." The so-called Kennedy machine is directly linked to both of these interlinked "radical" elements of the Soviet leading circles. The centerpiece of that constellation within the Soviet command is the penetration of the Soviet party intelligence services and Soviet State Security command by British secret agents Philby and Maclean.

These elements of the Soviet command's pro-London

currents are linked through embedded "Bukharinite" ("Parvusite") currents in Soviet life, as augmented by the operations of J.B.S. Haldane and Bertrand Russell since the late 1920s. The center of this penetration of the Soviet command from the British side proper is Cambridge University's Trinity College, the same group of Apostles which produced Bertrand Russell and which coordinated the development of Philby, Burgess, and Maclean and other Soviet-penetration-agents of British secret intelligence since the late 1920s.

In the Western Hemisphere, the primary common link to Cambridge University and to the Philby-linked elements of the Soviet command is that network embedded in the Jesuit order which Pope Leo XIII denounced as the "American heresy" in 1899. The center of this operation in the Western Hemisphere is an axis running from Georgetown University to Cuernavaca in Mexico.

### **The Caribbean angle**

The Western Hemisphere's "American heresy" Jesuits deploy into Mexico through two conduits. These conduits are distinct and apparently directly opposed to one another at the lower levels but are identical at the top levels. The right-wing group is identified with Monterrey and with the Pallavicinis' personal Sodom and Gomorrah, Henry Kissinger's Acapulco. The left-wing center for these particular varieties of Jesuits is Cuernavaca.

The left-wing operation against Mexico is run jointly through elements of the United Nations Organization and French circles linked to Jacques Soustelle and the old French fascist organization, the O.A.S. (The "Secret Army"). These Jesuit elements are historically connected to British intelligence through Julian Huxley's UNO and French operations. They are run by the old William Stephenson Special Operations Executive organization for the Western Hemisphere. Stephenson's aide, Major Louis M. Bloomfield, headed up the "Law of the Sea" UNO project which is a key part of the left-covered Jesuit operations in Mexico itself. Ervin Laszlo of the UNO's UNITAR organization is a key figure both in Mexico and Caribbean operations and in the "systems philosophy" penetration of Soviet circles as such. Complementing Cuernavaca in this operation within Mexico is a group, including Octavio Paz and Fuentes at the Colegio de Mexico. Both are connected not only to UNITAR and "Law of the Sea" operation, but also to French fascist circles linked to Soustelle.

Relevant to this and also directly relevant to the link between the Moscow and Kennedy lines on Iran, is the peculiar role the Cuernavaca Jesuits played in connection with the Nicaraguan revolution. The reader will soon discover not only how these are linked, but the monstrous strategic importance of that linkage.

For example, in February 1978, a year prior to overt Jesuit support for the final phase of the Sandinista insurrection, agents of Cuernavaca made a significant visit to Cuba, at which, according to official reports, they negotiated a Christian-Marxist dialogue policy. At the September 1979 Havana Non-Aligned Summit, one month after the Sandinista victory, Castro pushed the Non-Aligned to switch their former "self-determination" line on Puerto Rico and went over to unambiguous support for Puerto Rican "independence." It was as part of the same operation that incoming Attorney General Benjamin Civiletti secured from President Carter the pardoning of four singularly unrepentant Puerto Rican terrorist assassins; assassins whom a foolish Fidel Castro promptly embraced politically.

In a related action of the most recent period, a meeting was held in Peking under the sponsorship of the Georgetown University-based Kennedy Center for Bio-Ethics, the latter one of the principal promoters of the "right to die" movement in the United States. (Now it is clear why Leo XIII rightly regarded Georgetown University as the center of the "American heresy.") This meeting in Peking was addressed by Hans Kung, among others, and adopted the same Christian-Marxist pro-Jacobin line pushed in the Caribbean region by the Cuernavaca Jesuit "leftists."

This indicates the nature of the connection between the current Moscow and Kennedy lines on the "Iranian revolution."

### **The Muslim Brotherhood: a Jesuit organization**

*Executive Intelligence Review* has already published a partial roster of leaders of both the Iranian revolution and of the Muslim Brotherhood who are Jesuit-trained. The Jesuit training and sponsorship of each is directly traced to either the U.S. ("American heresy") or the allied, Soustelle-linked French cousin. This connection is analogous to the identical Jesuit backing and coordination of such agents as Philip Agee (also recently pardoned in effect by Civiletti) and the notorious Regis Debray.

The Debray angle is not irrelevant. Just as the Muslim Brotherhood or its Aden front controls the most radical terrorist forces in the PLO and its peripheries, so the PLO terrorists are linked not only to the Red Brigades and the Baader-Meinhof gang, as well as the IRA Provos, but all are linked to the Basque terrorist organization, the ETA, a terrorist organization created by the Basque division of the Jesuit order in Spain in 1957, the first of the many international terrorist organizations, all closely interlinked, which were subsequently spawned in close cooperation with the ETA. Debray is an integral part of that terrorist network. Jesuit-trained Philip Agee

was sent into the CIA as an agent, was deployed into Latin America where he cooperated with the Cuernavaca crowd, and left Mexico and the CIA's employ following his involvement in the 1968 bloodbath and attempted destabilization in Mexico City.

Major Louis Mortimer Bloomfield also dovetails with this mess. Bloomfield, nominally a principal agent for the Canadian Bronfman circles, is head of the key Jesuit operation inside Zionist circles, the so-called Jerusalem Foundation. He is, in addition to his interest in Mexico through the UNO's Law of the Sea project, a principal figure in the Bronfman Middle East "METO" project and in the Bronfman-labeled "North American Common Market" project. Bloomfield was also the initiating head of the protofascist assassination organization, Pemindex. This is the organization which worked closely with the OAS and the Spanish Falange in the attempted assassinations of President Charles de Gaulle,

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*"No powerful nation will accept the probable destruction of its political existence without resort to the maximum means of force available to accomplish the destruction of the threatening adversary."*

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and was expelled from its base in Geneva, Switzerland, on complaint from the French government. During the same period, French intelligence investigation of Permindex led it to New Orleans, which investigations led to the Louisiana Grand Jury indictment of members of the Permindex organization in connection with the assassination of President J. F. Kennedy. Bloomfield is as nasty and bloody as they come, but also a long-standing, powerful influence within U. S. counterintelligence agencies ... which is why Philby was able to deliver so many U.S. secrets to the Soviets, including blowing a projected Albanian operation, undetected, unprevented by the ONI, the FBI's Division V, or by the counterintelligence units of the CIA.

It would be a mistake to attempt to trace these operations to the Jesuit order as a Catholic religious order. The U.S. secret-intelligence agencies of the first half of the nineteenth century did commit an error in evaluations on this point, in discovering the Georgetown Jesuits to be a principal, Metternichean conspiracy against the United States. The network deployed within the Jesuit order is older than Christianity, most immediately located in the old Roman families descended from the Caesars, who have never been Christians, but who

adhere in world-outlook and objectives to the same Isis-cult doctrine they worshipped in the time of the Caesars. These are the same cultist evil exposed by St. Augustine and other early patristic leaders of Christianity. Popes and others have repeatedly attempted to purge the Christian church of this evil, but the backing of this evil by powerful, monied secular forces has so far prevented each of the popes who attempted the clean-up from succeeding fully.

### **Strategic implications**

No American in his right mind wishes to have the Soviet Union shifted into a London-oriented, Jacobin posture. Unfortunately certain influential Americans, including some military types, are variously either out of their minds, or are permitting themselves to be silly dupes of kooks such as Henry A. Kissinger and four-paper-clip operetta general Alexander Haig.

In a recent address to a blue-ribbon audience in Europe, Kissinger announced his strategy to be a combination of external pressures on the "rim" of the Soviet Union, combined with the unleashing of a wave of internal disruptions of not only the East bloc generally, but the Soviet Union itself most specifically. That combination of actions means virtual certainty of thermonuclear war during the period immediately ahead. Kissinger gave 1985 as the date by which his combined tactics would crush the Soviet Union as a credible strategic force. Kissinger is proposing, in fact, a thermonuclear war before 1985, substantially prior to 1985. This is the danger warned against by the late Lord Louis Mountbatten, and also emphasized at the proceedings of a recent Switzerland conference of the London International Institute for Strategic Studies. It was warned, explicitly echoing the analysis repeatedly advanced earlier by candidate LaRouche, that Kissinger and his crowd were committing once again the same fundamental error the British made prior to both preceding world wars of this century. World wars do not occur in the way geopolitical plotters intend them to unravel as scenarios. Two preceding world wars have demonstrated that principle. The actual course of major wars in this century must be chiefly determined as the fatal consequences of gross strategic miscalculation. The denunciation of Kissinger's policies at the IISS conference reflects a painful concern, a most justified concern among the saner elements of British intelligence and policymaking.

Kissinger and his dupes argue that thermonuclear war is so monstrous that no nation would actually fight it. Therefore, the Kissingerians insist, the Soviet Union will accept "flexible response" and theater-limited wars, as proposed by Kissinger and his patrons.

This is an idiotic argument. No powerful nation will accept the probable destruction of its political existence

without resort to the maximum means of force available to accomplish the conquest or total destruction of the threatening adversary. It is precisely pushing ahead on the assumption that the Soviets would not react thermonuclearly which would cause the thermonuclear war by strategic miscalculation. This is the age of deterrence, pending the development of new classes of weapons capable of neutralizing thermonuclear ICBM missiles. As long as military and related action is kept within the bounds of the thresholds of deterrence, then deterrence works. Once either major power acts on the assumption that the other power's deterrent capability has been made politically inoperative, that lunatic assumption becomes exactly the strategic miscalculation which suddenly plunges the world into the thermonuclear war no one wished to fight.

If the Soviet side is dominated by London-oriented currents of the sort reflected in current Moscow statements on Iran, then the Soviet efforts to exploit Jacobinism in various Western and developing nations pours gasoline, in effect, into the fires which Mr. Kissinger and his friends are stoking. In that case, the danger of early thermonuclear war by miscalculation increases in probability and in nearness.

### **The Kennedys as such**

The Kennedy family is intermarried with the most evil of the ruling oligarchical families of Britain, the Cecils. Although the Kennedy fortune is attributed in large part to cooperation with the London Rothschilds and with the management of Kennedy wealth by Andre Meyer of Lazard Freres, the hard-core political links of the Kennedy family in Britain since Joe Kennedy's days were the Cecils and the formerly pro-Hitler Cliveden Set. Except for President John F. Kennedy's opposition to the lunatic demands of Prime Minister Harold MacMillan during 1963, the Kennedy machine has never opposed or deviated from the policies of the Cecil family in Britain.

It was that fight between President Kennedy and MacMillan which provided the context for the President's assassination. All the Permindex-centered forces known to have been deployed in preparing the Kennedy assassination were politically committed to the policies President Kennedy was opposing, and like Henry A. Kissinger, regarded the death of Kennedy as eliminating what they regarded, in Henry Kissinger's later statement, as a "security risk."

We, the writer and his sources, do not know yet the names of the actual assassins deployed to Deeley Plaza. However, all the principal preparatory features of the operation so far brought to light, including the deployment of Oswald as the prepared "patsy," are directly traced conclusively to the Permindex network. On the

case of Robert Kennedy, we are, unfortunately, poorly informed by comparison with our knowledge of those involved in preparatory features of John F. Kennedy's killing. However, it is clear from Robert Kennedy's profile that any force which had murdered John F. Kennedy could not wish to have a tough Robert Kennedy anywhere near the vicinity of the White House's power. Ted Kennedy is a different kettle of fish than Robert, not to be taken seriously as a political personality in and of himself.

Senator Ted Kennedy is essentially a zero, merely the available "clown prince" for the Kennedy machine. It is the Kennedy machine which produces, directs, and writes the scripts for Senator and presidential candidate Ted Kennedy. He is merely a facade behind which the real Kennedy power, the Kennedy machine of such figures as Arthur J. Goldberg, deploys.

The most conspicuous feature of the Kennedy machine currently is the "radical neo-Fabian" crowd identified with the Institute for Policy Studies. This, the so-called left wing of the Kennedy machine which includes Philip Agee and his crowd, is what Ted Kennedy represents predominantly in the public eye today. It is that element of the Kennedy machine which produces most of the words emitted from the senator's mouth on the character of the Iranian revolution.

Exemplary of the Arthur J. Goldberg connections in the Kennedy machine are expelled Jesuit seminarian and Zen-Buddhist kook, Governor Edmund "Jerry" Brown. Also, the former campaign manager for Brown, present State Department official Warren Christopher. Also Ramsey Clark, former attorney general of the United States and organizer of legal defense for such international terrorist groups as the Baader-Meinhof and the Red Brigades, as well as an official State Department agent sent to Paris and Teheran to support the Khomeiniac overthrow of the government of Prime Minister Bakhtiar.

### **The alternative**

The danger of war is to be prevented by the United States' adoption of a policy directly opposite to that presently operative under acting U.S. President Cyrus Vance and such Vance associates as Brzezinski and Kissinger. As typified by Kissinger's support for disruptions within the East bloc and the Bernard Lewis Plan, and by Brzezinski's "arc of crisis" lunacy, the Carter administration, as well as the producers and directors of such candidates as Haig, Bush, Connally, and Kennedy, are dedicated to instability. What we require is a global stability policy.

My strong recommendation to members of Congress, the intelligence community, and the Carter administration, that it cooperate with the government of France to

aid in stabilizing the government of Prime Minister Bakhtiar, exemplifies a stability policy in action. Instead, the United States government deployed the overthrow of Bakhtiar in favor of the Khomeiniacs, a fact highlighted by the deployment of General Huyser and State Department representative Ramsey Clark.

The key to establishing a global stability strategy is the creation of a new gold-based world monetary system. This new system would function to promote high-technology capital goods exports for the development of the so-called developing nations. This export boom would, at the same time, become the basis for economic recovery and continued, sustained expansion of the economies of the presently industrialized nations.

Respecting East-West relations, these must be premised on combined political and economic agreements between the Western powers and Moscow concerning the ground-rules for economic development of the developing nations.

The present pattern of alternating right-wing (so-called) and Jacobinesque coups and countercoups must come to an end. The combined economic power of the United States and its industrialized partners must be deployed to shape the economic environment for the nations of the world. Production and commerce are the proper principal weapons of foreign policy; military capabilities have the function of ensuring that that ordering of the world's production and commerce is not effectively challenged by any band of lunatics operating out of neo-Malthusian or other medieval utopian ideological delusions.

Nuclear energy development is the principal weapon of peace. Without nuclear energy proliferation, there is no hope to sustain the industrial power of the Western industrialized nations. Without the added margin of nuclear power, over potential hydroelectric sources, one-quarter to one-half of the world's population must be reduced by combined effects of famines, epidemics and social chaos over the coming two decades. Nuclear and related high-technology energy investments will exceed one-quarter of world trade and investment in a proper ordering of the next decades of world affairs. Whoever opposes nuclear energy development is, in effect of that policy, dedicated to the most hideous genocide in the history of mankind, perhaps to the end of civilization as we have known it.

Prosperity is the work of peace; austerity is the root of war.

Thus, West Germany's Chancellor Helmut Schmidt rightly said that "even Carter would be preferable to Kennedy." Thus, representatives of other governments have said: "Carter is the slow way to general war, Haig is the quick way, and Kennedy in the White House is too monstrous to be thought of."

# Campaign 1980

by Kathleen Murphy



## Haig on the march

General Alexander Haig, the intended political beneficiary of the contrived "Who Lost Iran?" debate, will announce his candidacy for the Republican presidential nomination "by the Christmas holidays." According to National Draft Haig Committee spokesman Lew Helm, who has been meeting frequently with Haig to map out campaign strategy, "the Iranian crisis has definitely persuaded the General that he, as a military man, owes it to the country to offer his services as a national leader."

It is expected that Haig's announcement will coincide with the release of a study of U.S. global strategy he has been working on—between campaign speeches—at Philadelphia's Foreign Policy Research Institute. Sources say the report will bemoan America's "lack of will" and "softness toward Soviet aggression" and will specifically cite the Carter administration's abandonment of the Shah as an example.

In preparation for his announcement, Haig's backers are hurriedly fleshing out the frankly skeletal "Draft Haig" campaign organization. Out in Illinois, for example, the statewide Draft Haig committee has recruited a Standard Oil of Indiana attorney as its Chicago chairman, while John Hoff of Lord, Bissell, and Brook,

the same prestigious Chicago law firm that houses Alex Seith, Averell Harriman's eyes-and-ears in the Democratic Party, has signed on as treasurer.

## Connally wild card?

Apparently persuaded that he's been dumped as a potential Republican presidential nominee by the kingmakers at the New York Council on Foreign Relations, John Connally has begun to play a "wild card" role in the 1980 election game.

Connally, who has been rapidly losing ground as George Bush (formerly, "George Who?") is being widely publicized as the up-and-coming dark horse, threw the East Coast press into a tizzy last week when he announced he will not seek Federal Matching Funds. Connally's decision, which drew fire from the Eastern press (no less than eight of them editorialized against the former Texas Governor's surprise move), is clearly geared to scoring an upset in the crucial New Hampshire primary Feb. 26, where he now intends to pour in money from his \$8 million plus campaign war chest. Under present law, candidates who receive matching funds cannot spend more than \$264,000 in the state's primary contest.

Connally's plunging political fortunes are linked not only to Bush's rising star, but to the CFR's decision to pull the plug—at least for the moment—on Ted Kennedy's candidacy. As explained recently by such CFR insiders as Hoyt Ammidon, who brought Connally onto the board of his U.S. Trust in 1968, "We would probably give John the nomination if Kennedy heads the Democratic ticket. If not, then I'm afraid he loses out to Bush."

## Candidates court gays

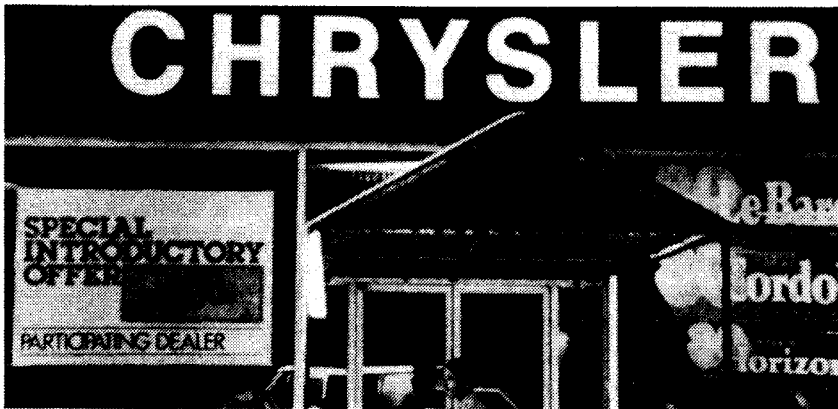
The homosexual vote has become a hotly contested item among three of the Democratic presidential contenders. Avidly wooing the gay community are Jerry Brown, Jimmy Carter and Ted Kennedy, who have all come out publicly over the past few weeks in support of "homosexual rights."

Speaking to a gay political rally in Washington Nov. 27, Brown—a former Jesuit seminarian and confirmed bachelor who has been making the rounds of gay organizations—hailed homosexual activism as a sign that a "new order" in society is emerging. "We live in a time when peoples' attitudes are changing, where the society is in transition ... and are embarked on a very different age and very different ethos than presently reigns as conventional wisdom. ... That's your movement, and I join with you," he proclaimed.

While Brown may be the most outspoken, Carter and Kennedy are apparently not far behind. Carter sent aide Mike Shannon to the same rally with the message: "You do have a White House that is meeting with you, that will listen to you, that respects you and that will act with you."

Kennedy informed the group that he was "very concerned about the problems" faced by gays. In fact, Massachusetts Senator Paul Tsongas, a close friend and collaborator of Kennedy, has introduced legislation into the Senate that would extend the 1965 Civil Rights Act to homosexuals.

Asked whether Kennedy might cosponsor the bill, a source close to Tsongas commented privately, "We don't know if this is the kind of proposition Ted can go with right now. We wouldn't want to compromise his appeal to the ladies."



## House passes Chrysler loan bill

With the Dec. 18 passage of the controversial Chrysler loan bill by the House, the way is now clear for action in the Senate. The Senate has been stalling on the bill awaiting the House decision, particularly on aspects of the legislation mandating union contributions to Chrysler.

The House voted 271 to 136 to give Chrysler \$1.5 billion in loan guarantees, provided Chrysler raises \$1.83 billion over the next four years. The bill stipulates that this is to be raised in the following ways:

- \$400 million from union employees, who will thus be asked to forego about  $\frac{1}{3}$  of their wage increases between now and 1984.
- \$100 million from management level workers.
- \$300 million from the sale of company assets.
- \$650 million in bank loans.
- \$250 million from state and local governments.
- \$180 million from dealers and suppliers.

- \$50 million from the sale of new stock.

The House voted down an amendment proposed by Congressman Quayle (R-Ind) before voting on the entire measure. This amendment would have required that union members contribute \$900 million to ensure the loan guarantees.

The Senate Banking Committee had voted up a loan program that mandated a three-year wage freeze on Chrysler workers. One of the first things voted on as the Senate began reviewing the bill Dec. 19 was the contribution to be required from the union workers with a proposal by Senator Eagleton (D-Mo.) calling upon the union to provide \$400 million being initially endorsed. However intense pressure is forcing the Senate to review a proposal by Senator Lugar (R-Ind.) to force the union to contribute \$800 million, and indications are as we go to press that the Senate will accept some form of Lugar's proposal.

## Senate okays windfall profits tax

On Monday Dec. 17 the Senate voted 74 to 24 to approve a windfall profits tax on domestic oil production. The tax will raise an estimated \$178 billion over the next ten years, \$40 billion more than the tax proposed by the Senate Finance Committee. The tax would have a severe effect on middle level independent producers in the U.S.; the large multinationals make most of the profits in overseas categories, and won't be hurt; the small producers will not be affected as the first 1,000 barrels of oil produced daily will be exempted from the tax. In Oklahoma, for example, most of the independents produce less than this. However, for the somewhat larger producers, the tax will be devastating.

The tax bill agreed upon includes the following provisions:

- newly discovered oil will be taxed at 10 percent of the amount paid for every barrel of oil over \$19.30.
- heavy oil will be taxed at 20 percent over a \$16.50 base rate per barrel.
- tertiary oil will be taxed at a rate of 20 percent on any amount over \$16.30 paid for a barrel of oil.

These taxes are in addition to the steep taxes already charged these producers by state and local governments.

The House has passed a much

steeper windfall profits tax totalling \$277 billion, so, a compromise committee will now have to resolve the differences. Although a conference committee meeting begins Dec. 19, it is not expected to reach final decision on a bill until after the recess.

### **C**onferes close to agreement on syn fuels legislation

House-Senate Conferes are close to an agreement on the final form of synthetic fuels legislation using the vehicle of a proposal put forward by House Majority leader Jim Wright (D-Tex). The Wright compromise provides for \$20 billion in loan guarantees, purchasing guarantees and price guarantees to be spent over four years by an independent corporation established to develop a synthetic fuels industry. Wright's compromise is actually not a compromise at all. The new version takes the worst aspects of both houses' versions and speeds up the timetable for synthetic fuels development as well. When asked how this could happen, and especially how opposition in the House to the \$20 billion figure was squelched, a spokesman for the House Majority leader said, "The crisis in Iran has helped keep up the momentum for establishing a synthetic fuels industry."

The House had originally passed a bill authorizing only three billion dollars to be administered over the next year under the already

existing Defense Production Act. The House bill, known as the Moorehead amendment, only allowed for purchasing and price guarantees, not loan guarantees, as the Senate did. The original Senate bill authorized \$20 billion to be spent over five years with a phased \$68 billion pending Congressional approval after the first five years. In addition, the Senate bill established an entirely new corporation to administer the program.

Following the passage of the more controversial Senate version, there had been reports that certain House members such as Mike McCormick (D-Wash) and John Dingell (D-Mich) would insist that the Senate bill was so unlike the House version that it had to be resubmitted to the appropriate committees for full hearings. That opposition disappeared as Dingell was put on the compromise committee and the Iran crisis intensified.

The Wright "compromise" keeps the \$20 billion Senate figure but speeds up that timetable to four years. In addition it uses the Defense Production Act as the interim vehicle for implementation, with an authorization of \$3 billion until the corporation is fully operational.

The compromise targets production quotas of \$500,000 a day by 1987 and two-million barrels per day by 1992, at which point the corporation is to expire. Capitol Hill sources doubt that a final version of the conference report will be worked out before the year-end recess but they expect rapid action early next session.

### **H**earings on medical effects of marijuana planned



Although S.1722 Criminal Code Reform Bill has been reported out onto the Senate floor with a provisional decriminalizing marijuana possession, there may yet be a floor fight to delete that provision. Liberal Maryland Republican, Senator Charles Mathias, is reported to be planning hearings in late January or early February on the damaging medical effects of marijuana use. A Committee source said that if the hearings present incontrovertible evidence of the dangers of marijuana use, Mathias will lead a vigorous floor fight to return the criminal penalties on marijuana to its current form. Mathias was the only Senator in the Judiciary Committee to vote against the bill, citing the lenient marijuana provisions as his objection.

Mathias is facing a tough reelection race in 1980 and is under tremendous pressure from the strong anti-drug groups in Baltimore and Montgomery County, counties which any statewide candidates must carry for election.

Capitol Hill observers note that Mathias' opposition to marijuana decriminalization could be the critical factor in forcing through the passage of an amendment since the conservatives who nominally oppose marijuana decriminalization such as Orin Hatch (R-Ut) and Bob Dole (R-Kan) have already supported the bill in the Judiciary Committee.

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# National News

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## Carter administration runs guns to Iran

A leading Iranian gunrunner and terrorist now occupies the Office of Naval Research in Washington.

According to highly placed Washington sources, one Captain Soltodeh, along with 15 Iranian military officers, are privately coordinating gunrunning through the U.S. government office undisturbed, despite the crisis in U.S.-Iranian relations. Washington business sources report that on a daily basis he conducts undisclosed numbers of gun-running transactions which reportedly are funneled to underground Iranian terrorist groups.

Not unrelated, Iranian sources disclose that despite the State Department's official order for the immediate expulsion of 183 Iranian diplomats, none have left.

Earlier this week, high level officials within the Justice Department stated that they had confirmed that hundreds of Iranian terrorists had come into the U.S. with false visas. The Justice officials stated that they "had tracked down at least fifty of them and several had been arrested." The source noted that they "were on hit jobs." The White House, say top Washington sources, has ordered that the Justice Department investigation be halted. "Carter does not want to offend the Iranians."

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## Baker asks force reductions in Indian Ocean

Republican presidential candidate Senator Howard Baker was recently asked by the Christian Science Monitor if he, as president would like to see a continuation of the military presence which the current Iranian crisis has allowed the U.S. to develop in the Middle East.

Baker replied: "No, I would very

much want to see them reduced as soon as possible."

"I'd like to see the Soviet activity and the American naval activity in the Indian Ocean reduced. I'm not one of those who think we should have no activity in the Indian Ocean. I support, as I have always supported, some naval presence at Diego Garcia, for instance. But the whole idea of (the U.S.) sending a carrier task force to the Indian Ocean and the Soviets sending guided-missile cruisers to the Indian Ocean can be no good for anybody. ..."

"My preference would be to see those naval forces removed from that area as soon as possible—and to be done on a bilateral basis."

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## Carter deploys "peanut brigade"

The Boston Globe reports that Jimmy Carter is currently trying to repeat his 1976 campaign success through the revival of his old campaign gimmick, the doorbell ringing, always smiling "peanut brigade," imported from Georgia. However, according to the Globe, the peanut brigadiers seem to be encountering heavy sledding. The Globe writes:

"Peanut Brigade members march on, no matter what the reaction. They are heartened by expressions of support, undaunted when kicked off someone's doorstep. The personal touch, they say has its effect. ..."

"Pope (a peanut brigadier) strode briskly up Beaver Street to the home of Beverly Garon and, after a brief conversation, came away smiling. 'She says she will vote for Jimmy Carter.'

"Contacted that evening and asked if she intends to vote for Carter, Garon said 'No.' Asked why, she replied, 'I just figure we need a change.'

"Garon also said the fact she was visited by a Carter worker will not affect how she votes."

Perhaps the clearest statement of the reason for the smiling peanut brigade's lack of appeal to New Hampshire voters

was given by another resident, Mary Martello, after her visit from Pope: 'I don't go for door to door soliciting. I didn't really listen to the gentleman too well ... I'd rather weigh the issues.'

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## Byrne pushes municipal crisis in Chicago

Chicago's Mayor Jane Byrne challenged a strike called here yesterday by the 2,500 member Amalgamated Transportation Union. Byrne opened three of the city's eight transit lines during rush hour using untrained supervisory staff. The move followed a closed door meeting of the Chicago Transportation Authority with the Mayor.

Byrne is trying to buy popular support for her strike breaking by offering free fares for any of the city's 800,000 commuters who choose to ride during the strike. The ATU is warning riders that the supervisors are untrained in recently established operating procedures and that any injuries that might be suffered by riders under these conditions would not be covered under existing transportation authority insurance policies.

The ATU strike is the first in over 50 years, and was called in response to a Byrne-backed demand by the CTA to eliminate the union's cost of living escalator, established in 1969 under the Daley administration.

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## Every dollar for LaRouche is now worth two

The presidential campaign of Democrat Lyndon H. LaRouche was certified eligible for presidential primary campaign matching funds by a unanimous vote of the Federal Election Commission Dec. 18. LaRouche qualified to receive federal financing for his presidential campaign by raising \$5,000 in contributions



## Briefly

● **JOHN CONNALLY** stated in an interview with public broadcasting radio in Iowa that he hopes that former Council on Foreign Relations Director George Bush wins the Iowa primary. "I don't expect to win. I expect ambassador Bush to win," said the GOP presidential candidate. "I expect Governor Reagan to be right behind him. I expect to be third or fourth. If Reagan is not beaten by any of us, he's unstoppable."

● **EDWARD KENNEDY** has appointed Erie County Democratic boss Joe Crangle as one of his three national campaign directors. Crangle is blamed by many Erie County Democrats for causing one of the worst defeats in the party's history in Buffalo by bringing in the unpopular Senator to campaign for Democratic candidate for County Executive Frank McGuire. McGuire was defeated in that election last November by a 2-to-1 margin.

● **JAMES GANNON** of the *Des Moines Register* has ruled out the appearance of Democratic contender Lyndon LaRouche in the upcoming nationally televised presidential debates to be held in Iowa. Gannon had no quarrel with the fact that LaRouche is a major candidate but stated: "LaRouche is a bona fide candidate, who has qualified for matching funds. He's running in New Hampshire and elsewhere. He's not running in Iowa. He won't be on my show. It's my judgment."

● **ROY COHN** will host a fundraiser for GOP hopeful Ronald Reagan in mid-January. Cohn is known as a lawyer for various organized crime figures, such as the recently slain Carmen Galante, and for the notorious drugden Studio 54. Cohn himself has been indicted on numerous criminal charges over the past 20 years, but has thus far evaded conviction.

of \$250 or less in each of 20 states for a total of more than \$100,000. LaRouche is the second Democratic candidate—Jimmy Carter being the other—to be certified for matching funds.

The LaRouche matching funds submission, with individual contributions averaging approximately \$80, marks the LaRouche campaign as the most broadly based in the country. This compares to average contribution sizes in the hundreds of dollars for the four other presidential candidates who have made matching funds submissions.

LaRouche's presidential campaign committee, Citizens for LaRouche, announced today that it is confident that the level of grass roots support for the candidate, as evidenced in the matching funds submission, will add momentum for a LaRouche victory in the early primary in New Hampshire on Feb. 26. LaRouche and President Carter are the only two candidates to date who have met the matching funds \$5,000 threshold requirement in that state.

Citizens for LaRouche also stated that it believes the certification of LaRouche's matching funds eligibility will dispel all rumors emanating from the Kennedy and Carter campaigns which dispute LaRouche's position as the major contender in the New Hampshire primary.

A spokesman for the LaRouche campaign said Citizens for LaRouche will submit at least an additional \$150,000 for matching funds before the first of next year.

### LaRouche fears for life

The campaign organization of presidential candidate Lyndon H. LaRouche reported Dec. 16 that during the past week there has been a step-up in the circulation of charges that LaRouche is a "CIA agent." The organization claims this rumor has been widely circulated in West Germany, Italy and among Third World leaders and governmental circles. Intelligence circles are studying this in

light of a pattern of recent warnings that LaRouche is targeted for assassination by the Khomeini dictatorship.

In Stockholm, Sweden, LaRouche was recently threatened by an official representative of the Khomeini government and a second threat was received from an Iranian secret-service agent in Copenhagen.

Reportedly, these threats are taken seriously by the LaRouche forces in light of LaRouche's energetic efforts to prevent the Khomeini dictatorship from ever coming to power, and the continuing work of the candidate and his associates to expose and eliminate Khomeini's allies in other Islamic and non-Islamic countries.

Currently, LaRouche has received Federal matching funds, but does not yet receive Secret Service protection.

### Christopher threatens military action on Iran

In a briefing to reporters in Washington, State Department official Warren Christopher said yesterday that the U.S. is considering a naval blockade of Iran to force the release of U.S. hostages. In addition, he said, other measures including intensified economic warfare are being considered. He stressed that America's allies would be pressed to join into any such action.

Europe, especially France and West Germany, is very reluctant to endorse or become involved in any economic confrontation with Iran for fear that a chain reaction of financial warfare countermeasures including oil embargoes could wreck their economies. The State Department's threat of unilateral military action is considered a warning.

At the United Nations, Secretary General Kurt Waldheim continues diplomatic efforts that might be taken to resolve the crisis—but no one appears optimistic. If the Security Council denies any U.S. sanction requests, the U.S. may seek NATO-linked sanctions.

# Trade Review

Cost	Principals	Project/Nature of Deal	Financing	Status
\$353 mn.	U.S.S.R. from U.S.A. and Japan	Armco Inc. and Nippon Steel Corp. will build the world's largest electrical steel mill in the U.S.S.R. The two partners will split the contract on a 25-75 percent basis.	Japan's Exim Bank providing credits covering 80 percent of contract at 7¼ percent interest.	II
\$270 mn.	Greece from West Germany	The Kraftwerk Union subsidiary of Siemens A.G. was awarded a contract for two electric-generating units by Public Power Corp. of Greece.	NAv.	I
\$140 mn.	Libya from Italy	SAIPEM, the engineering subsidiary of Italian state-controlled ENI will build a refinery at Ras Lanuf, Libya.	NAv.	I
\$120 mn.	Mexico from U.S.A.	Ingersoll-Rand Co. received orders from Petroleos Mexicanos for 11 gas turbine-driven compressor modules to be used for off-shore oil and gas production.	NAv.	I
\$75 mn.	France from U.S.A.	Air France ordered U.S. General Electric engines for its first batch of 15 twin-jet European A-310 Airbuses.	NAv.	I
\$19 mn.	The Netherlands from U.K.	Dutch Army ordered Land Rover vehicles from British Leyland.	NAv.	I

**Abbreviations:**

U = Undetermined  
 NAp = Not applicable  
 NAv = Not available

**Status:**

I = signed, work in progress  
 II = signed, contracts issued  
 III = deal signed  
 IV = in negotiation  
 V = preliminary talks

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