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Restabilizing the dollar with NATO

The Indian elections: a new power in Asia

Strategy for world leadership in the 1980s

The U.S.S.R. sends Carter a message



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EIR

From the Editor-in-Chief

As we warned last week, the world is heading into the greatest crisis since at least the Cuban Missile Crisis of 1962. Our special report has been dictated by the rapid pace of global events toward war as a result of the Soviet response to the new doctrine of strategic “encirclement” which under the direction of Zbigniew Brzezinski and Cyrus Vance is determining U.S. policy. Confronted with Brzezinski’s “China Card,” underlined by Harold Brown’s visit to China, and the new “Islamic Card,” the not-so-disguised pitch for alliance with Khomeini’s Islamic hordes against the Soviet Union, Moscow has chosen Afghanistan as the place to deliver a message to Carter.

Our special report examines the unfolding crisis from three perspectives: from the view of the Soviet Union; from the U.S.; and finally the European view. We begin with a strategic overview encompassing the Soviet moves and the Carter administration policy, provided by our Contributing Editor Criton Zoakos. This is followed by an in-depth look at the Soviet decision, how it was made and why, written by our Soviet desk chief Rachel Douglas. We have also added a military analysis and a look back at Prague, 1968 to fill out the Soviet picture.

On the U.S. end we have taken a look at the China card and the Islamic card—including why they won’t work. Finally the European view and particularly that of France and Germany, including an important statement by French Foreign Minister Jean François-Poncet on why France for one will not line up with Brzezinski on the road to war.



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The strategic significance of Gandhi's India

The next issue of *EIR* will give our readers an in-depth look at the meaning of Indira Gandhi's return to power in India, with an overwhelming mandate for her policies. Few persons, even few political leaders, realize the extent of the international significance to be attached to a new Gandhi government. She is a nation-builder, and her government has acknowledged significance for India. She is a traditional friend of the Soviet Union, and that significance of her government is also not lost on observers. But still more, the advent of a Gandhi government could even have influence on the outcome of the U.S. presidential elections.

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All of a sudden, vehemently anti-dollar factions in London and the United States are rushing to maintain the reserve role of America's beleaguered currency. It would almost seem that Soviet tanks, streaming into Afghanistan, have made the dollar an essential feature of NATO's facade of power, doing more for its value than months of European central bank efforts... But the new arrangements are as temporary as NATO's facade.

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Photo: P. Manoukian/Sygma. A Soviet soldier on the outskirts of Kabul, Afghanistan.

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After plenty of provocations from the West, and repeated warnings from the Kremlin, the Red Army command went into Afghanistan in force, displaying not only impressive military capabilities and strategic planning, but primarily, an iron show of strategic determination. With aid of Chinese aggression in Southeast Asia, destabilizations throughout the Islamic world, and capitulation by the Europeans, the Carter administration thought it might be able to encircle the U.S.S.R. The Russian answer came in southwest Asia. Will Carter get the message?

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The Carter administration helped topple a powerful ally in the Shah of Iran, helped install a maniac cult dictatorship in the Shah's place, manipulated the maniac into a ferociously anti-American posture, and now wants the maniac to ally with the U.S.A. against the Soviet Union. Understandably, Carter's GOP opponents—who supported every aspect of the policy—are now throwing "national unity" overboard in favor of some political profit-taking.

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Editorial Comment

by Nora Hamerman

Bhutto and Gandhi

A year ago the EIR published as a special supplement a major document written by the Pakistani Prime Minister and leader Zulfikar Ali Bhutto. Entitled "The Pakistan Papers" the document had been written from Bhutto's jail cell and smuggled out as Bhutto awaited the judgment of the military junta which had overthrown his democratically elected government in July of 1977 and which planned to eliminate this popular leader. Several months after publication, Bhutto was legally murdered—hanged by the neck following the rigged verdict of a controlled court.

Last week Zulfikar Ali Bhutto was remembered in a way which would have given him pleasure—by the smashing victory of former Indian Prime Minister Indira Gandhi, staging one of the greatest political comebacks in recent history. Mrs. Gandhi, to her credit, had been in the forefront of the battle to save Bhutto's life despite the fact that the two South Asian leaders were also great rivals. Mrs. Gandhi had understood that the forces that deposed and murdered Bhutto were the same which had destabilized her previous government, and that the instability of Pakistan under the murderous regime of General Ziaul Haq was a threat to the stability of the entire region.

Bhutto and Gandhi share the distinction of being true national leaders, brought up and educated in the struggle against British imperialism and dedicated to the establishment of true nation-states, striving for the industrialization of their backward societies. Bhutto in that final document from his death cell ended what became his last words with a quote from his private hero—Jawaharlal Nehru, Gandhi's father and the founder of modern India.

Mrs. Gandhi's victory bears great promise—the promise of a return to strong and stable government in that great nation and a return to the policies of scientific and technological development which Nehru created in India. The task of

nation building is immense but Mrs. Gandhi has proved herself to be the only person with the confidence of the Indian people to lead them in that effort.

Zulfikar Ali Bhutto also enjoyed that confidence of the Pakistani people. The present regime has only eliminated his body but not his spirit. This must be understood at a moment when the Carter administration proposes, with its Chinese "allies," to pour arms into the brutal Zia regime which has the support only of a tiny minority of Islamic fundamentalist fanatics, the Jamaate Islami, the Pakistani branch of the Muslim Brotherhood. The Jamaate was the organizer not too long ago of the mobs which burned the U.S. Embassy in Islamabad leaving two Americans dead.

It is already apparent that Brzezinski and Vance prefer the General Zias to the leaders of a stature of Indira Gandhi. The result of this policy is not only to betray American national interest. It will be an abysmal failure in their own terms as it becomes apparent that Zia cannot control his own nation in putting them on a path of Anglo-American-Chinese confrontation with the Soviet Union.

Not so far under the surface the Bhutto forces, legally banned from politics after the regime cancelled elections they knew they would lose, are waiting. Not one Soviet Red Army soldier will have to cross through the Khyber Pass for the Zia regime to fall. At the first crack, perhaps from within the shaky Pakistani military establishment itself, the repressive apparatus of Zia's "Islamic republic" will fall.

It would be the greatest vindication of Zulfikar Ali Bhutto's vision of his nation's future, a future of economic cooperation and peace with India, if his wife, the leader of his party today, could come to power and join hands with Mrs. Gandhi in a new partnership that would shift the strategic realities of the region and beyond in the most profound manner.

Reviving the dollar through NATO

by David Goldman

At deadline for this issue, the dollar continued stable and the New York Stock Exchange had finished the third day of a rally that carried the Dow-Jones up almost 30 points. The price of gold held at less than \$600 per ounce, substantially down from the preceding week's high.

No more erroneous picture of the actual state affairs has recently been given by behavior of the markets. Within a short period of time the markets will catch a dose of the panic already prevailing in the foreign and military policy sphere, and market stability will be gone.

The problem in judging these developments is that any major blow to the stability of dollar markets will be read as a strategic setback for NATO at a time of crisis. An indicator of the situation is the abrupt change of heart in London concerning the viability of the dollar as an international reserve currency. As *EIR* has emphasized in the past, the Bank of England looked forward to a "controlled disintegration" of the dollar, a flight out of paper into commodities, and so forth, in order to put through its version of a "new international order." Now London urgently wants to preserve the dollar as part of NATO's highly perishable facade.

London's earlier view of what constituted advantage in world affairs centered on relative positions in gold, oil, and other raw materials. However, all that has changed since the Soviet Union moved into Afghanistan. It is much more than a matter of the Soviets threatening the Persian Gulf and Western oil supplies. Nations do not make war with raw materials, but with advanced technology and industry in depth. The American industrial base is now so depleted that it could not undertake a respectable military buildup—the chimerical premise of

last week's stock-market surge—without sustaining rates of inflation at more than double present levels. This is particularly the case now that the Carter Administration has decided to present a front of prewar autarky to the Warsaw Pact by taking measures against grain and industrial goods export to the U.S.S.R. which will hurt the United States more than the Soviet Union. The grain shutoff, in particular, was so ill-prepared and incompetently executed that this policy could well set off a chain reaction leading to depression.

EIR has argued that the raw materials economics of London, of the Brandt Commission, and the Bretton Woods institutions were incompetent to begin with. The Soviet Union has done the Western World the favor of proving that this is in fact the case.

The economic issues, in turn, are now entirely strategic. From Washington's point of view, anything that Europe now does merely for purposes of economic stabilization is a source of potential breakup of the North Atlantic Treaty Organization. This is no exaggeration. For West Germany, trade with the Soviet Union is not an optional, \$400 million per year affair (that is the volume of industrial trade to be affected by the White House ban), but a matter of economic survival. West German official sources insist that expanded trade with the Soviets is in preparation, especially in the energy field, despite the postponement by Moscow of the planned Jan. 31 Soviet-German trade negotiations. Although West German official sources claim that the postponement is merely for technical reasons, it is probable that the Soviets took the occasion to make clear that they need Moscow more than Moscow needs them.

Consequently, the first reaction to Carter's trade ban among European (and perhaps Japanese) industrialists may be to break out the champagne and toast the American President who has given them such exclusive access to the world's biggest market.

There is a far more important issue, however, than the question of exports to the Soviet Union, and it is waiting like a submerged rock. It is generally agreed that the Soviets have attained a measure of strategic superiority to NATO by sustaining high levels of military spending at considerable cost to economic growth rates, a decision that the West has been unable to make. How is the United States to finance a real, hard, arms race, after the advent of a "post-industrial society?" Under generally much better economic conditions, the United States, from 1965 to 1971, financed about \$33 billion, or roughly one-third the cost, of the Vietnam war by dumping official liabilities on foreign central banks. Will Europe accept the burden this time? It is difficult to estimate what a serious military balance would cost. But a good place to start might be the \$40 to \$60 billion required to reinforce China, according to a Pentagon study.

The question is not whether Europe *could* finance such an operation, but whether it likes what it would be buying. In the Western European view, a major NATO initiative of this sort leads directly to a thermonuclear battle in which Europe ceases to exist virtually immediately. West Germany accepted the Pershing missiles at the December NATO meeting, almost ruining its relations with Moscow, but it will not deliberately wreck its economy to prepare for its physical destruction.

That puts the West Germans in the peculiar position of conspiring with the French for monetary stabilization, including a role for gold. That country may be incapable of a strategic decision for or against NATO, in the midst of that organization's worst strategic debacle. But it can make a set of "business decisions" which, implicitly, tilt the answer to the strategic question.

Preparations for realizing Giscard's pre-Afghan crisis pledge for an early spring initiative for a new monetary system center on a March meeting in Sardinia of European Community officials to prepare for the EC heads of state summit in Venice. In charge of preparations are the just-retired French and West German central bank governors, Bernard Clappier and Otmar Emminger. But this timetable must not be taken too literally, because the strategic events determine the timetable. The façade of dollar stability, so vital now to NATO's aura of strength, could go at any moment. At that point efforts to hold the price of gold down, or to hold the dollar up, may prove useless. "If anyone is so stupid as to want to sell gold," a senior Bundesbank official in Frankfurt told *EIR* this week, "then we will buy it."

If a gold monetary system comes into being under present conditions, the Soviets could well dominate it.

Despite a glut

Zbigniew Brzezinski's oil price increases

What has most stymied oil market observers about the newest round of OPEC price increases, which brought African crude up to \$34 a barrel, is how the OPEC price hawks and Britain could get away with it under conditions of general market glut. After the substantial increases announced disparately by members at the Caracas OPEC meeting last month, the average price of OPEC oil has risen to \$27 a barrel, and is still climbing. This has occurred despite what are acknowledged to be glut conditions, to the point of exhausting storage capacity, on the world oil market.

One suggestion of an answer is now being circulated by the State Department Office of Fuels and Energy, which predicts a shutdown of Iranian oil capacity due to some military disruption. The current strategic situation makes that statement impossible to evaluate. Much more interesting is the question: Why has Saudi leverage over the market not pushed the other producers into line? The answer is that Zbigniew Brzezinski's overt commitment to an alliance with the Muslim Brotherhood puts the Saudis in real trouble, particularly since the Muslim Brotherhood is currently trying to overthrow the Saudi regime.

First, the events on the oil market.

The Libyan lead

OPEC's leading hardline price hawk, Libya, enacted its second increase in less than a month last week with an announcement of a new price of \$34.50 a barrel, the highest in OPEC. During the mid-December OPEC meeting, Libya suddenly raised its price from \$27 to \$30 a barrel as a show of defiance to a bloc of pricing moderates led by Saudi Arabia. Libya and its OPEC ally, Iran, who jointly contested the Saudis call for moderation, are both under the dominant influence of the Muslim Brotherhood, i.e., Great Britain.

Following Libya's second price increase, a new round of sharp price jumps occurred. According to the *Financial Times* of London, Dec. 28, Britain will raise the cost of North Sea crude from between \$2 and \$4 to about \$30 a barrel. On Jan. 1, Algeria and Nigeria announced new crude prices of \$33 and \$31 a barrel, respectively. Tradi-

tionally the price of Algerian and Nigerian high demand low-sulphur crude has been pegged to those comparable grades of Libyan and North Sea crude. The non-OPEC producer, Mexico, this week followed Libya's lead by hiking its price from \$24.60 to \$32 a barrel.

Britain's dilemma

Since this latest round of oil price increases, the British government has been posed with a dilemma. If the Thatcher government follows its 1979 pricing policy for North Sea oil, setting the highest prices on the international markets for contracted oil, then London will face renewed condemnations from continental Europe.

The London *Guardian* recognizes this, stating on Jan. 4 that a North Sea oil price hike, especially an extreme one to the \$35 a barrel level, is "bound to bring further protests from Britain's Common Market partners. West Germany and France have been arguing that Britain should jump off the OPEC escalator, set a special North Sea price and earmark more supplies for the EEC."

Because of this dilemma, Thatcher late last week dispatched British Energy Secretary Howell to Iran, Iraq and Saudi Arabia to "coordinate" pricing policy, and to line up additional supplies of Mideast oil for Britain.

An industry source reveals that London would "be in a much more comfortable position" if the Saudis would raise their price even another \$2 a barrel. "This would

make it easier for London to take the price jump it wants," the source stated.

The Iraq-Saudi bloc

Iraq has done a dramatic about-face from its long-standing price hawk stance in OPEC, allying with Saudi Arabia to hold down prices while maintaining high production. While at least four producers in OPEC—Venezuela, Abu Dhabi, Indonesia, and Kuwait—are reported to be preparing production cutbacks in the first quarter of 1980, Saudi Arabia and Iraq have declared their commitment to continue their above average production levels. Throughout most of 1979, the Saudis have maintained a production level of 1 million barrels a day (mbd) over their official ceiling of 8.5 mbd. Iraq's oil Minister Abdul Tayeh Karim vowed in Caracas that Iraq would continue to pump its record 3.7 mbd into 1980.

By a joint commitment to keep exports at a high level, Saudi Arabia and Iraq hope to provide sufficient surplus crude on world markets to perhaps cause a slight decline in prices or at least to soften the markets sufficiently to stabilize prices. By pumping additional crude into the markets, Iraq and Saudi Arabia aim first and foremost to soften the price of oil sold on the international spot markets. This is the significance of Saudi Oil Minister Zaki Yamani's repeated statements to the press since the Caracas meeting that a surplus would occur in early 1980 which would deflate the oil pricing bubble.

During a visit to Paris last week, where a new Saudi-French three-year state-to-state oil sales agreement was signed, Yamani told the press that his country would not concede to the new price jumps in the cartel by raising Saudi prices beyond the \$24.00 level.

A Saudi destabilization?

The first major sign of Saudi vulnerability to the type of corruption charges that helped bring down the Shah of Iran came in early December, when the Saudis cancelled a supply contract to Italy's state-owned oil company ENI following charges that the contract had been procured through bribery. In a lead editorial Jan. 2, the *New York Times* wrote, "...the Mecca attack demonstrated another danger bothering Saudis and one that Americans must understand in making realistic policy: the vulnerability of the regime to charges from within of impiety, Westernization, greed, in other words, and in a broad Islamic sense, corruption."

Saudi sensitivity to the "corruption" charge was the motivation in last week's shake-up in the Saudi armed forces, which included the dismissal of the chief of staff.

If London fails to undermine the Saudis in the near term, there is another option open which would insure oil market instability and concomitant price hikes for this year: a full-scale Iranian civil war.

OPEC oil prices—then and now
(per barrel)

	1st Qtr. 1979	1st Qtr. 1980	% Increase
Saudi Arabia	\$13.34	\$24.00	82
Kuwait	12.83	26.00	103
Qatar	13.80	27.42	98
Libya	14.50	34.72	139
Iraq	13.50	25.00	85
Algeria	14.50	33.00	127
Nigeria	14.50	34.00	134
Venezuela	12.50	28.75	124
United Arab Emirates	13.75	27.56	100

Grain embargo

A punch at the Soviets that hit the U.S. farmer

President Carter's Jan. 4 imposition of an embargo on U.S. grain exports to the Soviet Union, including the 17 million tons already under contract for 1979-80, has thrown the country's agricultural sector into chaos.

The markets have already given the lie to Carter administration assurances that any ill effects of the embargo will be prevented. Reopened Jan. 9 after Carter had summarily ordered them shut down on Jan. 7 and 8, the Chicago agricultural exchanges have registered limit-price drops across the board for two days running now; traders have nothing but sell orders in hand.

The Administration's plan to gear up a gasohol program to absorb grain supplies was denounced the day after it was announced—industry spokesmen said U.S. gasohol production capacity couldn't begin to compensate for the loss of the Soviet market.

And the new bumper crops in the offing, a shortage of storage space across the country, and nearly 20 million tons of grain in the hands of a certifiably untrustworthy government, no one will guess where the price collapse might end.

There is no way to contain the damage. In the first place, the move is and will be highly inflationary, boosting the federal deficit by at least 3 billion just to purchase the outstanding contracts. Any additional moves to attempt to compensate producers for the ensuing price and income collapse will add untold billions on to that.

At the same time, the sole positive item in the nation's external trade balance sheet—at plus \$16 billion in 1978-79, helping to offset the minus \$43 billion nonagricultural trade balance—will be slashed by several billions, opening the way for new attacks on the dollar.

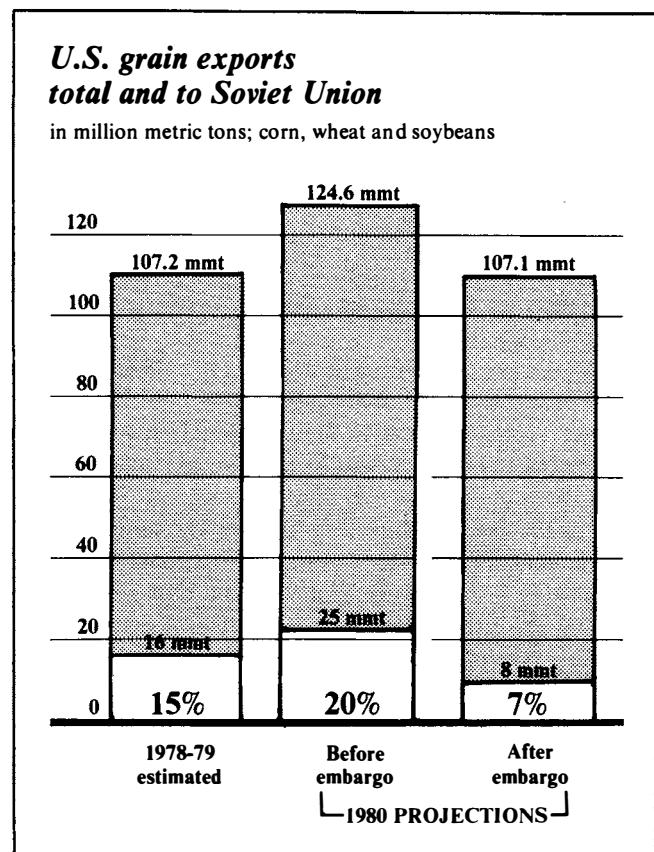
The embargo intersects an already precarious situation in the farm sector. A net farm income drop of 20 percent for 1980 was already being projected several months ago, the result of terrific cost-price inflation, especially energy-related. The tight-money policy of Federal Reserve Chairman Volcker has simultaneously set the conditions for a complete financial bust as the cash-flow crisis hits.

How the embargo hits

As such, the embargo will do little damage to the Soviet economy—the administration's stated intent. The Russians may be able to secure the needed grains supplies elsewhere, but if not, do some belt-tightening and, in particular, cut back on their livestock development program, the principal beneficiary of the American grains shipments. This they have been forced to do previously.

Not so the United States. The grain exports to the Soviet Union have been an increasingly crucial factor in the farm economy since 1972. In fact, expanding East bloc sales have been the principal basis for finally dismantling the electorate system of tax-subsidized production and marketing controls that have hobbled American agriculture since the 1930s Depression and the New Deal, and steadily and profitably expanding output.

The 1975 agreement with the Soviet Union guaranteeing a minimum of 5 and a maximum of 8 million tons of grain exports per year cemented this productive trade relationship and the Carter administration, not more than several months ago, announced a major expansion in the ceiling for Soviet 1979-80 purchase—to 25 million tons and with further negotiation more than 30 million tons. On this basis the administration proclaimed recently that there would be no set-aside program for the next session.



Suddenly, an 18-25 percent chunk of the market is removed. There is little that can stop the ensuing price collapse. The measures announced Jan. 9, raising crop loan rates or the rates on operating loans the government offers to producers who put up their crops as collateral and which loans tend to act as the floor for crop prices were planned long before the embargo and are useless to prevent disaster. Last month's average wheat price was \$3.82 per bushel; the new loan rate was raised to \$2.50 per bushel—wheat producers cannot survive a \$1.32 per bushel price collapse! Stocks on hand are high, and projected planting levels are high. Winter wheat seedings are greater than last year, and the crop, which accounts for about 75 percent of U.S. wheat output, is estimated at just under last year's huge 1.6 billion bushels.

But corn, which makes up about five-sixths of the embargoed grain stocks, presents an even more serious problem. Not only was the 1979 crop a record-breaker at over 7 billion bushels, but as it now stands not much of it is eligible under the crop loan program. In the key states of Indiana, Ohio and Illinois only 8 percent of the producers participated in the 1979 set-aside program, a prerequisite for subsequent participation in the income support and crop loan programs.

The immediate effects are severe enough. More significantly, the highly leveraged credit positions of both farmers and their regional banks could give way. As one Midwest banker put it, "I'd hate to be a farmer trying to get a loan this year from a bank. And I'd hate to be the banker, too." With lower crop prices, farmers will be unable to get sufficient credit to cover their basic needs, something most just barely managed to do this year because of the relatively high prices and large volume of export sales. In the next few months, bankers and farmers are facing widespread defaults on loans already made for the coming planting season, as well as drastic cutbacks on capital expenditures and equipment purchases.

Food weapon unsheathed

Best accounts indicate that the decision to proceed with the grain embargo was forced through against wide opposition. As late as the afternoon of Jan. 4, sources close to the deliberations insist, there was no indication that the embargo would materialize. It appears that that late Friday Cabinet meeting was the scene of a rug-chewing episode by Zbigniew Brzezinski, a proponent (as is Henry Kissinger) of the "food weapon" and everyone was ordered into line on the grounds that the Soviet mop-up operation in Afghanistan posed a "threat to national security." Use of the "food weapon" without the invocation of "national security" is unconstitutional. The 1977 Farm Act expressly prohibits such action except under circumstances of a serious national grain shortage

and then mandates a simultaneous hike of the support loan rate to 90 percent of parity to protect the producer.

At the first press briefing after the announcement, Walter Mondale, who was asked if the Carter administration was now taking up the use of food as a weapon, told reporters: "We are now ready to acknowledge that we will use those tools available to us."

The point was clear enough, but not very climactic. For the principled organized opposition to such nationally self-destructive policy had already fallen into line like dominoes. Allan Grant, outgoing president of the American Farm Bureau Federation, repudiated the bureau's long-standing opposition to the Kissinger policy when he was put over the administration's Iran barrel in mid-December. That done, it was not a big step to issue a ringing defense of the Carter embargo. Such a statement was under deliberation, preparatory to being voted up, at the Bureau's annual convention Jan. 6-10 in Phoenix. The Bureau urged only that the embargo apply equally to all relations and contacts with Russia, and appended a seven-point program for implementing the embargo efficiently, including the gasohol push and the reinstatement of production cutbacks.

The National Farmers Organization, also meekly deferred to the President's prerogatives in a printed statement released this week and, as if shutting down commodity futures trading for two days and exports to the Soviet Union indefinitely were not enough, called for a two-week suspension of "all grain sales" with the provision to extend that pending the outcome of NFO meetings to determine how to stem the price collapse.

The National Farmers Union has issued no statement on "what the President did" since it concerns foreign affairs, but has expressed concern as to how to prevent an utter catastrophe in the farm sector, urging in that connection an immediate increase in the crop loan rates.

The response in Europe has been more realistic. European nations have announced their refusal to participate in extending economic sanctions against the Soviet Union. At the same time, they have made clear that they will not jump into the breach in supplying the Soviet Union with grains—undoubtedly under heavy threats from Brzezinski and Co. On Saturday Canada, Australia, Argentina and an European Community delegation are scheduled to meet with Undersecretary of Agriculture Dale Hathaway on the matter.

But, as one Washington source pointed out, "watch France," she may be the "dark horse" that breaks the game up. French Foreign Minister Jean François-Poncet has frankly questioned the Carter administration's policy by pointing out the fact that American trade relations with the Soviet Union were overwhelmingly in the U.S. interest rather than mutual as those between France and the Soviet Union.

Out-of-control markets

The run-up in the price of the yellow metal has nearly prompted a shutdown of some futures markets

On Jan. 7, the U.S. Commodity Futures Trading Commission and the New York Commodity Exchange took steps to restore order to precious metals futures markets, which had been nearly overwhelmed by speculators seeking to corner physical metals supplies. Although these measures placed a momentary damper on the metals markets, prices had already begun to rebound, as of this writing, as the center of speculative activity shifted from futures to the private cash market.

The speculative genie cannot be so easily put back into the bottle when basic confidence in the U.S. economy and international monetary system has vanished.

The factors behind the runup of gold and other precious metals are two-fold: 1) the imminent danger of a U.S.-Soviet confrontation and 2) the possibility that America's Western European allies, who dislike Carter's confrontation policies, will relaunch their effort to create a gold-based monetary system.

The prospects of a Soviet-run gold-based system has so terrified British policy-makers that the London *Times* negotiated a nearly 180-degree turnabout in its editorial stance on gold. An earlier *Times* editorial had suggested that the International Monetary Fund supervise a return to some form of austerity-based gold standard. On Jan. 4, however, the *Times* warned that the gold rise had gotten out of hand and that, unless a "coordi-

nated plan of reform" was instituted quickly, "grave and lasting damage on the international monetary system" would be inflicted. The editorial also took aim at French President Giscard's expected new monetary initiative around gold: "it is unrealistic to think in terms of some grand new design, negotiated and agreed by all, comparable to the design of the post-1945 world monetary system."

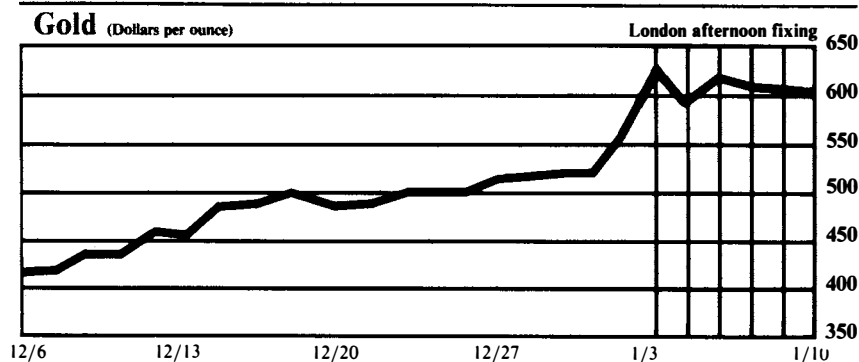
Sources close to the West German Bundesbank, meanwhile, denied reports that a plan to depress gold prices through joint central bank sales had been discussed at the Jan. 6 meeting of major central bankers in Basel, Switzerland. "If anyone else plans to sell major quantities of gold, the Bundesbank is prepared to buy it," the source stated.

In an interview published in the Jan. 7 *New York Times*, James Stone, chairman of the Commodity Futures Trading Commission (CFTC), warned that speculators were using the futures markets to corner physical supplies of metals

and that this development had seriously undermined the viability of the markets. That same evening COMEX officials sought to avoid a CFTC crackdown, by themselves imposing limits on silver futures trading—the first time in its 47-year history.

These new COMEX rules, and rumors that the CFTC might close down the futures markets altogether, resulted in a sharp break in prices on Jan. 8. Spot gold prices fell from a peak of over \$670 an ounce in Hong Kong on Jan. 7 to \$602.50 in late U.S. trading on Jan. 8, only to rebound to \$610 the following morning.

The CFTC/COMEX actions are unlikely to quell precious-metals speculation for long. With economic warfare now the name of the game in international politics, European governments and private interests will seek to build expanded, protective gold positions—whether they join France's quest for a gold-based system or not. Indeed, at the Jan. 2 International Monetary Fund auction, three West German banks, including Dresdner, Deutsche, and Deutsche Genossenschaft, outbid their competitors and walked away with all the gold offered.



Has the dollar become NATO's scrip?

A deal was struck at a meeting at the Bank for International Settlements to revive the dollar as a NATO reserve. But dollar stability is viewed as short-lived.

Following a week of intense downward pressure, the dollar stabilized in the week of Jan. 7 at DM 1.71, as reports circulated that the weekend meeting of the European central banks at the Bank for International Settlements in Basel had struck a deal to stabilize the U.S. currency.

However, the character of the Basel agreement, which decided that the dollar—following the Afghanistan events—must be maintained as part of NATO's strategic facade, is as shaky as that facade itself. The absence of speculative flurries on this week's market is no major accomplishment.

As of Jan. 9, the dollar had been stabilized—temporarily—but only because the big sellers of the previous week decided to back out of the market. The major sellers had been limited to international banks rather than corporations of OPEC countries. Thus, a total intervention estimated at \$4 billion since Jan. 1 was able to stem the tide.

A closer look at the reasons for the banks' withdrawal reveals why the dollar stabilization scheme cannot succeed for more than days or, at most, weeks. The most effective arguments at the BIS meeting were presented for the non-attending public in the form of the lead editorial of the Jan. 6 London *Sun-*

day Times. The Soviet invasion of Afghanistan, said the Times, demands "a collaborative linking of the entire non-Soviet world. A new international currency is ultimately the answer, but it is a long way off. So we have to make the reserve currency we have, the dollar, work." This is quite a reversal for a newspaper whose publishers have long worked to end the reserve role of the dollar in favor of currency diversification and reserve status for the International Monetary Fund's (IMF) Special Drawing Rights (SDR).

Soviet tanks, in this case, seem to have had a more persuasive effect than years of remonstrance by this nation's European allies. Soviet press accounts made clear that their move into Afghanistan was premised in part on their perception of Western economic crisis including oil price hikes and a flight from the dollar. At that point, in the effort to show a united NATO front to the U.S.S.R., erstwhile anti-dollar factions in London and New York joined with longstanding pro-dollar partisans in France and West Germany in intervening to maintain the dollar's value. International bankers reduced selling pressure and let the central bank action take effect. Saudi Arabia, which had held back from the market for a while, de-

posited several hundred million dollars in New York banks. As one trader commented, "people thought it just too dangerous to let money panic out of the dollar and into metals and commodities."

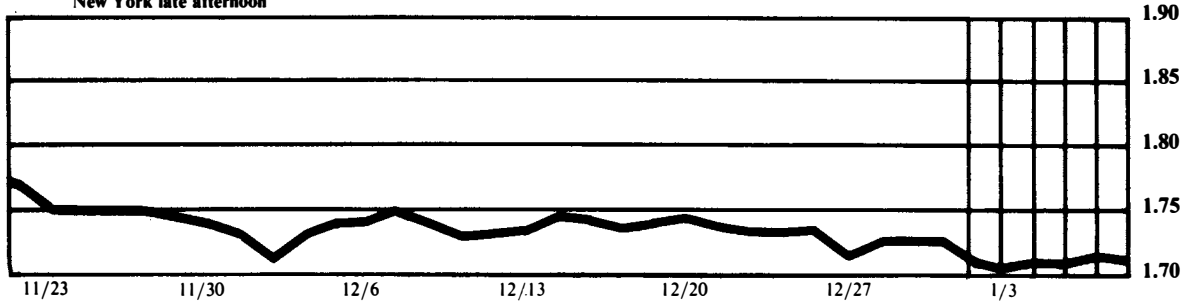
Economically, however, the plan has no basis. The London plan envisions building up the dollar on the basis of a NATO-wide arms buildup, anticipation of which sent steel and defense-related stocks rising sharply this week. (see *DOMESTIC CREDIT*). This is in stark contrast to the repeated proposals coming out of France and other European Monetary System countries for a new international monetary system based on using the dollar as an investment instrument for longterm, low-interest development. In fact, there are rumors afloat that the London plan was designed to pre-empt reported quiet discussions between France and the U.S.S.R. for joint efforts at remonetization of gold.

The U.S. dollar, already hurt by a sudden loss of \$3.5 billion in expected grain exports, cannot tolerate the strains that an arms budget would produce. Therefore, the traders expect the markets to test the stabilization scheme very quickly, most likely by the week of Jan. 13. At that time, the Deutschmark parity of 1.700 to 1.705 will be tested. If central bank intervention cannot withstand that test, then traders see the market very quickly moving to test the 1.65-1.67 level.

Individuals and banks who have engineered speculation against the dollar for years will find it requires more than the psychology of Dulles-style brinkmanship to maintain the dollar now.

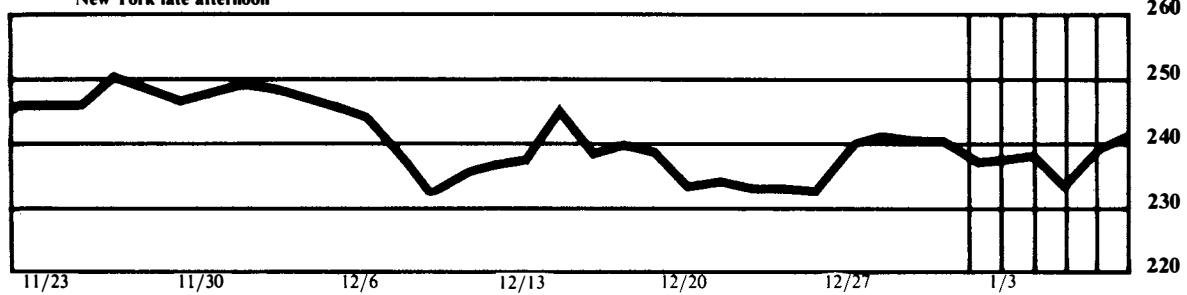
The dollar in deutschmarks

New York late afternoon



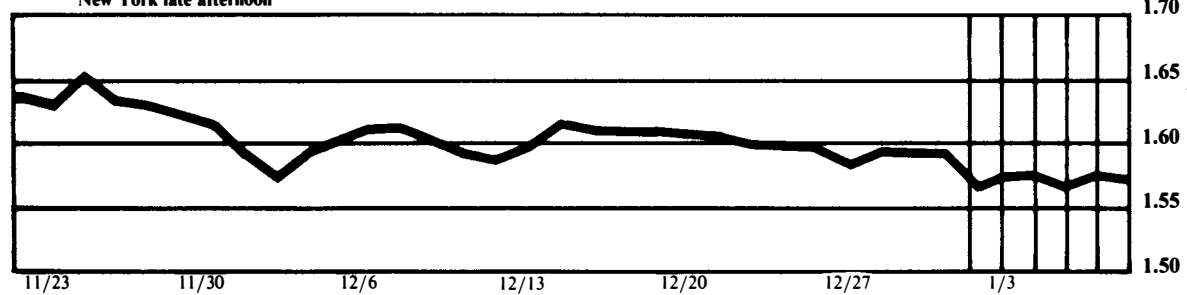
The dollar in yen

New York late afternoon



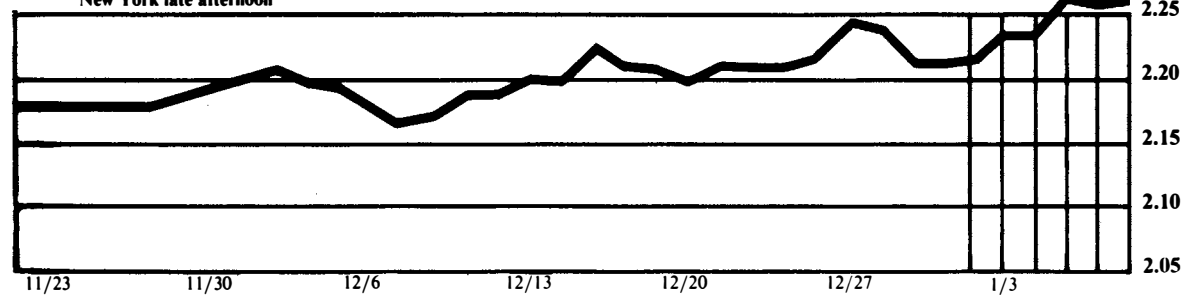
The dollar in Swiss francs

New York late afternoon



The British pound in dollars

New York late afternoon



A stockmarket rally and looming deficit

The freeze in detente raised the prospects of increased military spending which, even in the short term, could have disastrous effects on the dollar and the economy.

Last week's stock market rally, based on the assumption that increased defense spending in fiscal 1981 will boost the incomes of defense-related companies, was sheer mania. Increased defense spending will have disastrous effects on the U.S. economy, leading in short order to a mushrooming of the federal budget deficit, a blow out on the credit markets, and wild inflation. A military build-up in the United States also presumes the imposition of wartime austerity to "contain" the hyperinflation unleashed by military waste spending; the levels of austerity envisioned by advocates of a militarization of the U.S. economy such as the London *Economist* would be possible only under conditions of "limited democracy." In short, prospects for the U.S. economy under a military buildup are hardly something to celebrate over.

President Carter is expected to unveil a \$615 billion budget for fiscal 1981 with a \$15 billion deficit when he delivers his budget message to Congress later this month. Realistic analysts have long since rejected the \$15 billion figure as impossibly low. A month ago, we estimated that the figure could go as high as \$70 billion.

The administration's projection of a 17 percent increase in revenues over fiscal 1980 is exceedingly optimistic given the current rate of the recession's progress. On the expenditure side, Carter's rash de-

cision to embargo grain exports to the Soviet Union could add over \$10 billion in government spending over the next calendar year, in support mechanisms that the government may have to put into effect. Add to this projections of stepped up military spending—which will probably exceed the 3 to 4 percent annual increase after inflation which the administration is already committed to, and the picture of a looming deficit crisis emerges.

The United States financed the Vietnam War by running a massive balance of payments deficit and dumping U.S. Treasury debt on its European and Japanese allies. Now, it will not be so easy to finance a new U.S. military build up abroad.

As of last week and the grain embargo, most money market economists had thrown their predictions of easing interest rates to the winds. The consensus now is that the grain embargo alone will keep interest rates .25 to .50 percentage points higher than they would have been otherwise. The impact of higher military spending has yet to register on the economics profession and the credit markets.

On top of its impact on federal spending and U.S. interest rates, defense spending is inherently inflationary because it represents the diversion of productive plant and equipment and labor to nonproductive ends. The result is a shrink-

age of useful tangible goods produced and the reinvestible surplus generated by the economy. It is precisely the shift from productive to nonproductive (including defense spending, services, and outright speculation) investment that has been the primary source of inflation in the U.S. economy since 1966.

It was expected that the issue of trading off defense spending and consumption to avoid inflation would be raised. Michael E. Levy, director of economic policy at the Conference Board, contends that the chief cause of escalating inflation over the last 15 years has not been defense spending, but transfer payments to nonproducers (the unemployed, the welfare population, and the aged). Transfer payments to nonproducers cause the contributors, the tax-paying, employed workforce, to perceive that they are the losers and to demand higher wages. Levy forgets that the growth of unemployed and welfare population was the result of the stagnation of the goods-producing industries from the late 1950s on, and that chopping off transfer payments to permit increased defense spending merely aggravates the problem.

In its Jan. 5 issue, the *Economist* of London proposed that the United States overhaul its tax system to promote saving and discourage consumption, dressing up its argument with the expected references to productivity and capital formation. The real message of the article, titled "America opts for guns and butter": America should embark on the route of austerity and increased defense spending.

Trade Review

		Abbreviations:	Status:	
		U = Undetermined	I = signed, work in progress	IV = in negotiation
		NAP = Not applicable	II = signed, contracts issued	V = preliminary talks
		NAV = Not available	III = deal signed	
Cost	Principals	Project/Nature of Deal	Financing	Status
(\$).5.5 bn	Japan from Iran	Twelve Japanese companies will be supplied approximately 620,000 barrels per day of crude oil from Iran.		contracts signed
(\$).100mn	UAE from Austria and U.S.	Voest Alpine (Austria) will build a cement plant for the UAE, with Kaiser engineers of the U.S. as project manager.	World Bank (IBRD) loan of \$100 mn.	Financing arrangements completed
(\$).80 mn	Indonesia/Japan	Pertamina (Indonesian state-owned company) will develop four onshore fields. Japanese company providing finance will get 50 percent.	\$80 mn. loan from Indonesia-Nippon Oil Cooperation Co.	In production
(\$).35 mn	Brazil from Canada	Petrobras hires Davie Shipbuilding Ltd. (Quebec) to construct jack-up rig.		II
(\$).5 mn	Chile from Britain	unspecified exports	\$5 mn. credit from Lazard Bros.	
(\$).NA	France from U.S.S.R.	U.S.S.R. renews 1 year oil supply agreement to two French companies, Elf Aquitaine (French state-owned) and the French subsidiary of BP. Almost 5 mn. tons of crude was supplied to the two firms last year.		Agreement signed in Paris
(\$).NA	Brazil/Iraq	Cooperation in peaceful uses of nuclear energy, involving survey of resources; supply by Brazil of raw and enriched uranium; and joint work in scientific and safety aspects of nuclear reactors.	Barter	II
(\$).NA	Singapore/People's Republic of China	Trade agreement to facilitate export of Singapore industrial goods to China for Chinese raw materials. Both countries will grant each other MFN status. Payments will be in freely convertible currencies.		Pact signed
(\$).2 bn plus	U.S.S.R. from U.S.	U.S. cancels most of U.S. agricultural and industrial exports to U.S.S.R.		Cancelled: Presidential announcement

Economic Survey

Brazil's turn toward IMF genocide policy

by Mark Sonnenblick

The "economic miracle" nation of Brazil has entered a period of unprecedented economic chaos and deprivation. President J.B. Figueiredo kept his earlier promise of "war economy" in a nationwide television address Dec. 7. The general announced that he was devaluing the currency by a shocking 30 percent and wiping off the books the complex system of subsidies and incentives which had shielded both the population and industry from some of the effects of the country's chronic inflation.

Brazilian economic policy: "Made in Washington"

Brazil has made a commitment to return to the neo-colonial "free trade" system of Adam Smith. It is a commitment, however, obtained only after a two-year process of blackmail and bludgeoning by U.S. Treasury Assistant Secretary C. Fred Bergsten. Bergsten first demanded enactment of Figueiredo's December package in a meeting with Brazilian businessmen in 1977, and made repeated threats to cut off Brazil's access to the U.S. market unless it did so. Those threats were concretized with imposition of a 24 percent extra countervailing duty on Brazilian pig iron exports in November. This prompted the Brazilian leaders to prepare their Dec. 7 package.

Immediately after Brazil announced its submission—maxi-devaluations and the ending of export incentives and subsidies—the U.S. dropped the new tariff surcharges.

De-industrialization

Despite assertions that the package was designed to enable Brazil to cope with its economic crisis, improve its international balances, attract foreign investment and

reduce inflation, it will only aggravate the situation, leading to more drastic—but equally ineffectual—monetarist measures.

The Times of London reports: "the main thrust of the new measures is to hold back what is seen as the sufficiently strong industrial sector and force it to fend for itself under free market conditions."

The termination of state credit subsidies, which provided industry and agriculture with investment credit at rates frequently 30 percent under those of inflation, will accomplish Brazil's deindustrialization. The cost of the raw materials and the imported inputs going into local manufactures will rise due to the currency devaluation, and industries which have followed government advice and borrowed heavily abroad will have to come up with 30 percent more cruzeiros to repay each dollar of debt.

When asked about President Figueiredo's contention that the package was designed to stimulate foreign investment, the vice president of one of the American banks doing most business in Brazil replied, "Most companies are now moaning and groaning about how bad they were deceived into putting their money into Brazil."

The reaction from Europe was even more pointed. Rolf Lochner, president of the chemical giant Bayer do Brasil, told the Sao Paulo press that his company was confused and worried by the new measures and was revising its investment budget. Bayer had planned to put 380 million DM (\$220 million) into Brazil during the 1980-1984 period, investments which may now be cancelled. A European industrial consultant specializing in Brazil felt the Bayer decision would carry considerable weight with the firms he was advising, which already had a "wait and see attitude" toward new investment.

A Brazilian industrialist has already announced the

cancellation of a ceramic insulator plant because of the 30 percent added cost of necessarily imported sophisticated machinery.

The “de-coupling” of Brazil from such “dependency relations” with the advanced sector is, in fact, one of the major objectives of the revised economic model which puts a premium on “national development through three sectors: agriculture, energy production, and exports,” in the words of Planning Minister and Economic Czar Delfim Netto.

“Self-imposed” IMF conditionality

With its \$50 billion debt requiring servicing which eats up over 80 percent of export income and an expected rise in oil imports into the \$12 billion range next year, the Euromarket banks and the International Monetary Fund now have Brazil over the barrel. Brazil will have to borrow roughly \$20 billion from them next year just to make ends meet.

While no one yet knows for sure, the organs of British financial intelligence are excitedly interpreting Delfim’s extirpation of the system which has protected industry and consumers from “the free market” as a sign Brazil is preparing for a heavy dose of the kind of Friedmanite “shock therapy” which has drained the blood from neighboring victims of the IMF. The *Financial Times* editorialized, “the devaluation will have an intangible but nevertheless important effect in that it demonstrates that the Figueiredo administration is willing to adopt drastic remedies for difficult problems. Brazil’s creditors will be pleased.” London’s weekly *The Economist* commented, “Brazil may be forced to borrow from the International Monetary Fund next year, and the recalled ex-miracle-maker minister of the economy, Mr. Delfim Netto, last weekend brought in most of the draconian but liberalising economic measures that the IMF would certainly demand of him.”

A round of calls to senior Brazilian and American officials of the IMF, the World Bank and the U.S. Treasury and State Departments evoked the unanimous response that Brazil had not yet approached the IMF for a bailout, but was performing on its own the kind of “purgation” the IMF typically demands. Furthermore, all the Washington-based officials insisted that Delfim Netto was now committed to “slowing inflation” by pursuing the classical IMF nostrums of putting Brazil through a recession. The Washington crowd all thought that was very nice.

Yet, even the normally well-informed Brazilian elite is still in the dark about what is happening to their country. The official policy line in January remained one of “avoiding a recession at all costs,” in view of the

How to destroy Brazil’s economy

President Figueiredo’s economic program, announced in December, includes the following:

- a 30 percent devaluation—the biggest in the history of cruzeiro, which started the year at 20.8 to the dollar and ended at 42.3.
- Elimination of incentives for exports, and of prior deposits for imports.
- Elimination of prohibition on imports of types of capital goods also made in Brazil.
- Elimination of subsidized credit—80 percent of industrial and agricultural credit has been government subsidized.
- 20 percent reduction in state sector imports—if enforced, would limit use of advanced technology.
- Freezing of \$6 billion which companies deposited in special devaluation-proof government accounts (Resolution 432). Devaluation rumors sent most of the country’s industrial working capital into special government accounts, from which it now can not be withdrawn except to repay foreign debts or to make direct risk investments. The freezing of these funds, to prevent speculators from cashing in on the devaluation, has angered foreign investors.
- Partial de-nationalization of oil—foreign and domestic firms will be granted drilling rights under “more flexible” terms, thus ending the state oil monopoly.

“social explosion” which everybody knows would result. The “courageous” Figueiredo package has been greeted with a sympathetic response from most national industrialists and from the opportunist political leaders whose jerry-built “opposition parties” are now flourishing in the “Rio Spring” of Figueiredo’s “political liberalization.”

Brazil’s “uncensored” press is covering up Bergsten-IMF paternity of the package, whereas *The Economist* more candidly notes, the “stiff and long-overdue economic measures ... are almost exactly the package that outside economists have been urging.” IMF head de la Rosiere told journalists at Belgrade in September that the Fund is eager to make a deal with Brazil. But if Brazilians thought that the IMF or the U.S. were dictating policy to it, there would be formidable reactions, especially among hardline nationalist military sectors

Brazil's energy program-problem

Gasoline and electric rates in Brazil were raised by 58 percent shortly before the December devaluation. Fuel oil and diesel prices have been tripled in less than two years. As a "solution" to the energy problem, Brazil has instituted the world-leading gasohol and pure alcohol gasoline substitution program, which requires subsidies of over 50 percent and is causing the displacement of food crops from near urban centers, increasing inflation and hunger. Yet the government is planning to accelerate the gasohol program.

The biggest energy policy change this new year is elimination of the state-owned Petrobras's monopoly of on-shore oil drilling. "New, flexible conditions" for risk contracts for both Brazilian and multinational oil companies are now being offered. This move against Petrobras, and the fervently-defended nationalist principle of "the oil is ours," opens the door to wholesale grabs of Brazil's substantial mineral resources by its creditors and allied interests. The denationalization of minerals might well be the primary goal of the foreign pressures for "economic liberalization."

The nuclear energy program is being quietly slowed down, although Brazil is selling nuclear technology to countries such as Iraq and Argentina.

From the horse's mouth

The following exchange took place at the Nov. 26 press conference of President J.B. Figueiredo, a retired cavalry officer:

Q: And how will Brazil be next year, without oil and without money?

A: It'll be exactly that way, without oil and without money.

Q: Isn't there a solution?

A: Hitch yer horse to the plow, and walk. That's the solution . . . I don't have any short-term solution. The solution is to belt tighten and not to waste energy.

which would view it as a "sell-out of national sovereignty." Therefore the strategy is to seek an open relation with the IMF only *after* IMF programs are actually being implemented.

Social explosion

While such strategems may temporarily confuse Brazil's elites, the cruel realities of the doubling of fuel prices, and the general effects of 104 percent increase in the cost of dollars during the year are already causing localized eruptions of the vast mass of pauperized workers whose incomes suffered even in the best of times. In the days before Figueiredo's Pearl Harbor day blast, he was verbally and physically attacked by a hungry crowd in a historically passive and content town. And four suburban railroad trains were ripped up by enraged workers who could no longer contain the frustration of train breakdowns causing them loss of pay.

All advocates of genocidal reductions in employment and wages are quite aware that the social explosion resulting from such a policy could destroy Brazil. *The Times* of London asks, "will the negative effects of the new measures provoke a new social crisis?" *The Financial Times* warns, "The domestic effects of the devaluation will . . . have to be handled with great care by the Brazilian authorities As the government . . . moves away from the authoritarianism that it finds increasingly difficult to maintain, the opposition to its policies will become more and more vocal."

Even Finance Minister Karlos Rischbeiter, last March a demagogic advocate of "income redistribution," explained Jan. 4 that the wheat subsidy had not yet been reduced because "the government lacks the courage to do so." Its impact on costs of living will be enormous.

No more miracles

Figueiredo is preparing for this by postponing next year's local elections until 1982 as part of a "political reform" which all commentators (except *EIR*) praised as "a step towards democratization." Although the purpose of Gen. Golbery do Couto e Silva's "reform" was to induce the opposition political parties and trade unions to help shove severe sacrifices down the throat of the population in return for "free elections," there is high possibility that the necessary pace of consumption reductions will be too fast for any "social pact." Only a regression to the naked force on which Delfim Netto's 1968-73 "economic miracle" was based would suffice. And even that would produce no new miracle. Therefore, a leading banker concluded, "The strength of Brazil is that they have the capacity of moving by fiat, but it's not going to be an easy couple of years."

From debt to inflation

Brazil is being strangled by a foreign debt of \$50-52 billion, which demanded almost \$13 billion in debt service last year, about 85 percent of Brazil's \$15 billion export earnings.

Despite Brazil's backbreaking effort to achieve a 33 percent increase in exports in 1980, the debt service burden will continue to eat up the largest part of export income. Trade and service balances will remain sharply negative. Finance Minister Karlos Rischbeiter lamented Jan. 4 that Brazil's 1979 trade deficit of \$3 billion would be replicated or worsen each year through 1984. His ministry is forecasting a trade deficit of \$4.4 billion this year—even if Brazil manages to reach its \$20 billion export goal.

To cover these deficits, Brazil will have to borrow \$18-23 billion on the international money markets—roughly double what it has been taking in recent years—at the very time that its formerly good credit rating is falling apart.

This crisis is projected onto the internal economy as impressive jumps in inflation, which almost doubled in 1979 to 77.2 percent, the highest rate since the military government took power in 1964. (The record inflation shown on the graph for 1964 was largely caused by the new government's ending "artificial" price controls and subsidies, a process President Figueiredo pledged to repeat in his Dec. 7 address.)

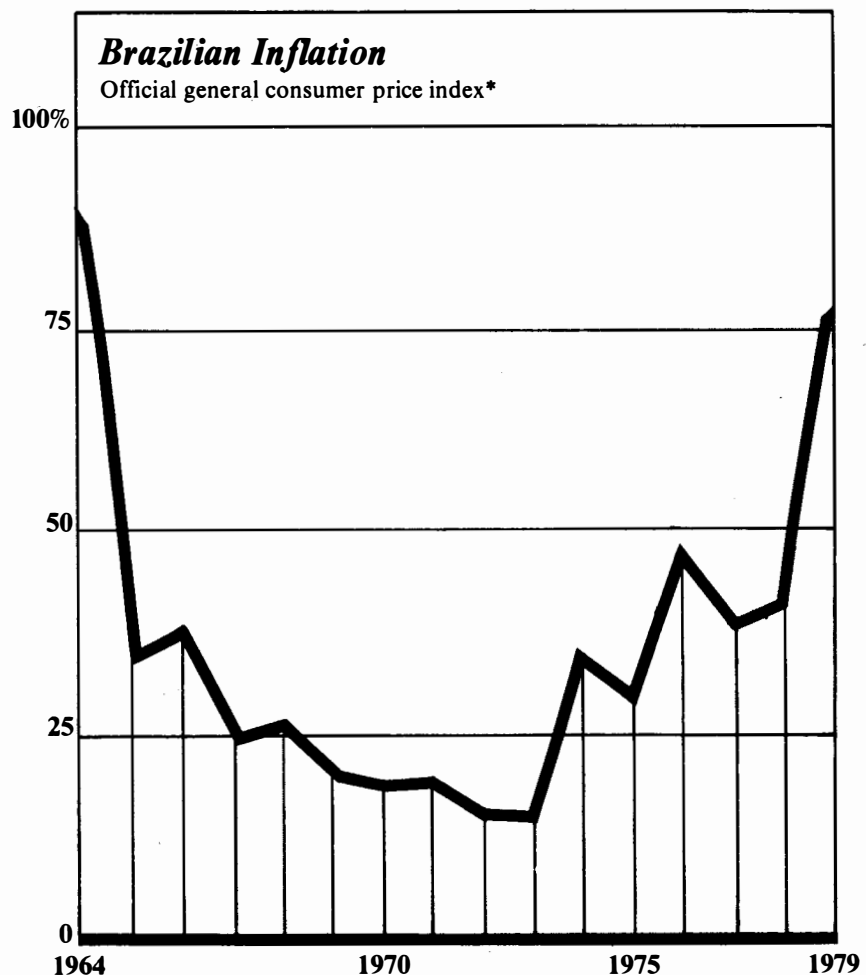
December's inflation climbed at an annual rate of 133 percent—even though the main reverberations of the Dec. 7 package will only be felt in the next few months.

Food led the cost of living parade with 86 percent increases in the official statistics and more than

100 percent in the eyes of other observers. Planning Minister Delim Netto is premising his anti-inflation campaign on increased food production. To stimulate that, he has granted 70-100 percent increases in parity prices for the 1980 harvest and has promised further increases later. The rapidly expanding planting of sugar cane for alcohol and gasohol oil substitution already uses 22 percent of Sao Paulo's farmland and is displacing food crops all over the

country. The extreme rate of devaluation and other export inducements will stimulate the diversion of agriculture from domestic to export production. The devaluations will make imports of wheat and other foods more expensive. (The same logic applies to all other raw materials.) Thus, no one should expect a decrease in inflation, even if economic growth is slowed or reversed.

The hyperinflation compressed real wages by at least 13 percent during 1979, since, according to the First National Bank of Boston Newsletter, average wages of workers increased by only 57 percent, compared with the official 77 percent inflation.



* Prepared by the government's Getulio Vargas Foundation. Other sources give much higher figures for the years 1973, 1974 and 1979.

Business Briefs

Commodities

Hunt challenges comex ruling

In a series of unusually frank interviews with reporters last week, Bunker Hunt, son of the late Texas billionaire H.L. Hunt, protested moves by the New York Commodity Exchange to restrict silver futures trading. Hunt stated that the COMEX decision to restrict silver futures trading had made him more determined than ever to take delivery on large quantities of silver.

Hunt's statements immediately pushed up silver prices, which had plunged from \$38.80 (January delivery) on Jan. 7 to \$31.10 on Jan. 8 following the COMEX action. Silver climbed back to \$33.60 by the close on Jan. 9.

Members of the Hunt family are believed to hold at least 4,000 silver futures contracts, representing 20 million ounces of silver. By comparison, U.S. silver mining production this year totaled only about 43 million ounces. COMEX has ruled that no individual customer may hold more than 2,000 contracts.

The Hunts have been building an enormous hoard of physical silver since at least 1974. Court records reveal that at one point in 1976 they owned more than 20 million ounces and appear to have added substantially to these holdings since. During 1979, the Hunts attempted to take over Sunshine Mining, a leading U.S. silver producer. The takeover was successfully resisted by the company's management, including Sunshine president G. Michael Boswell, a former Hunt employee.

Britain

Government lets steel strike drag on

The British government has no intention of intervening in the strike by 100,000 steelworkers against the nationalized

British Steel Corporation, now in its second week. Nor is there any hope for an early settlement in the strike which was originally designed to be a "short, sharp engagement." The two sides are deadlocked, with the unions seeking a 17 percent increase and BSC insisting it cannot afford more than 8 percent, which includes productivity agreements.

In fact, the British Steel Corporation is close to bankruptcy and the government has refused to subsidize further losses until the company reaches a "breakeven" point. This has forced British Steel to implement a program of plant closures and layoffs in the ten of thousands.

A prolonged strike is part of the government's plan to reduce the British steel industry even further. Industry Minister Sir Joseph said in a BBC interview that many plants closed by the strike would probably not reopen. Joseph was quoted in the British press as remarking that "there is too much steel in the world anyway."

World Trade

Multis forge oil deals with Saudis, Iran

Coinciding with the sudden trip of British Energy Secretary Howell to the Persian Gulf in early January, both Iran and Saudi Arabia entered into negotiations with British Petroleum, Royal Dutch Shell, and Mobil over the participation of their respective state oil companies in the marketing of the petroleum produced by the multinational oil companies.

The set up arrived at will work as follows: Petromin, the Saudi state oil company will sell to British Petroleum about 50,000 barrels a day, which will then be refined in BP's refineries in Europe; BP will then act as "an agent" for Petromin in selling the refined oil.

Similarly, the National Iraian Oil Company will sell up to 700,000 barrels a day to major companies in exactly the same arrangement that Saudi Arabia

has entered into with BP. British Petroleum is thus far the only publicly disclosed company in in the Iranian deal.

This is the first time ever that members of OPEC have demanded to participate in the marketing of refined oil produced by the multis. The terms of the deals indicate that the development could mark the beginning of the integration of the refining and marketing apparatuses of the two nation's state oil companies with the multinational companies—specifically with BP, Royal Dutch Shell, and Mobil—a member of the Aramco consortium. Is this the "process of reintegration" of world energy spelled out in the Council on Foreign Relations Project 1980s report on oil?

Domestic credit

It started in Hong Kong

On Dec. 26, a New York brokerage house received a request from its Hong Kong office for a list of recommended defense-related stocks. This was just as the Soviets were crossing the border into Afghanistan and right before "hardliners" in the Anglo-American camp began calling for increased defense spending. Within a fortnight the vaunted defense stock-led rally of the U.S. stock market was underway, spreading from the issues of such companies as Boeing, McDonnell Douglas and other aircraft makers to the "electronic countermeasures" group and other defense-related companies. "Then on Jan. 8," reported one trader, "everyone remembered that steel and aluminum go into airplanes, and those stock took off."

The stupendous rise in the price of steel issues that day took a number of seasoned industry analysts by surprise, for the reason that none of the "fundamentals" have changed at the nation's profit-poor steel companies. "Even if U.S. Steel were to get a pile of contracts from the defense department tomorrow," one analyst reflected, "that

Briefly

● **CONSUMER CREDIT** for purchases of particular items in France has now reached "virtually usurious rates," according to *Le Figaro* Jan. 9. For electrical household appliances, the rate is now 23 percent and for cars, 22.5 percent. The rate of usury is officially fixed at 23.2 percent for this quarter. Interest rates in France have been skyrocketing since U.S. Federal Reserve Chairman Volcker pushed American interest rates up this October.

● **HERMANN ABS**, former chairman of the Deutsche Bank, said in a rare appearance on West German television on Jan. 9, that sanctions against Rhodesia didn't work because various countries including the U.S. quietly continued to engage in trade with the outlaw state. And he warned that the sanctions against the Soviet Union called for by President Carter won't work. West German businessmen, sources in that nation report, will not stand for the cancelling of the trade deals that they have sealed with the Soviets and other East bloc countries.

● **UNITED AUTO WORKERS** president Doug Fraser has signed his name to the newly revised contract with the Chrysler Corp. mandated by the \$1.5 billion federal loan guarantee package. Whether he can swing the Chrysler work force behind the pact is another story. The concessions written into the government "rescue" package work out to \$450,000, mostly in lost paid holidays and benefits.

● **UNEMPLOYMENT** remained stable in the last month, rising only .1 percent, according to the Department of Labor in Washington. The department also reported that the number of jobholders also increased. Most observers called these statistical results, to say the least, "surprising."

wouldn't do much to change the fact that they're losing money on all the steel they produce."

Gold

Heavy European demand for gold

U.S. brokers reported continued heavy demand for gold coming out of London and Europe last week, much of which was on behalf of Arab customers. The increased European interest in physical gold contrasted with the U.S. gold futures market, where American investors sold off the metal out of fear that the New York Commodity Exchange would place restrictions on gold trading similar to those in silver. U.S. investors' more negative attitude about gold also reflected the false euphoria which swept the New York Stock Exchange last week in the wake of Carter's adoption of a new "tough-guy" image against the Soviets. America's European and moderate Arab allies are not so sanguine.

Futures Market

Will silver crack-down give business to London?

On the evening of Jan. 7, the New York Commodity Exchange (COMEX) enacted severe restrictions on silver futures trading. The COMEX action followed a warning by James Stone, chairman of the Commodity Futures Trading Commission (CFTC), that the efforts of certain speculators to corner physical metals supplies had disrupted the normal functioning of the U.S. futures markets.

The ultimate purpose of futures markets is to aid industrial users (or suppliers) of commodities, who use the markets to hedge spot purchases (or sales). Under normal conditions, only one or two percent of all futures contracts result in actual deliveries, since the hedgers "close out" their contracts before

delivery time arrives. In recent weeks, however, well-financed speculators have established massive "long" positions in silver, gold, and copper and have sought to take delivery.

This raised the threat of a financial squeeze on the "shorts" who might not have been able to locate sufficient physical supplies, particularly in the case of silver. According to a COMEX spokesman, although the COMEX holds almost 76 million ounces of silver in the vaults of New York banks, it was theoretically possible that holders of March contracts would attempt to take delivery of 140 million ounces.

"We are increasingly concerned about the high delivery ratios in metals futures, particularly in silver," stated Stone. "This is not what the futures markets were designed for. It leaves us increasingly concerned about the viability of the futures markets"

The largest known speculators holding "long" positions in silver include the Texas billionaire Nelson Bunker Hunt, his brother W. Herbert, and Norton Waltuch, a broker with Conti-Commodities who manages an offshore fund for Arab interests. Swiss banks and British silver bullion dealers, however, have also played a major role in the silver runup

The new COMEX regulations provide that an individual customer's silver futures holdings must be limited to 2,000 contracts or 10 million ounces, a requirement which could force liquidations by speculators over the limit. COMEX is also requiring that traders reveal the identities of all clients, including foreign clients, holding more than 100 contracts. This requirement, long demanded by the CFTC, has been resisted by Swiss and British banks who claim that their clients are protected under banking secrecy laws.

Some U.S. brokers are complaining that the CFTC/COMEX actions will play into the hands of the British, who hope to siphon business into London. On Jan. 9, Ian Foster, chairman of the London Metal Exchange, announced that he was taking steps to facilitate the launching of a gold futures market.

The U.S.S.R. sends Carter a message

by Criton Zoakos
Contributing Editor

As a result of the Afghan events, President Carter, under the influence of National Security Advisor Zbigniew Brzezinski and Secretary of State Cyrus Vance, has now placed the United States in an untenable no-win position worldwide.

The Soviet response in Afghanistan has prompted the governments of all major nations in the world to not only draw this general conclusion, but also to embark on their own appropriate foreign policy courses which will further aggravate the Carter administration's already desperate situation.

In a matter of days after Defense Secretary Harold Brown returns from China, recognition of this strategic reality will dawn upon the average American citizen and precipitate an avalanche of reactions that will quickly seal the fate of the Carter candidacy will be precipitated.

One of the gravest dangers this nation is about to face is the possibility that a rudderless government may be presided over by an inept and discredited President for the remainder of 1980, amid a perilous international situation and a stormy electoral campaign.

The Soviet action in Afghanistan has made it evident that there are two equally odious outcomes of the foreign policy of the Carter administration: World War III, which the Soviets are likely to win, or a string of American defeats and debacles that is uninterrupted until Carter and his team are kicked out of office.

What Afghanistan showed

What the Afghanistan events demonstrated to every government in the world are the following facts:

Fact One: The Soviet leadership has taken Brzezinski and Kissinger's boasts of destabilizing the U.S.S.R. by means of "Islamic fundamentalism" and the "Arc of Crisis" literally and has called that bluff militarily.

Fact Two: The Soviet leadership, convinced by the Dec. 12 NATO decision to place an additional 600 nuclear missiles in Western Europe that



Photo: P. Manoukian/Sigma

Washington has abandoned any serious concern for detente, has decisively shifted to a direct military mode of defending what it regards as its vital strategic interests.

Fact Three: As indicated by the quality of the Soviet deployment in Afghanistan, when the Soviet command decides to move militarily, it does so in a most thorough and comprehensive way, paying no attention to any considerations but military. Afghanistan is also a warning against the doctrine of "theater nuclear war."

This latter fact is perhaps the most seriously studied, especially in Peking and Western European capitals. Washington, so far, has failed to pay proper attention. As Democratic presidential candidate Lyndon LaRouche has repeatedly warned, the Soviet military move into Afghanistan was designed and meant to be a warning signal to the London-Washington-Peking axis against any further encroachment against what the Soviet leadership regards as its vital strategic interests; the move into Afghanistan was also viewed by the Soviets as a last-minute dramatic action for reversing the course toward general thermonuclear war. The thoroughness of the Soviet military actions inside Afghanistan, the quality of deployed equipment, the establishment of total control over communications, transportation, and key areas of administration, the neutralization of every element that might represent a potential, even distant internal rival, all indicate that the signal meant to be delivered to every party concerned, is a very serious signal indeed.

Soviets shift policy

The Soviet action in Afghanistan was accompanied by a general transformation of the Soviet Union's overall foreign policy posture. The Soviet government announced that it rejects the latest U.S. proposal for limitation of nuclear weapons in Europe and that it will continue to reject all such proposals until the Dec. 12 NATO decision for "weapons modernization" is reversed. The Soviet government also signaled that from now on it will

In this section

Our Special Report this week analyzes the facts behind the Soviet coup in Afghanistan. First, Contributing Editor Criton Zoakos takes a look at President Carter's foreign policy debacle which contributed much to the Soviet decision to move. Our Soviet desk chief Rachel Douglas then answers the question why the Soviets invaded Afghanistan, with heavy documentation of the many instances of Soviet "advance warning" to the U.S. Next are our background pieces on military strategy and how Afghanistan is no "Prague Spring." We next look closer at U.S. foreign policy, in particular the much vaunted "China card" and the push for an Islamic alliance. Finally we scrutinize Europe's reaction, their effort to save detente in face of Carter's "Cold War" hard line and continue the implementation of the EMS.

refrain to respond officially to President Carter's announcements, leaving this task to Soviet journalists, and that it will consider Carter as virtually "finished" as President of the United States, with a "bare minimum of credibility" left to him domestically and internationally.

The entirety of the Soviet posture is meant to convey that the Soviet leadership regards Brzezinski's policy of encircling the U.S.S.R. with a rearmed Europe, a rearmed China, and a Muslim Brotherhood-dominated "Islamic fundamentalism" as a war provocation—and is prepared to fight any war that Brzezinski provokes.

The Afghanistan move called Brzezinski's bluff and it is very likely to shortly call Peking's bluff as well. In the military geography of the Near and Middle East, the United States had no conventional, limited military counter-response available.

The British government, led by Prime Minister Thatcher and Foreign Secretary Lord Carrington, has announced that it will act as the "pacemaker" for Brzezinski's policy internationally, accelerate the shipment of weapons to China, move up the nuclear weapons modernization in Western Europe, and build up a new Islamic Pact centered around a rearmed Iran and Pakistan.

The Federal Republic of Germany, France, Japan and also certain relatively less insane circles in London are presently realizing that the Thatcher-Brzezinski response is simply to intensify the very policy which triggered the Soviet signal-move—without supplying any credible hint that they are able to take on the Soviets on the military terms that they define. As every European and Japanese official who can read maps must have already deduced, the Red Army's High Command will hardly consider a possible boycott of the Moscow Olympics as a staggering defeat to their motorized divisions.

As every European and Japanese official knows, if the Soviets are compelled by the Brzezinski-Thatcher strategy, to repeat their Afghan move in Pakistan or Iran, the only possible Anglo-American response will be either acquiescence or a nuclear strike. Those able to read Moscow's Afghan signal have no doubt that the Soviets have completely and unequivocally once again rejected the doctrine of "theater nuclear war." Any American nuclear response to an induced Soviet move into Pakistan (or Iran) will instantaneously lead to general thermonuclear war. Any failure to respond to such an induced Soviet move will rapidly lead to a realignment of continental Europe in the direction of the Soviet side, and similar shifts in Asia and the Middle East.

The alternative to these nightmare scenarios is a course of action principally focused on putting aside the Thatcher-Brzezinski policy of inducing the Soviets to such further moves, the so-called "controlled disintegration" policy of the IMF, and replacing it with a broad program of industrial expansion and prosperity.

I. Why the Soviets

Overall policy

After many warnings... a display of force

With the dispatch of many thousand soldiers into Afghanistan, the leadership of the Soviet Union shifted from a "war-avoidance" to a "war-winning" mode of conducting foreign policy. How the decision was reached, and what it would take for Moscow to return to war-avoidance, can be understood from an examination of Soviet strategic thinking.

The invasion of Afghanistan was not a tactical move. By taking Afghanistan, Moscow answered an array of British and American steps which added up, on the walls of the Kremlin's maprooms, to a picture of probable thermonuclear attack. The Soviets see three processes afoot on the globe leading towards that result: 1. an American attempt to encircle the U.S.S.R., involving destabilization of the Middle East, playing the China card, and building a mobile strike force to fight wars on the Soviet periphery; 2. an increased United States and NATO commitment to the strategy of "limited nuclear war," applied not only to Third world theaters of crisis, but to Europe, where the countries Moscow views as more reliable detente partners are being harnessed to American plans; and 3. an economic crisis so severe in the West that the Soviets are easily convinced that the "final collapse of capitalism" has arrived and is motivating overseas adventures by the United States.

The Soviets expect nothing but lunacy from Washington at this moment. The Soviet news agency Tass, in a Jan. 6 release authorized at the highest levels in Moscow, responded to President Carter's imposition of sanctions against the U.S.S.R. with an assessment of the president's judgment as follows:

The President's statement creates the impression that it lacks both political balance and a realistic assessment of the international situation, that it overestimates the potentialities of the United

invaded Afghanistan

States, while underestimating the potentialities of those states against which the United States intends to take steps of one kind or another.

In addition to viewing Carter and his cabinet as volatile and capable of drastic surprise actions, the Soviets' confidence in Western Europe's ability to hold to a course of preventing war was shaken by West German acquiescence to a Dec. 12 NATO armaments-and-strategy decision. What remained for the U.S.S.R. to do, thought the Soviet military and political command, was make a show of force to serve as a final warning to Washington, London and Peking.

Here we will detail, issue by issue, the escalation that took Moscow around the corner toward an active war-fighting posture, citing the public statements which should have signaled what was coming. Then, we turn to the factional situation in Moscow: how it affected the Afghanistan decision and will affect future policy options.

The Dec. 12 NATO decision

Meeting in Brussels Dec. 12, the Foreign Ministers of the NATO nations okayed a plan to produce and station on Western European soil 572 medium-range nuclear weapons—"Tomahawk" cruise missiles and Pershing-II rockets.

Anticipating this decision for months, Moscow has used every option, from warnings to negotiation offers, in order to avert it. In October, Soviet President Brezhnev proposed to hold talks on this class of missile, including the Soviet SS-20's stationed in the Western portion of the Soviet Union.

The Soviets particularly sought for West Germany to oppose the Anglo-American missile plan, banking on Bonn's commitment to preserving detente and appreciation of the plan's military implications: Western Europe would be scorched in a nuclear exchange; the United States—contrary to the "limited" exchange presumed by the NATO strategists—would also be hit immediately.

Following talks with West German Chancellor Helmut Schmidt in Bonn Nov. 23, however, Soviet Foreign

Minister Gromyko already had the impression that Bonn would not totally buck the plan, but would seek to have it coupled with NATO's own negotiations proposals. Gromyko stated at a Bonn press conference:

If it should come to such a decision, if our proposal for immediate negotiations should be rejected, then the basis for negotiations would be destroyed.

The NATO session came and went, the missile plan was approved, and NATO made a counteroffer for talks on medium-range weapons. The Soviet Union has flatly refused to entertain that proposal, unless Pershing and Tomahawk production is stopped.

The impact of NATO's decision on Moscow was not measurable in tons of hardware now slated for production, but strictly in terms of the strategic nature. Every Soviet newspaper carried unambiguous explanations of the missile deployment as a preparation for carrying out the "limited nuclear war" strategy in Europe, with the included option of a NATO first-strike against the U.S.S.R. They emphasized that such a conflict would, in fact, be all-out nuclear war.

Major-General R. Simonyan, strategic analyst for the military daily *Red Star*, wrote one day before the Soviet invasion of Afghanistan:

(These plans) would qualitatively change the strategic situation in Europe and destabilize the situation in the whole world. It is entirely natural that the Soviet Union and its allies could not remain indifferent to this fact and would be forced to take measures in response. . . .

The assumptions by the supporters of a "Euro-strategic war" that it could be kept limited to within borders delineated in advance are without substance. An aggressor attacks because he wants to destroy the victim of the aggression. . . . Therefore he is ready to launch every means at his disposal. Under these circumstances, the victim of the aggression will not sit idly by. He will use all means in order to defend himself and his allies and give a most resolute rebuff to the aggressor. The journal *Stern* warns, "... a limited military conflict in Eu-

rope ... would quickly and automatically be transformed into a world nuclear confrontation.”

Red Star's Colonel M. Ponomarev, in a Dec. 16 article, elaborated:

(The NATO decision) cannot be evaluated otherwise than as a statement of intent on the part of the United States to create an arsenal of nuclear missiles here for a first strike aimed against the Soviet Union and its allies. . . . The material base is being prepared to implement the doctrine of “preventive selective nuclear strikes” first developed in the United States several years ago. . . . Having imposed this decision upon its North Atlantic bloc partners, the U.S. has essentially turned the people of the Western part of the continent into hostages. In the event of a military conflict in Europe, it is these people who will be the first to pay for Washington's aggressive adventures.”

The Soviets' belief that NATO was locked into a disastrous policy grew stronger when President Carter announced, also on Dec. 12, that the U.S. defense budget would be raised to \$157 billion for 1980. The sum was explained by NSC chief Brzezinski, who bragged that NATO, with the missile plan, had an option to fight less-than-total war with the U.S.S.R. in Europe and proclaimed a “post-Vietnam era” heralded by Iran's taking of U.S. hostages, in which the U.S. would create and deploy into Third World crises areas an overseas military strike force of over 100,000 men.

Encirclement and the China card

The “rapid response force,” about which Brzezinski and Secretary of Defense Harold Brown have spoken frequently, was an object of Soviet concern throughout 1979. Analyzing the tour of the Persian gulf and East Africa by American Defense and State Department officials in late December, Tass commentator Igor Orlov wrote:

The U.S. press is rather outspoken, if not cynical, in discussing the specific plans to expand military beach-heads in these areas of the world. The Defense Department, according to the *New York Times*, has embarked on a search for a place to deploy a U.S. military base in the Middle East. This base will be used by the “quick reaction corps” as well as by the U.S. Air Force and Navy deployed in the area.

This concern became a good deal more specific when American hostages were taken by the Ayatollah Khomeini's gangs in Teheran and Washington began to consider the use of military force in Iran. It was compounded by escalation of Islamic fundamentalist agita-

tion in Afghanistan, where the rebel groups opposing three successive Marxist governments in Kabul are equipped via Pakistan and China.

The Soviets concluded that the architects of the “arc of crisis” were going to launch an Islamic domino-chain to ring the U.S.S.R. in.

With these expectations, the Soviets even renewed attacks on the special role of the Muslim Brotherhood in subverting Afghanistan. The Brotherhood is the British-controlled cross-national network which Moscow had avoided mentioning during several months of softlining the Brotherhood-linked Ayatollah Khomeini.

The picture of a Soviet Union encircled became complete when, on the Eastern front, Moscow picked up a reactivation of the Carter administration's “China tilt.” Harold Brown's fishing expedition to Peking was announced for the second week of January. On Dec. 25, B. Gorbachev wrote in *Red Star*:

Striving to play the “China card,” that is, to use Peking's anti-Sovietism for pressure against the Soviet Union, some Western countries intend to supply China with specific types of modern weapons and military technology. Such a short-sighted policy encourages the aggressive intentions of the Maoists and is fraught with dire consequences, not the least for those who are conducting it.

The Soviets also reacted to attempts to forge a stronger military link between China and Japan. On Dec. 28, the day after the Soviet Army moved into Afghanistan, Vsevolod Ovchinnikov wrote in *Pravda*, under the headline “Japan and the ‘Pacific Polygon’ ”:

In an interview with *Dialogue* magazine, Defense Secretary Brown said that Japanese military potential is disproportionately small, especially in view of the “unreliability of oil supplies.” Brown said that the Trilateral Commission member countries [U.S., Japan, Western Europe—RD] should “supplement one another more effectively.” According to the *Japan Times*, Brown stressed the importance of joint efforts by the U.S., the European NATO members and Japan in the military field. Such an alliance on an anti-Soviet basis is, as is known, the dream of Peking.

Finally, Moscow received and reported increasingly frequent indications that Peking was preparing to invade Vietnam a second time, repeating the steps which took the world to the brink of war in February 1979.

On Dec. 23, Admiral Sergei Gorshkov, commander of the Soviet navy, arrived in Hanoi for a visit of several days duration. He met with Prime Minister Pham Van Dong as well as military leaders, in order both to show Soviet backing for the Vietnamese against China's

threats, and to review concrete military actions for the event of a new outbreak of war in Southeast Asia.

One of the most dangerous developments of the last months of 1979 was the idea that took increasing hold in Moscow, that the economic collapse of the West was irreversible.

Writing a year-end review called "The Wind of History" in *Red Star* Dec. 30, Colonel M. Ponomarev said that "detente came to a standstill" because of "the deepening economic crisis in the capitalist countries" and the "breakdown of American dominance" of the Western world. "This breakdown is final and irreversible," he asserted.

Pravda's senior columnist Yuri Zhukov, referring to the recoil effect on the U.S. of Carter's sanctions against Russia, wrote Jan. 6:

The Washington administration is not bothered by the fact that this kind of policy can only create further difficulties for the economic development of the United States and its allies, already weakened by a series of grave crises. The American dollar is plummeting, the burdens of the working man grow, and the edifice of the capitalist economy cracks like a dilapidated barn in the wind.

A belief on the Soviets' part that the crisis is irreversible is dangerous on two counts. First, it cements their impression that particularly the U.S. leadership, deprived of any domestic security, will be prone to crisis-mongering in every other area of the world.

Second, it further undermines Soviet confidence in a Europe-centered collaborative war-avoidance effort. Even though Moscow consistently withheld open endorsement of the European Monetary System, the Soviets—especially the "Bonn hands" in President Brezhnev's detente faction—knew very well that a connection existed between West Germany's hopes for the EMS to succeed and its simultaneous efforts for East-West economic deals and military detente. Back in the spring of 1978, the EMS's creation followed by a matter of weeks Chancellor Schmidt's sealing of a 25-year cooperation treaty with Brezhnev.

The factions in Moscow

During the 1970s, and particularly after the Schmidt-Brezhnev agreement of May 1978, Soviet foreign policy—in the war avoidance mode—was defined by the detente commitment associated with Brezhnev.

There exist two countervailing tendencies to Brezhnev's detente in the Soviet Union, making the picture more complex than the myth of "Brezhnev vs. his hard-line opponents" would have it.

The first countertendency is associated with a factional grouping best characterized as the "British" or "Jacobin" faction.

The second is the judgment that no pro-stability Western leaders are both reliable and strong enough to make detente work. This is not the view of a fixed group, but one which a whole array of Soviet leaders, both in the military and in the party, have come to. Some reached that conclusion sooner than others, and disagreements remain as to whether it is a reversible state of affairs. Under crisis circumstances such as today's—or those of spring 1968—Leonid Brezhnev also shares this outlook.

In the current case of Afghanistan, it was the second counter-detente tendency that determined the Soviet actions on the strategic plane. The internal features of the coup in Kabul, however, bear the fingerprints of the "British" faction in Moscow. The pedigree of Babrak Karmal, the communist installed by the Soviets to replace the nationalist leader Hafizullah Amin, links him to this Soviet grouping.

The "British faction" consists of British agents-of-influence within Soviet ruling institutions: think tanks, the security organizations, and the party Central Committee. Their characteristic profile, of promoting a military foreign policy posture featuring "class struggle" and destabilization for areas deemed under imperialist domination and a relatively slow-growth, quasi-environmentalist domestic economic policy for the U.S.S.R., was last represented at the Politburo level by Nikolai Podgorny. Brezhnev defeated Podgorny factionally in the late 1960s en route to consolidating power and launching detente, but Podgorny lingered on in the ceremonial post of President until 1977 and was sighted at a Moscow reception as recently as November 1979.

The British faction features prominently Kim Philby and Donald Maclean, the British intelligence officers who staged defections to the U.S.S.R. in 1963 and 1951 respectively. Both work in significant advisory positions: Maclean heads the British desk and oversees European work at the Institute of the World Economy and International Relations (IMEMO), while Philby has reportedly been promoted to the rank of General in the KGB (Soviet intelligence), where he specializes in Middle East affairs.

Their influence was apparent in shaping Soviet support for Khomeini, on the grounds that what was bad for the United States must be good for the Soviet Union.

In the fall of 1979, the British faction stepped up activities on two other crucial issues: science and economics. A series of articles appeared in the party journal *Kommunist*, written by Soviet scientists and journalists who not only are involved in joint economics "systems analysis" modeling projects with the anti-growth Club of Rome, but are seeking Soviet acquiescence to the Council on Foreign Relations' global strategy of "controlled disintegration" to be bolstered by the institution of a limited-growth policy in the U.S.S.R. itself.

B. Miroshnichenko, a *Kommunist* author who wrote "Ecology—A Sphere of International Cooperation" in November, endorsed several Club of Rome-shaped United Nations programs on the environment and called for a "mass education program" to instill what he called "environmental thinking" in the Soviet population.

Still another contributor to the journal, Academician N. Dollezhal, drew a direct public attack from Dr. A. P. Aleksandrov, the president of the Soviet Academy of Sciences, for his proposal that nuclear power plants be confined to sparsely populated Siberia. Aleksandrov's blast, telling a press conference that Dollezhal's argument was incompetent, reflected the intensity to which this factional battle had risen by Dec. 18.

A clash on foreign economic policy, nearly as heated, occurred at an autumn conference in Budapest devoted to East-West relations in the monetary field. When I. Bogomolov, the director of the Soviet think tank studying economic processes within the East bloc, endorsed a gold-based monetary system in terms which brought him very close to approving the European Monetary System's principles, economist E. Matyukhin from Maclean's IM-EMO stood up for a division of the world into regional currency blocs—the scenario of the Council on Foreign Relations and leading London banks.

What next?

The Soviets' radical shift into a war-fighting posture, where the Generals and Marshals make the decisions, is not something which can be reversed at a moment's notice. Although the "British faction" did not order the action, it occurred in the context of a "British" factional offensive and there are clearly numerous officials and officers who think Brezhnev waited too long to make the show of force and counted too much on the potentialities of European-centered detente.

This line of thought is visible in East Germany, for example, where attacks on Helmut Schmidt appeared sooner and were harsher than those issued by the Soviets after the NATO missiles' decision. East German Defense Minister Hoffman, who was absent during ceremonies to mark the unilateral withdrawal of a contingent of Soviet troops from East Germany mandated by Brezhnev, has made it known that, from his standpoint, further such gestures are out of the question.

The composite picture of where Soviet factions stand today leads to the conclusion that to restore even a modicum of detente, much less open the door to economic cooperation which could bring long-term stability, will require not only strenuous efforts from Western Europe, but a decisive change in the foreign policy of the United States away from those actions which encourage the U.S.S.R. to expect nuclear war in the very near future.

—Rachel Douglas

Military strategy

How World War III may start in Afghanistan

That the world should go to war over Afghanistan would seem preposterous—but in 1914 Sarajevo was hardly a more imposing strategic objective. Now, as then, the principal war danger lies in strategic miscalculation, the wishful assumption that the enemy could not be engaged in or persevere in the type of action which is nonetheless indicated by all the available evidence. In the case of Afghanistan wishful thinking characterizes the Soviet operation there as essentially a local police operation; there is even talk of a potential Soviet Vietnam etc. In fact the entirety of the Carter administration's already adopted or openly contemplated counteractions only make sense in a strategic context which clearly no longer matches or even significantly intersects the guiding geometry of the Soviet undertaking.

If one does not deliberately blind oneself to the unambiguous public Soviet policy profile subsequent to the NATO Pershing II decision and to certain equally obvious military and geographic features of the Afghanistan seizure, there can be no doubt that Afghanistan as such and the defeat of the Muslim Brotherhood inspired rebellion against the Kabul government are only second-



ary, subsumed objectives of the Soviet move. Soviet troops now and in the immediate future will be deployed to uproot the rebels from their positions in Bamian province and in the western provinces bordering on Pakistan principally to secure the country as a whole as rapidly as possible as a reliable basis for further strategic operations. Take a look at the map. Not those blow-up maps of Afghanistan which have appeared in every newspaper during the last week which focus your attention on every irrelevant geographical detail there, but a map which at least spans the area from the Eastern Mediterranean to the Bay of Bengal. While a team of U.S. Defense Department specialists were touring the Middle East and Indian Ocean regions to scout out favorable locations for future U.S. military bases, the Soviet military within 48 hours seized a set of new bases which those scouts must regard with the greatest of envy if they are endowed with any strategic judgment. Soviet troops now stand within a hundred miles of Islamabad, thus making a mockery of Harold Brown's combined China/Pakistan card; they stand within a few hundred miles striking distance from the Baluchi port city of Gwadar guarding the entrance to the Persian Gulf; they have opened a broad new front facing Iran, and finally the Soviet Air Force has secured several major new air bases ideally sited to project large scale air power into the Indian Ocean and Gulf theaters.

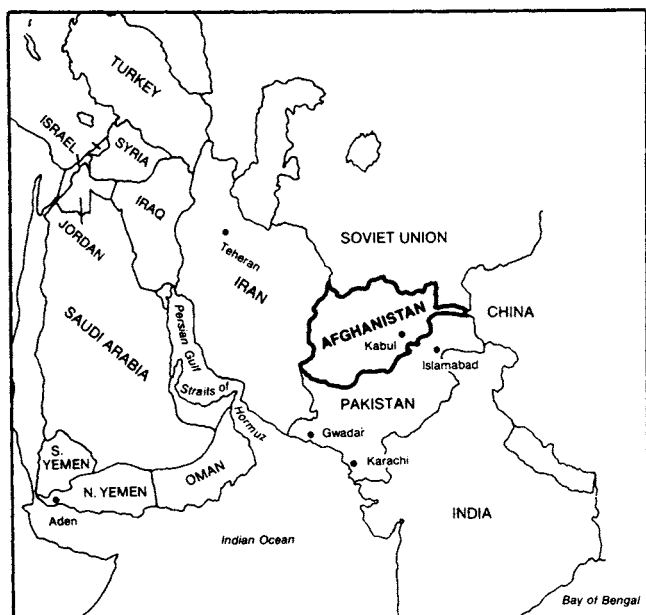
Nor should there be any doubt about the intended strategic use of Soviet forces in Afghanistan indicated by geographic realities. The structure of the Soviet forces still being moved into the country provides the strongest and most telling evidence. While the lightning assault on Kabul itself was carried out by an airborne division being lifted in in smooth and extremely rapid fashion, sizeable

troop concentrations had been in waiting at the Soviet-Afghan borders and are now being moved in methodically, probably to reach a total size of close to 100,000 by the end of this week. These troops are fully equipped with a wide variety of armoured vehicles, including the most modern Soviet T72 tanks, heavy artillery, sophisticated anti-aircraft guns, surface-to-air missiles etc. Against ill-equipped mountain guerrillas who do not dispose of air power such Soviet equipment and massing of forces, of course, would represent quite unnecessary overkill actually embodying the danger of militarily denuding other vital Soviet positions. The only explanation is provided by interpreting this Soviet deployment as a long-term strategic commitment of forces, to be used, if need be, precisely against those strategic targets indicated by the geographical potentialities.

What clinches this argument is the fact that the Afghanistan operation was not based on short-term last minute decisions, yanking Soviet troops out of the other assignments and commitments, but actually involved significant overall Warsaw Pact redeployments, picked-up, but generally misread by Western intelligence services. Thus as certain Soviet units were airlifted from East Germany and from Hungary, the major Soviet staging area for airborne operations into southern Europe and the Near East, to the Transcaucasus military districts, they were replaced principally by East German units moving by rail into Hungary as well as Bulgaria. The entire operation is directed by General Ivan Pavlovsky who had personally inspected the Afghan situation and launched the incursion immediately after his return into the Soviet Union. Pavlovsky is no mere regional commander, but the overall commander of Warsaw Pact Ground Forces.

It should thus be clear and any competent intelligence officer and military analyst should be capable of the reading that in Afghanistan the Soviet Union has not made simply a local, possibly self-defeating commitment. Afghanistan is the signal that the entire Soviet policy command has shifted its strategic posture from war avoidance to war winning and the last warning signal has now been run up the mast. The potential element of Soviet miscalculation in this situation involves their probable disbelief that a United States government could risk the existence of the nation suicidally in pursuit of further controlled disintegration and limited strategic confrontation follies. With Carter, Brzezinski, and Brown in command there are few guarantees that the Soviet signal will be read correctly and no chance that the United States will deliver the kind of firm and self-confident peace policy proposal which demonstrates to the Soviet Union that its security needs are not better served by military adventures.

—Uwe Parpart



Like 1968

No "Prague Spring" in Southwest Asia

During the night of Aug. 20-21, 1968, approximately 175,000 Soviet-led troops rolled into Czechoslovakia and swiftly took over airports, radio stations, the parliament, and other government buildings. The occupation was carried out flawlessly, and was virtually a complete surprise. The "Prague Spring" experiment was over.

Comparison of the current Soviet invasion of Afghanistan with that earlier invasion—the last time that Soviet combat forces were engaged outside the borders of the U.S.S.R.—goes far deeper than the facile "extension of the Brezhnev Doctrine outside the East bloc" analyses currently bandied about in the leading U.S. press. The unfolding of the 1968 Czechoslovakia crisis demonstrates why, as *EIR* has warned, the NATO vote at its Dec. 12 meeting in Brussels to deploy new medium-range missiles in Western Europe—in full understanding that this would be a concession to the "Schlesinger doctrine" of limited nuclear war—threatens to bring a hardline, antidetente policy into predominance in Moscow, greatly increasing the danger of thermonuclear war.

Whether the Soviet Union has completely ruled out a continuing prodetente war-avoidance policy is not yet fully apparent. What is clear is that if West Germany and France in particular do not take vigorous measures to convince Moscow of their own opposition to "limited nuclear war" chicken games, and of their readiness to fight for a detente policy even over U.S. opposition, then a Soviet policy shift will become irreversible.

In 1968, the Soviet military move was a response to the destabilization of a strategically vital region—but that was not the primary consideration. Then as now, the Soviet Union saw a crucial West European capitulation to the Rand Corporation and Council on Foreign Relations military policies, and saw no choice but a show of military strength. Today the situation is doubly aggravated by the growth of China as a major component of the Washington-London anti-Soviet axis.

'Flexible response'

In December 1967, after nearly six years of intense political battles on both sides of the Atlantic, which included France's withdrawal from the NATO military

organization, NATO formally adopted "flexible response" as its operative military doctrine. "Flexible response," and the "counterforce" targeting strategy that went along with it, were first announced by U.S. Defense Secretary Robert Strange McNamara in a famous speech at Ann Arbor, Michigan soon before the Cuban missile crisis. The connection between those two events was not lost on Soviet military thinkers.

"Flexible response," the granddaddy of today's "limited nuclear war" lunacy, meant that war in Europe might not necessarily escalate to full-scale thermonuclear war, and therefore NATO should prepare for conventional warfare or warfare limited to tactical nuclear weapons. McNamara advocated the "counterforce" strategy of hitting only military targets, not population and industrial centers—a strategy which, Soviet commentators pointed out, makes sense only if one intends to strike first, since otherwise the enemy's military bases, missile silos, and so on, would already be empty by the time one's own bombs arrived.

The West German government under Konrad Adenauer and many West German military men opposed this doctrine. As one Defense Ministry spokesman said in 1963, nuclear weapons would inevitably be used in a war in Europe, and would be used against the "maximum" urban targets. The "idea of a conventional war in Europe was military alchemy," he said. Another ranking military man described his encounters with the McNamara crew: "They were so 'expert' you could hardly understand them. I told them they should just once stop proclaiming their figures and assumptions and listen to those who had actually fought the Russians."

But this West German resistance eventually buckled, as the Adenauer government was driven out of power and the pro-Atlanticist Erhard and Kiesinger regimes came in. Many West German politicians consoled themselves that, given U.S. insistence on this new doctrine, conforming to U.S. desires was the only way the Federal Republic of Germany could ensure its defense at all, especially as the reliability of the U.S. strategic nuclear umbrella came more and more in question.

NATO's 1967 session coupled the adoption of "flexible response" with a call for troop reduction in Europe, according to the so-called Harmel Plan, which was characterized as a "detente" package. After all, McNamara argued, was not a military doctrine that stops short of full-scale nuclear war and does not target civilian populations more "humane" and "peace-loving" than the old "massive retaliation"?

Reject 'limited war'

The Soviets were not impressed. The Harmel Plan has recently been cited by numerous West German officials and commentators as a precedent for the 1979

NATO meeting's "parallel" adoption of an arms buildup coupled with an offer for arms reduction negotiations. This formulation was denounced in the strongest terms by Soviet Foreign Minister Andrei Gromyko in Bonn last month.

The Soviets have always rejected outright any notion of limited nuclear war in Europe. They perceived the June 1967 Arab-Israeli war as a kind of testing ground for the "flexible response" doctrine, a doctrine that would eventually be applied closer to the Soviet Union's borders. In September 1967, just before NATO's official adoption of the new doctrine, a commentator in the Soviet journal *International Affairs* denounced what he called the United States' "salami policy" of seeking thin slices of "local wars." If successful, "the local wars will merge and gradually approach the borders of U.S. imperialism's main enemy. ... For a long time now, the imperialists have regarded the Middle East as a base for an attack against the Soviet Union from the south, and hence the anti-imperialist movement of the peoples of the Arab East is considered in the U.S.A. not only a danger to the interests of the oil monopolies but also a threat to U.S. total strategic plans against the Soviet Union," he wrote.

From this standpoint, the Soviets saw the destabilization of Czechoslovakia as a "slice of the salami" that cut very close to home.

The CFR's strategy

The way the Council on Foreign Relations and its British allies saw the Czech situation, they would win no matter what happened. Either the Soviets would back down and allow Czechoslovakia to break out of the Warsaw Pact and join the International Monetary Fund and World Bank. Or the Soviets would blow the whistle and invade, which would put an end to the pan-European cooperation for economic development which the Soviets and French President Charles de Gaulle were rudely threatening to unleash.

Just as the December 1979 NATO decision delivered a major setback to the European Monetary System's potential to become an effective war-avoidance instrument that would pull in the Soviet Union as well as the United States for high-technology Third World development, a similar process was operative in 1967. De Gaulle had proclaimed as his goal European-wide economic progress "from the Atlantic to the Urals," and visited Moscow in 1966—after his break with NATO—to discuss how this could best be implemented. The Soviet-led economic community, the Council for Mutual Economic Assistance, announced the same year a "very elastic approach" in offering its unit of account, the gold-backed transferable ruble, for use by non-member-countries—hinting at a global shift away from the Bret-

ton Woods-International Monetary Fund monetary system. Through 1966 and 1967 the Soviets launched an unprecedented diplomatic offensive through Europe, calling for a European-wide conference on security and cooperation.

The tanks rolling in to Prague, combined with the weakening of General de Gaulle after the May 1968 student demonstrations in Paris, brought all this to a sudden halt.

The Prague "thaw" was by no means the spontaneous search for human freedom that it is portrayed in the West. It was a masterful dirty-tricks operation run by the combined forces of British intelligence, the Jesuit Order, American operatives allied with Zbigniew Brzezinski, and the West German networks of Willy Brandt and Franz Josef Strauss.

British Ambassador Barker, a "former" intelligence officer, was a key on-the-scenes coordinator in Prague. During World War II, he had worked with many people in the exiled Czech staff in London, many of whom returned to Czechoslovakia after the war. The U.S. embassy in Prague worked closely with Barker, and in 1968 when the Soviet invasion began, the embassy incinerator was stuffed with so much "confidential material" concerning U.S. operations in the country that a fire broke out in the embassy and raged out of control.

Zbigniew Brzezinski, then a professor at Columbia University's Russian Institute, was, with his Jesuit trainers, one of the architects of the "convergence theory" that was to provide the framework for the Czech operation. "The basic assumption of the new approach," he wrote in 1965, "was that mere verbal hostility would not overthrow the communist regimes. ... Instead of waiting for the communist regimes to collapse, the United States would henceforth bank on promoting evolutionary changes within the movement and within the bloc as a whole." Brzezinski traveled to Prague at the height of the ferment in that country, stating at a lecture there in June 1968: "I reiterate that we in New York welcome these events...the old values are actually being realized in a new form."

"One world" theorists from the Jesuit order, and its cothinkers like Roger Garaudy (then a member of the French Communist Party and an adherent of Jesuit theorist Teilhard de Chardin), flocked to Prague to preach the "Christian-Marxist dialogue" and to push for a revival of novelist Franz Kafka, the 1920s writer of surrealistic tales about the "alienation of man." This provided the intellectual climate for the "Prague Spring" explosion of Jacobinism.

Retrenchment

After initial efforts to ignore what was going on in Czechoslovakia, the Soviet leadership finally saw no

choice but to move in. As Soviet party chief Leonid Brezhnev told the Czechoslovak leadership in March 1968: "the blood of 20 million Soviet people was not shed in World War II so that the imperialist camp could move to the very threshold of the Soviet Union."

The Soviet invasion produced a Cold-War hardening in both halves of Europe. Denunciations of "Soviet imperialism" rang out in the parliaments of the West, with most of the Communist parties joining in to one degree or another. While some hard-core Anglo-American "kooks" pushed for the U.S. to apply its new "flexible response" doctrine with a show of military strength against Moscow, this grouping did not control the White House.

President Lyndon B. Johnson, who had been making overtures toward the U.S.S.R. for improving relations and getting strategic arms limitation talks going, reportedly issued orders to U.S. officials not to comment publicly on the crisis. Johnson's restraint led Sir Fitzroy Maclean, a top British intelligence controller, to issue this call to arms in July 1968: "Today Czechoslovakia is once more threatened with armed aggression. It seems scarcely conceivable that, in such a situation, no word of warning should be uttered by any Western statesman...."

Western Europe's press began playing scare stories of U.S. "abandonment" of Europe, of a new division of the world into "spheres of influence." This paved the way for a significant reconsolidation of NATO, which was still smarting from France's withdrawal.

At NATO's first ministerial-level meeting after the Soviet invasion, in November 1968, the European member countries for the first time pledged a larger financial contribution than the United States. Even France showed signs of moving back into closer military collaboration with NATO; France agreed to cooperate with the new NATO Maritime Air Forces Mediterranean command in monitoring Soviet naval operations. The November meeting resolved that NATO's "continued existence is more than ever necessary," and warned that any further Soviet intervention by force in Europe or the Mediterranean would "provoke an international crisis of grave consequences."

On the Soviet side, a parallel retrenchment occurred. The military press began to stress the need for "the least possible dependence on the capitalist countries," and East Germany's hard-line leader Walter Ulbricht proclaimed the necessity "to solve each and every important scientific-technological, military, economic, or other problem through [the socialist community's] own strength and with its own resources."

British agents-of-influence in the Soviet Union and the German Democratic Republic steered the Soviet reaction in the direction of blaming West German "revanchism" for the whole affair, putting out the line that

West Germany had intended to invade Czechoslovakia. In September 1968, authoritative commentaries in Pravda asserted the U.S.S.R.'s treaty rights under the World War II Potsdam Accord and the U.N. Charter to intervene militarily in West Germany if necessary to suppress "a rebirth of German militarism and Nazism" and to prevent "a renewal of aggressive policy" by that former enemy state!

This turn toward Cold War reversed itself only gradually, as Soviet President Brezhnev consolidated his own personal power and support within the Kremlin leadership for a renewed detente initiative toward the United States and Western Europe. The winding down of the Vietnam war and the openness to a detente policy of the new Nixon administration created the potential for such a shift.

By March of 1969, the Warsaw Pact Political Consultative Committee overcame resistance from Ulbricht and the other hardliners, issuing a new call for a European-wide conference on security and economic cooperation. Said the statement, "a firm system of European security creates the objective possibility and the necessity of carrying out large-scale projects through joint efforts in fields directly related to the well-being of the entire continent's population: power engineering, transport, the condition of the air and water, and public health. It is this area of common concern that can and must become the foundation of European cooperation."

The decisive turn toward detente with the United States occurred during early 1971, when Brezhnev for the first time took full personal charge of relations with West Germany and the U.S., and of the Soviet position in the SALT negotiations. A channel of personal, confidential communications was opened between the Soviet leader and President Nixon, which resulted in the May 1971 agreement breaking the impasse on the SALT talks. The Soviet Communist Party's 24th Congress in March of that year revealed that Brezhnev's position was now firm and that the Soviet Union was on the track of "normalization" of relations with the United States.

In 1980, in the aftermath of the Afghanistan crisis, it will not be possible to wait three years for the world to get back onto that track. The fuse to World War III is much shorter than it was in 1968. The U.S. administration is under the complete control of the Council on Foreign Relations war policy. China threatens a new invasion of Vietnam which the Soviet Union will not ignore. Soviet President Brezhnev is aging and ill and not able to mount the kind of vigorous factional battles he did during the aftermath of "Prague Spring," and the question of Brezhnev's successor remains unsettled. Responsible governments will have to act now to ensure that the profiled Cold War response of 1968 does not occur now.

—Susan Welsh

II. Carter's foreign policy debacle

The 'China Card'

Brown asks arms pact of cautious Chinese

One can only wonder what glazed expression graced the features of U.S. Secretary of Defense Harold Brown as he told Chinese tank commanders, according to WCBS news, "I hope one day American troops and Chinese troops will stand together against the common enemy."

Apparently, Brown and the entire Carter administration have lost all sense of self-restraint in their pursuit of Zbigniew Brzezinski's vision of a U.S.-China military alliance against the Soviet Union. Even the strident Chinese were reportedly taken aback by Brown's still more strident calls for "wider cooperation on security matters," "coordination of policies against the Soviet threat" and "complimentary actions in the field of defense" particularly in regard to the Pakistan-Afghanistan and Thailand-Cambodia "theaters."

Rather than immediately embracing Brown's proposal the Chinese responded with repetitions of their standard polemics against Soviet "hegemonism."

Brzezinski and Secretary of State Cyrus Vance completely revamped the long-scheduled Brown trip following the Soviet march into Afghanistan. They decided that forming closer security ties with China was the most effective way to respond to the Afghan crisis. U.S. officials commented, "The Soviets have forced us and the Chinese into a posture in which we both see the world in the same way."

At a Jan. 2 National Security Council meeting, policymakers decided to form a military alliance with China including: sales to China of Western armaments and military-related equipment; joint military aid to Pakistan and Afghan rebel remnants now based in Thailand; and joint military aid to Thailand and the Pol Pot remnants based in Thailand. It is not reported whether the meeting also decided to make explicit an endorsement of China's planned, new invasion of Vietnam.

The Carter administration refused to release details

until after Brown's return to Washington, but confirmed a Chinese report that Brown not only urged China to take actions against the U.S.S.R., but emphasized that "the U.S. and China should coordinate their policies in the face of the Soviet threat."

China, having just seen a demonstration of Soviet ability to move massively and quickly across a border, cautiously welcomed the new U.S. bellicosity toward the U.S.S.R., but declined to agree to full-scale cooperation in any concrete way. Deng told Brown that the two countries should "do something in a down-to-earth way" against the U.S.S.R.

China is expected to continue or even accelerate its long-standing substantial arms aid to both Pakistan and the Muslim Afghan rebels. For more than 15 years, China has been the major arms supplier to Pakistan. Tens of thousands of Chinese coolies have spent years building the Karokarom Highway across the mountains in order to better funnel military and other supplies. Chinese arms have gone for months to Afghan rebels based in Pakistan.

In the Afghan-Iran-Pakistan sphere, however, any Chinese action would put it directly into military conflict with the U.S.S.R. China's vision is directed much more at its efforts to dominate Southeast Asia, with—it hopes—a U.S. guarantee against Soviet retribution. While China arms the remnants of Cambodia's genocidal Pol Pot regime, the United States is boosting military aid to Thailand itself, a good deal of which is funnelled to Pol Pot's allies, the forces of former Prince Sihanouk.

Both U.S. and Chinese high-level military delegations have visited Thailand in recent weeks and months in preparation for an expected renewed Chinese invasion of Vietnam for which Thailand-Cambodia border tensions might provide the pretext. If China invades again, it is quite possible the Soviet Union will extend its military forces from Afghanistan into Pakistan and perhaps take direct military action against China as well. American military sources opposed to Carter's proposed alliance with China are wondering if Brown has promised some sort of U.S. protective military umbrella to China in case of such Soviet response.

—Richard Katz

Documentation

Brown asks war pact; Chinese cautious

The following are excerpts of comments made by U.S. Defense Secretary Harold Brown to his Chinese hosts:

To Defense Minister Marshal Xu Xianquian at the opening banquet:

(Sino-American cooperation) should remind others that, if they threaten the shared interests of the United States and China, we can respond with complementary actions in the field of defense as well as diplomacy. ... Increased cooperation between China and the United States can be an important—and is a needed—element in the maintenance of global tranquility....

We meet at a time of severe challenge to those fundamental principles that sustain a peaceful community of independent nations—principles to which both our countries are committed. In the Middle East, Iranian kidnappers backed by the Iranian government hold American government personnel as hostages, contrary to the most fundamental rules of international conduct. In Southeast Asia, Vietnam, with Soviet backing, has invaded its neighbor Kampuchea (Cambodia), callously inflicting untold human suffering in the process. In Southwest Asia, the Soviet Union has invaded and is occupying a nonaligned neighbor in an effort to subjugate the Muslim people of Afghanistan. The Soviet Union has overthrown a friendly government—one with which it has a peace-and-friendship treaty....

(The U.S. and China) have no reason to be enemies and we have compelling reasons to be friends. (Our previous enmity) diminished our ability to deal with the real threats to our security. ... But now the United States recognizes its stake in a secure, strong, peaceful and friendly China and we believe that China recognizes the benefits it derives from a powerful, confident and globally engaged America ... if we consult closely ... aggression that could precipitate global conflict can be deterred....

It is particularly important that we discuss the situation in Afghanistan, Pakistan, Iran, Indochina and northeast Asia. (We need) arrangements for expanding (contacts between) our defense establishments."

To Chinese Vice Premier Deng Xiaoping:

The United States and the Chinese should coordinate their policies in the face of the threat from the Soviet Union.

The following remarks were made by Chinese Vice Premier Deng Xiaoping in discussions with Defense Secretary Harold Brown:

China and the United States should do something in a down-to-earth way so as to defend world peace against Soviet hegemonism ... all countries in the world should enter into an alliance to deal seriously with Soviet expansionism. ... (the Soviet invasion of Afghanistan is) a grave step taken by the Soviet Union to make a southward thrust to the Indian Ocean, control sea lanes, seize oil-rich areas and outflank Europe so as to gain world hegemony. ... (China will) work together with the Afghan people and all countries and people who love peace and uphold justice to frustrate Soviet acts of aggression and expansion.

The following are excerpts of Chinese Defense Minister Xu Xiangquian's remarks:

People have come to see more clearly that Soviet aggression and expansion are the source of serious threats to world peace and to the independence and security of all countries. All justice-upholding countries and people should unite, take effective measures and fight relentlessly in defense of world peace against hegemony ... we cannot fail to see the growing turbulence and unrest in various parts of the world. ... Recently the Soviet Union has flagrantly made a massive armed invasion into Afghanistan, unscrupulously interfering in the internal affairs of Afghanistan, using tens of thousands of Soviet troops to impose military occupation there and ruthlessly suppressing the Afghan people. (We must view Sino-American relations) in light of the global situation and long-term political and strategic considerations. ... (Brown's visit) will greatly help to promote our relations and strengthen our cooperation in preserving world peace and security.

The 'Islamic card'

Carter's "Islamic Alliance" another paper tiger

One aim of administration policy is to forge an anti-Soviet "Islamic military alliance," backed by NATO and a U.S. military presence on the southern flank of the U.S.S.R. The strategy is to use the Persian Gulf as an area to confront the Soviets. Under the atmosphere of Cold War, Washington is preparing to invade the Persian Gulf, and in so doing shut off the 20 million barrels a day of oil which passes through the gulf to the West.

Washington and London are jointly courting the regimes of Pakistan, Iran, Egypt and Israel which are pegged to become a Chinese-backed foundation of the Islamic alliance. Late last week, U.S. security chief Zbigniew Brzezinski, in a background briefing, stressed the "complementarity of interests" between the United States and Iran. Brzezinski's remark, which stunned conservatives on Capitol Hill, confirms his documented complicity with the Iranian Islamic dictatorship of Ayatollah Khomeini.

The same day that Brzezinski issued his statement, London's Lord Carrington announced he would begin a tour of Pakistan, China, Saudi Arabia, Turkey, and India. Tass attacked the Carrington tour as an effort to build support for "Muslim rebels" in Afghanistan.

The day after Brzezinski's briefing, Secretary of State Cyrus Vance began a round of talks with Sadiq al-Mahdi, a Sudanese Islamic leader and fellow-traveller of British intelligence's Muslim Brotherhood. Vance later met with United Nations Secretary General Kurt Waldheim and the pro-Khomeini, liberal Irish lawyer, Sean Macbride, to discuss setting up a tribunal to investigate the crimes of the shah as a means of acquiring a release of the hostages. A covert agreement on freeing the hostages by Washington's calculations would clear the way for Iran to join the anti-Soviet alliance.

Both Sadiq al-Mahdi and MacBride visited Iran under the aegis of the United Nations Educational, Scientific and Cultural Organization (UNESCO). Their purpose in Iran complemented that of Waldheim's. To say the least, their activity calls into question the neutrality of the United Nations Organization.

The Kuwaiti daily *Al Qabaas*, on Dec. 31, questioned the relationship Brzezinski is cultivating with "Islam"

and concluded that the U.S. has decided to "mobilize Islamic forces against the Soviet intervention into Afghanistan in light of a discouraging Soviet response to U.S. ultimatums against such a move." *Al Qabaas* cites plans studied by Brzezinski's National Security Council "aimed at forming a unified Islamic front and reviving a CENTO-type alliance, which was a military alliance comprising the Islamic countries of Iran, Turkey and Pakistan in addition to the U.S. and Britain..." In another commentary from the United Arab Emirate daily, *As-Siyassah*, on Jan. 1, European diplomatic sources are cited as having warned the U.S. repeatedly, well in advance of the Soviet intervention in Afghanistan. *As-Siyassah* concludes that Washington did not heed the warnings, based on its calculation that "the Soviets would encounter hostility from the Islamic world."

Last month a delegation from the Department of Defense held secret talks with the governments of Oman, Somalia, and Kenya over future U.S. military presence within those countries. Reports this week indicate that all three nations gave the U.S. a green light.

In truth, Washington's "Islamic allies" are not reliable. Consider an "Islamic military alliance," composed of Pakistan and Iran, highly unstable and militarily no match for anyone. Soviet troops are massed on the Iranian border, and Soviet Ambassador to Iran, Vladimir Vinogradov, assured the Iranian regime that his government was prepared to move into Iran militarily if the U.S. sent troops in. Such sobering warnings, plus the military display of Soviet capabilities in Afghanistan, make Brzezinski's "Islamic card" as much of a "paper camel" as his "China card" is a "paper tiger."

Understandably, therefore, the partners to the Camp David agreement, Egypt and Israel, are being cultivated by London and Washington as the cornerstone of the anti-Soviet bloc. Earlier this week, Egyptian Defense Minister Gen. Hassan Ali revealed that Egypt and the U.S. had already begun joint military maneuvers in preparation for a possible move into the Persian Gulf from Egyptian territory. Sadat, the day after the Soviets occupied Afghanistan, offered Egyptian soil to the U.S. military. At the same time, Egyptian Vice President Hosni Mubarak began a tour whose itinerary is nearly identical to that of Lord Carrington.

Israeli Premier Menachem Begin and Sadat commenced a series of meetings this week in Aswan, Egypt. Press accounts of their talks indicate that the two focused primarily on "stopping the Soviets" and "defending" the Persian Gulf.

The Saudi Arabian obstacle

Saudi Arabia and its OPEC ally Iraq remain prime obstacles to the "Islamic Pact" scheme. According to highly placed oil industry sources, the Saudis are refusing

to play along with Brzezinski's Islamic card and instead are attempting to undercut Egyptian President Sadat by organizing the Islamic nations of the Arab world and the Indian Ocean region under Saudi Arabian leadership.

Fred Dutton, a public relations agent for Riyadh, is cited in the *Christian Science Monitor* Jan. 8 saying that the royal family wants nothing to do with an alliance with Pakistan, but is interested in pursuing close relations with the new government of India's Indira Gandhi. Saudi Arabia's recently established security agreements with Iraq, which has a military treaty with Moscow, in combination with Gandhi, who has always had friendly relations with the Soviets, presents a formidable obstacle to the realization of London-Washington's objective.

Sadat challenged the Saudis in an interview with Al-Akhbar two weeks ago. According to the *Guardian* Dec. 27, Sadat boldly stated that the Saudis got what they deserved when Muslim Brotherhood insurgents occupied the Grand Mosque in Mecca. Sadat reiterated his contempt this week, stating that "all my people" will soon rise up against the Gulf families.

Israeli Defense Minister Ezer Weizman, who just returned from a series of meetings in Washington, this week predicted that the Saudi royal family will be in power no longer than 6 months.

Both Libya and Syria have reacted harshly to Egypt's open complicity with Washington in setting the stage for a U.S. takeover of the Persian Gulf. The same day that Mubarak arrived in Peking, Libya announced that it was severing all trade relations with China and voiced its support for the Soviet Union.

Since the Meccan incident, the leading members of the Saudi royal family have been meeting non-stop, according to a diplomatic source. Saudi Arabia's First Crown Prince, Fahd bin Abdul-Aziz, who is traditionally the strongest policymaking force in the kingdom, has moved quickly to shore up his position. Coinciding with the Meccan incident, a scandal-mongering campaign was unleashed by British intelligence mouthpiece Robert Moss of the London *Daily Telegraph*: to undermine the royal family's credibility, particularly Prince Fahd. But since then Fahd has initiated a major clean-up operation of the Saudi military and the government in Mecca. A former Middle East diplomat interpreted this as the first in a series of shake-ups aimed at cleaning out corruption. Japanese radio yesterday predicted that there would be a major cabinet shake up soon in Saudi Arabia as part of the campaign.

—Judith Wyer

Documentation

Prince Fahd warns U.S.A.

Saudi Arabia's most influential leader, First Crown Prince Fahd, said the following during an interview with Le Figaro Jan. 9.

Q: Since the events in Mecca, Saudi Arabia has been aware of being the victim of a slanderous press campaign which twisted the facts. Didn't you ask Brzezinski if the American Administration was linked to that campaign of slander?

A: That's right, and America sent David Newsome to assure me that the campaign did not reflect the opinion of the government. The press is free in America, he said. I told him, we accept criticism, but not lies. It's not in the interests of the American press or the American people to see an unjust campaign forming against us. Especially at a time when those who proclaim themselves friends of the U.S are rarer and rarer. Our friendship is not based on sentiment but on reciprocal advantages. There is no single state in the U.S. which does not profit from our friendship....

Hundreds of well-known Americans sent us telegrams condemning the campaign. It is in the U.S. interest to see its friendship with Saudi Arabia place itself on the level of today's events. ... We don't want a one way friendship. Nothing forces us to be friends with America. Numerous other alternatives are offered to us in the military, economic and technological domains. There are many other countries, which, like the U.S. are ready to supply everything we need. We can replace American aid without difficulty ... all the European countries which have capacities in the industrial-technological fields, and in the field of defense. But we are faithful to our friends.

Q: In the U.S. recently, I heard that a new campaign is in preparation specifically directed against the Saudi royal family, that would be launched against it at the end of the Iranian crisis.

A: That's possible and we are preparing ourselves. If it was the case, we would not remain silent. We have done this for too long. We would exercise our right of legitimate defense. There are sincere people in the U.S. who appreciate the value of American interests in Saudi Arabia. They should protest against such a campaign. They should ask if American policy is not identical to Zionist policy.

III. Europe struggles to save detente

Allies going sane?

New monetary system to save detente

France and West Germany have told the Carter administration that they will not permit the Afghanistan crisis to wreck detente. Not only have they refused to go along with the trade embargo against the U.S.S.R. sought by Carter—they have renewed their efforts to push through a new international monetary system based on high-technology, industrial development to remove the danger of “hot spot” crises leading to war.

French Foreign Minister Jean François-Poncet declared at a Jan. 6 press conference that France will not allow a revival of the Cold war; he called for “reestablishing the basis of international monetary and economic stability” in a way that will promote economic progress in the developing sector. French President Valéry Giscard d’Estaing is scheduled to make new proposals for revamping the world monetary system this spring. West German Chancellor Helmut Schmidt traveled to Paris Jan. 9 for urgent and unscheduled consultations with Giscard, while the disarmament spokesman for Schmidt’s Social Democratic Party, Alfons Pawelczyk, flew to Washington to try to get Carter and the Congress to keep detente on track.

Shocked at Washington’s readiness to throw detente to the winds over Afghanistan, a country well outside the U.S. defense perimeter, Western Europe is looking carefully at the presidential campaign of Democrat Lyndon H. LaRouche, Jr., who is widely known in Europe as the intellectual author of the European Monetary System. This was strikingly demonstrated by the statement of Silvio Golzio, president of the Italian Banking Association, concerning LaRouche’s campaign. “It seems to me very important and positive that there exists a candidate for the U.S. presidency who puts at the top of his program the realization of a monetary system based on gold.”

The Bonn and Paris governments founded the European Monetary System (EMS) one year ago as precisely the kind of war-avoidance measure LaRouche outlined in his widely circulated 1975 “International Development Bank” proposal. But due to outright sabotage by the United States and Great Britain, the EMS has not moved beyond its initial currency stabilization provisions into the “phase two” of a new monetary system.

The threat of a cutoff of Iranian oil supplies is just one weapon Washington and London have used to good effect to keep Continental Europe cowed.

With NATO’s Dec. 12 decision to deploy nuclear missiles in Europe which would be capable of reaching Soviet territory, Western Europe was on the retreat. The Afghanistan “warning” delivered by the Soviets has been taken in Washington as the last straw which destroys detente once and for all.

But the Carter administration is not getting its way, with France taking the lead for Western Europe, heeding the Soviet “warning.” Giscard convened the diplomatic corps in Paris Jan. 3 to announce that France is unconditionally determined to go ahead with the policy of detente and cooperation. The following day, he reportedly told the press “off the record” that the Soviet intervention in Afghanistan may not have been “premeditated.”

Then Giscard’s Foreign Minister François-Poncet said at his Jan. 6 press conference that unless detente is pursued with the Soviet Union, there will be a massive arms buildup which is in no one’s interest. Rejecting the Carter administration’s call for economic sanctions against the Soviets, François-Poncet emphasized that while the United States has refused Most Favored Nation status to the Soviet Union on political grounds, and its trade with the U.S.S.R. is relatively minimal, France’s trade relations are “completely different.” France exports a great deal of advanced technology to the Soviet Union and imports more oil from there than it does from Iran, so for France economic sanctions are out of the question, he said.

While independent-minded France has taken the lead in defending its detente policy, the Federal Republic of

Germany's refusal to go on an anti-Soviet confrontation course has the Anglo-American "war now" faction most dismayed. As the *Frankfurter Allgemeine Zeitung* commented Jan. 8, "France has always tended to distance itself from America," but now "people are starting to go around with the same approach in the Federal Republic."

Stressing that Bonn and Paris have essentially the same policy line, the Italian Communist Party daily *L'Unita* commented Jan. 8 that it is now clear to both countries that the Soviets will only become more rigid if they are threatened, and so the only effective way to deal with them is to launch some new detente signal. This is the only way to prevent the conflict from expanding to include the East and West as a whole, *L'Unita* said.

Bonn's view was officially confirmed by Chancellor Schmidt in a press conference in Madrid Jan. 9, following talks with Spanish Premier Suarez. Calling the Soviet move into Afghanistan a danger, Schmidt stressed the need for more dialogue with the East, and said there was

'Overheard' at the Elysee

On Jan. 4, during a New Year's party given for press at the Elysée Palace, President Valéry Giscard d'Estaing, who had forbidden anyone from taking notes, was reported to have said that: "It is possible the intervention of the U.S.S.R. into Afghanistan was not necessarily preplanned. One cannot say it was premeditated. Perhaps it was determined by the internal situation in Afghanistan." He also was heard saying: "The accumulation of dangers which we see in the Middle East is a fact. A thoughtful country such as ours cannot ignore that. It is not so much the situation in Afghanistan which is dangerous—though it poses grave problems—it is the tensions which are growing in the Middle East."

Those statements created quite a stir, understandably. Giscard seemed to have almost expressed sympathy for the Soviet views on the matter. The Elysée put out a release to the effect that statements made by the President had "reportedly been circulated in a distorted form and should not be considered official declarations." However, the interview on Radio Europe given by Foreign Minister Jean François-Poncet, suggested that while the Elysée does not endorse the Soviet invasion of Afghanistan, France will act to preserve detente and to restrain others from wild reactions.

no reason to think of postponing his upcoming meeting with East German leader Erich Honecker. "Concerning the field of East-West relations," he said, "It is within the interest of the European states ... not to dismantle that which has already been achieved."

Schmidt has also forced his Foreign Minister, Hans Dietrich Genscher, into line. In a speech Jan. 6 Genscher condemned Soviet "violation of the principle of peaceful coexistence," but nevertheless warned those "who think they have a chance now of imposing a shift on our detente policy. ... We will not allow a fall-back into the cold war. We will not allow the achievements of the past decade to be put at stake because of Afghanistan." This is an abrupt change in line for Genscher, who has hitherto limited himself to denunciation of the "reactionary" Soviet move into Afghanistan.

Genscher insisted that "no drastic steps must be taken by the West, but rather long-term policy coordination, especially towards the stabilizaton of the non-aligned Third World countries." Regretting the U.S. decision to postpone consideration of the SALT II treaty, Genscher said that Bonn will not postpone its own efforts for arms control.

Bonn government spokesman Armin Gruenewald told a largely hostile press corps Jan. 7, "I simply refuse to declare the end of detente for the German side."

This policy is strongly supported by West German industrialists, who are particularly adamant that economic sanctions are sheer suicide. The industrialists' association, the BDI, denounced the Carter administration's sanctions policy, saying that "mixing up political with trade questions" is senseless, and political problems should only be solved with political means.

There has as yet been no definitive response from the East to the West Europeans' shift, but East German Foreign Minister Oskar Fischer stated in Vienna Jan. 7 that despite the tense international situation, negotiations must go on, and efforts to improve disarmament discussion must be increased.

Kissinger fears "peace offensive"

These developments produced cries of alarm from former Secretary of State Henry Kissinger in a speech Jan. 7 in Boston. The United States should not worry about a Soviet invasion of Iran or Pakistan, he said, but rather about a Soviet "peace offensive" which Moscow allegedly always launches immediately after every military action it takes, Kissinger said. He speculated that the Soviets will approach the West Europeans in a few months, hoping to split them off from the United States. The U.S. faces a threat at least as serious as that faced in the late 1930s from Germany, he said.

Documentation

Francois-Poncet: 'detente and development'

Jean François-Poncet made the following statements during a Jan. 6 interview on Europe No. 1 Radio Station:

The fear of war is today darkening the horizon; that's a fact. But let us look beyond the immediate reality and view ourselves from the standpoint of the decade. It brings me to make five observations. The first one concerns the world population. In ten years, it will increase by 850 millions. Consequence: for that unique demographic reason, no power can hope to impose on the world its political or ideological hegemony.

The second observation: it is in those regions with an explosive demography, with explosive nationalist, cultural, or religious potential, that in the long run the future of the world will be decided. It is there that the battle will be waged against hunger and poverty for development. It is there that the new powers will assert themselves, such as Brazil, Mexico, Indonesia, India and Niger. ... The West will have to re-establish the bases of international monetary and economic stability. It is one of the great tasks of the decade to come.

Third observation: It is nonetheless what I will call the Northern Hemisphere which, for still a long time to come, will represent the decisive, determining zone for world peace. Any conflict occurring elsewhere must be contained. That would not be the case in the Northern Hemisphere. ... I do not believe that world peace is directly threatened there as long as on each side the leaders keep a cool head and preserve detente.

Fourth observation: It is Europe which will receive the rudest shocks in the Northern Hemisphere because of its dependency, notably for its energy and raw materials supplies. But Europe also has major assets, notably the following: more open to the world than any other continent, it is and will appear more and more as the natural partner of the developing world. It has the means and the technologies but none suspect it of trying to use those to impose an imperialism.

Fifth and last observation: In Europe and in the world, France is well placed for several reasons. It now has institutions that are stable, capable of taking in time the great decisions necessary for the future of the country. It has a great advance in the nuclear domain. It occupies an enviable and envied position in advanced technologies—Airbus, Ariane, Eurodif. It has an independent diplomacy and a national deterrent force. Final-

ly, it has an image in the world which is at the same time original and attractive and which it must develop...

On Afghanistan

Afghanistan since the beginning of the 19th century, has been torn between what is now called the East and the West—then, the empire of the czars, and Great Britain ... it has known several coup d'etats. Of the Soviet military operation starting on Dec. 24 we were informed by the U.S.S.R. on Dec. 27 and we were told the reasons for, at the same time, the existence of foreign interference and the existence of a pact, of an alliance between the two countries. ... The information which we have on the unfolding of events does not corroborate the information we were given. This led us to express, first on Dec. 28, the real concerns of the French government. France proposes to vote the resolution (of the UN Security Council) which in effect demands that the Soviet troops, by withdrawing, allow Afghanistan to exercise its right to self-determination.

Question: Does France plan to take retaliatory measures ... against the Soviets?

François-Poncet: You are here posing the problem of detente. ... As you know France, since 1965 with General de Gaulle, has been the country which has taken the initiative in detente. It is France that advanced it furthest and it is she who has inscribed the global character of detente in the existing agreements between France and the Soviet Union. It appears that the events which occurred are a breach in the global character of detente. It is a situation whose gravity is obvious. What must be the attitude of France? Should it be to conclude from this situation that one must relaunch the cold war, and, that one must hurriedly take a whole series of initiatives, "reprisals" or "retaliatory measures" that would—because this is really what is at stake—unleash a situation where, in fact, the chances for detente would disappear.

As far as we are concerned, we have always thought that detente is balanced, that it bears advantages that are reciprocal and mutual for both parties which engage it, and that before drawing the pessimistic conclusions which you invite me to take, it is important to pursue with the Soviet Union a dialogue, to present it with our reactions, and those of other countries. As a consequence we do not envision reprisals, but we envision conversations with the Soviet Union that will show her that we are attached to detente.

On grain sales

I would like to recall that commercial relations between the United States and the Soviet Union have always been dominated by political concerns. This is so true that the United States has never granted to the

Soviet Union the most favored nation status which is accepted all over the world. Why? Because they wanted to obtain in exchange the modification in the immigration policy of the Soviet Union. This is true in all the other domains and even in trade, which reaches something like ten billion Francs, and thus very little, just a little more than France. This trade is totally unbalanced since the United States has a surplus of 8 billions and it is made up practically exclusively of high technology material and grain. ...

The relations which we, as far as we are concerned, have with the Soviet Union are normal economic relations through which we export all kinds of advanced equipment, albeit not necessarily sophisticated, and we buy full price a whole series of goods, notably oil. We buy more oil from the Soviet Union than from Iran—and also cotton and several raw materials.

As a consequence the relations are totally different and to go further, I will add that France has as a principle not to use its trade relations with states for political ends....

Answering a journalist's remark that he is just "analyzing" things and not taking a position, François-Poncet said:

When detente is at stake, one knows that the opposite of detente is the cold war; that means the armaments race. It is easy to pronounce the word "firmness." This is what is at stake in practice. It is normal that we give ourselves time to reflect. We have taken and we will take an extremely clear position ... it will lead us in the conversations we have with the Soviets over the coming weeks, to present our point of view. We will see what must be the definitive position of France in the long term and not necessarily in the few days or weeks to come. ...

I will tell you that French policy in Africa is in certain respects exemplary when one regards the international situation as it is. Effectively this policy has set its goals as development and not military domination and furthermore, for all that, it doesn't leave defenseless its African friends who are subjected to foreign interference. Isn't it precisely the example of what should be done in other regions of the world? ...

I would like to add that France does not intend in this affair to see its diplomacy all of a sudden aligned with that of other countries. France, may I remind you, has an independent diplomacy and in terms of detente, for the reasons I indicated to you, she has a special responsibility. She is a bit like the witness of detente, a witness without complacency, but a witness who is not ready from one day to the next to undermine what has been built over fifteen years....

Germans: **'No return to the Cold War'**

Hans-Juergen Wischnewski, Secretary of State in the Chancellor's Office, was quoted in the Jan. 4 Die Welt:

Yesterday Wischnewski criticized the Soviets harshly, but at the same time also called for "limiting" the Afghanistan crisis and not expanding it. "This cannot be the hour for cold war."

Armin Gruenwald, Chancellor Helmut Schmidt's Press Spokesman, was quoted in the Jan. 4 Frankfurter Allgemeine Zeitung:

Government spokesman Armin Gruenwald recalled on Friday that Washington has been repeatedly encouraged by Bonn to ratify the Soviet-American (SALT) treaty. Chancellor Schmidt, who is still on vacation in Mallorca, is in constant contact with Foreign Minister Genscher. Both politicians agree that the Soviet Union's march in the Near East will not be without its effects on detente policy and see Carter's reaction as confirmation of this. But both also see no reason to question in principle the justification and necessity of the policy of detente in domestic political discussion. Therefore Bonn is also striving to resist the Americans' growing pressure for speculative 'actions' against the Soviet Union.

Foreign Minister Hans-Dietrich Genscher was quoted in the Jan. 7 daily Frankfurter Rundschau:

Genscher said in Stuttgart that what is called for now more than ever before are sober and responsible decisions. Those who want a readjustment in foreign and defense policy are acting just as dangerously as those who view good conduct as a means of policy. Genscher stressed that a return to cold war would not give the Liberal Party any advantage. What has been achieved in the last ten years cannot be placed in jeopardy. Those who now see a chance to reverse the policies of the last ten years must change their opinion.

Armin Gruenwald was quoted again in the Jan. 8 Frankfurter Rundschau:

In contrast to various opposition politicians, the Federal Government sees no reason for a basic change of course in its policies dealing with detente and the East, despite the Soviet invasion of Afghanistan. On Monday in Bonn, before the international press, government

spokesman Armin Gruenwald stated, after sharp questioning, that "I myself refuse to declare from the German side that detente is finished."

Siegfried Mann, Business Director of the German Industry Association was quoted in the daily Die Welt of Jan. 8:

It is confirmed from past experience that only exceptionally limited effects can be achieved by politicizing foreign trade through an economic boycott and embargo measures. Serious world political problems cannot be permanently solved through the economic means of foreign trade.

Hans Hartwig, President of West Germany's Federal Association of Major and Foreign Traders (BGA) was quoted in Die Welt of Jan. 8:

In a highly developed, diversified economy, embargo measures are difficult to control, and in the long term, their disadvantageous consequences for free world trade can hardly be assessed.

Italian bank chief: 'LaRouche plan important'

The president of the Italian Banking Association (Associazione Bancaria Italiana or ABI), Silvio Golzio, has endorsed the proposal of Lyndon H. LaRouche, Jr., U.S. Democratic presidential candidate, for reorganizing the world monetary system. In an interview with our Rome correspondent, Golzio, also a member of the Vatican Council of State, said that it is "important and positive" that a U.S. presidential candidate puts "the realization of a gold-based monetary system at the top of his program."

This support from the recently retired head of the Creditor Italiano—one of the three largest banks in Italy and among the top ten banks of Europe—is being read as indicative of support among leading Italian influentials for the sole U.S. presidential candidate who opposes those policies of the Carter administration—notably, the destruction of the U.S. dollar—which have produced the current world strategic crisis and prompted Soviet action in Afghanistan.

Nor is the Italian population being kept in the dark on the banking community's opinions. On Jan. 9, Il Tempo, Italy's second largest circulation daily, covered Golzio's statements in support of LaRouche's economic program, while Jan. 10 saw front-page coverage of his remarks in Il Fiorino, the national business daily.

Here are excerpts of the interview Golzio gave to the Executive Intelligence Review.

Q: What do you think of LaRouche's proposal to broaden key U.S. financial institutions in conjunction with the European Monetary System so that they could attract financial flows through issuing obligations on the basis of gold?

A: It seems to me very important and positive that there exists a candidate for the U.S. presidency, LaRouche, who puts at the top of his program the realization of a monetary system based on gold, even if the abnormal rise of the gold price makes its realization difficult. In the present conditions of grave monetary crisis, it is essential not only to stop the inflationary process in the U.S., but to reconstruct, on a less precarious basis, the international monetary system. Notwithstanding certain inconveniences, a gold base is preferable to the state of chronic and growing uncertainty linked to the monetary system, conditioned by economic policies of countries which feel only inflationary jumps. It is difficult for me to give a response on the immediate possibility of realizing LaRouche's proposals of a technical character; I can only say that they seem to me to be worthy of the most careful consideration. We all know that a more stable encouragement of the monetary system is the indispensable condition to confront the disequilibrium that results from the accumulation of foreign reserves by countries such as the oil producers; and until the monetary system is reorganized adequately, it will be difficult to recycle such liquidity into productive investments, and thus determine preconditions for industrial development and the expansion of international trade. In this sense the proposal to coordinate economic and financial policy between the U.S. financial apparatus, and those of the European Monetary System, seems useful and positive, provided the latter consolidates itself as an effective instrument of monetary unity for the countries which participate in it.

Q: In view of the situation in Afghanistan and Iran, many people speak of the danger of world war. What can you say about this?

A: Extreme political tension, and the threat of conflict, are weighing upon economic events. It appears indispensable to establish a secure basis for international collaboration with multilateral agreements, in which the developed countries—above all the U.S.—the oil producing countries, and the Third World, can agree. Accords of this kind could reopen a dialogue which now seems to be interrupted. I would like to recall, apropos of this, Paul VI, who said that peace is not reducible to the absence of war, but is built day by day.

The Indian election: A new power in Asia

by Paul Zykofsky
Asia Correspondent

The awesome victory of former Prime Minister Indira Gandhi in last week's Indian elections has dramatically shifted the strategic and political reality in the entire South Asian region. After two-plus years of an unstable coalition government in India, a period characterized by rising communal, caste, and regional tensions and economic collapse, there will now be a strong stable central government in India. Mrs. Gandhi has proven herself one of the toughest political fighters around anywhere in the world today, carrying out a political comeback from the depths of personal and party defeat in 1977 when she was judged "finished" in Indian politics.

A Gandhi-led India is certain to play a strong role, not only in Asia but globally, particularly if the Indian economy can realize the tremendous potential represented by its present status as one of the top 10 industrial nations in the world. Mrs. Gandhi made economics one of her major issues in the election campaign, hitting hard at the inflationary decay of the economy since the Janata party came to power in 1977 and going further to identify the policies of the Charan Singh/Lok Dal government, which succeeded Prime Minister Desai last summer in a split of the Janata coalition, as anti-industrial. She is committed to restoring industrial growth, attacking on one nationally broadcast speech the World Bank's doctrine of "appropriate technology" and dismissing the populist demagoguery of Singh's countryside versus the cities campaign.

The scale of the Congress (I) majority is in the range of two-thirds, which has a special significance in giving them the ability to amend the Indian constitution in the parliament. The victory was nationwide, leaving by the wayside predictions of the ascendant role of regional, caste, and communal (Hindu versus Muslim) factors becoming dominant in Indian politics. Hardly anyone predicted an outright majority for Mrs. Gandhi with the exception of the Indian weekly *New Wave*, whose editor Ganesh Shukla told this writer well before the election that: "When the Indian people move, they move in vast waves." Those who were predicting a close call simply failed to appreci-



The election results

(as of Jan. 9)

Party	Seats*
Congress (I)	349
Lok Dal	41
Communist party	
Marxist (CPM)	35
Janata	32
Congress (U)	13
Communist Party	
of India (CPI)	10
DMK	16
AIDMK	2
Muslim League	3
National Conference	
Akali Dal	1
Independents	6
Others	12

* with 522 out of 525 seats reported
NOTES: The DMK and AIDMK are regional parties in Tamil Nadu, the former allied with Congress (I); the Akali Dal is a Punjab-based party; the National Conference is Kashmir-based and allied with the Congress. Muslim League is also Congress-allied.

How the states voted

1. Andhra Pradesh 42 seats

41 — Congress I
1 — Congress U

2. Assam 14 seats (only 2 contested)

2 — Congress I

3. Bihar 54 seats**

29 — Congress I
8 — Janata
5 — Lok Dal
4 — Congress U
4 — CPI
3 — Others

4. Gujarat 26 seats

25 — Congress I
1 — Janata

5. Harayana 10 seats

5 — Congress I
4 — Lok Dal
1 — Janata

6. Himachal Pradesh 4 seats**

3 — Congress I

7. Jammu and Kashmir 6 seats**

1 — Congress I
1 — Congress U
2 — National Conference
1 — Others

8. Karnataka 28 seats

27 — Congress I
1 — Janata

9. Kerala 20 seats

5 — Congress I
4 — Congress U
2 — CPI
4 — CPM
4 — Others

10. Madhya Pradesh 40 seats

35 — Congress I
4 — Janata
1 — Independent

11. Maharashtra 48 seats

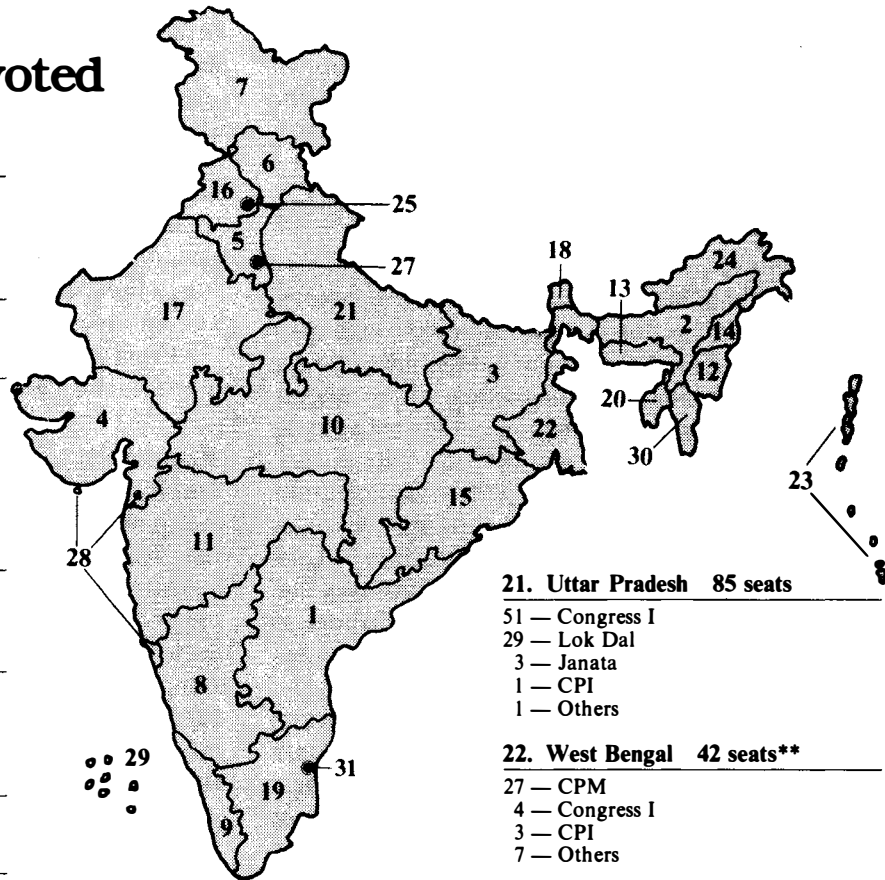
39 — Congress I
8 — Janata
1 — Congress U

12. Manipur 2 seats**

1 — Congress I

13. Meghalaya 2 seats**

1 — Congress I



14. Nagaland 1 seat

1 — Other

15. Orissa 21 — seats**

19 — Congress I
1 — Lok Dal

16. Punjab 13 seats

12 — Congress I
1 — Akali Dal

17. Rajasthan 25 seats

18 — Congress I
4 — Janata
2 — Lok Dal
1 — Congress U

18. Sikkim 1 seat

1 — Other

19. Tamil Nadu 39 seats

20 — Congress I
16 — DMK
2 — AIDMK
1 — Other

20. Tripura 2 seats

2 — CPM

21. Uttar Pradesh 85 seats

51 — Congress I
29 — Lok Dal
3 — Janata
1 — CPI
1 — Others

22. West Bengal 42 seats**

27 — CPM
4 — Congress I
3 — CPI
7 — Others

The following are Union territories:

23. Andaman and Nicobar Islands 1 seat

1 — Congress I

24. Arunchal Pradesh 2 seats**

1 — Congress I

25. Chandrigargh 1 seat

1 — Congress I

26. Dadra-Ngarhaveli 1 seat

1 — Congress I

27. Delhi 7 seats

6 — Congress I
1 — Janata

28. Goa, Daman, and Diu 2 seats

1 — Congress U
1 — Others

29. Lakshadweep Islands 1 seat

1 — Independent

30. Mizoram 1 seat

1 — Independent

31. Pondicherry 1 seat

1 — Congress I

** only those indicated were reported

ate the vast outpouring of support for the national leadership of Mrs. Gandhi, not out of simple disgust at the failures of the Janata, the now-clichéd explanation of her victory, but out of a strong commitment to the progress of the Indian nation, which Mrs. Gandhi represents more than any other individual.

The strategic implications

The U.S. and British press have hardly concealed their terror at the election outcome, complete with speculation over how soon Gandhi will lead India into the lap of the Soviet Union. In the context of the Afghan events, Pakistan is now depicted squeezed in between the Soviet Red Army on one side and a ferocious Mrs. Gandhi on the other—a view perhaps held in some circles in Pakistan itself. Such glib pronouncements ignore, as they usually do, the fundamental fact of what India is and who Mrs. Gandhi is—a nation with an identity that is not “Third Worldist” in essence and a leader who is, as she always says, not pro-American or pro-Soviet, but pro-Indian.

The most significant signals of where Mrs. Gandhi intends to take India will come at the end of this month when French President Giscard d'Estaing comes for a visit, providing a unique and early opportunity for these two “Gaullists” to forge a close relationship based on both mutual economic interests and appreciation for each other's independent stance as powers in the world. It is certain that France already appreciates that India will no be *the* dominant power in the region, but that with chaos reigning in Iran and soon perhaps in Pakistan, India's influence may extend far both to the West (into the Middle East) and to the East (into Southeast Asia).

The Soviet Union's ties to India are longstanding and substantive, including in the economic area, but the Soviet leadership also missed the boat on Mrs. Gandhi's comeback. The local pro-Soviet Communist Party of India waged a vigorous campaign against Mrs. Gandhi, reversing a traditional Communist policy of support for her and the Congress. Brezhnev and Soviet Premier Kosygin are reported to have immediately sent a warm message of congratulations to Mrs. Gandhi in an effort to mend some fences.

Mrs. Gandhi, for her part, has already made clear that she has no intention of playing games with the Anglo-American “arc of crisis” policy. In an interview with ABC-TV's Barbara Walters immediately after her victory, she downplayed the import of the Soviet move into Afghanistan, stating that it was largely an internal affair of the Afghan government and its treaty relations with the Soviet Union. Rather she said the Soviet move was a response to the U.S.-China alliance in the region

and went further to warn that massive U.S.-Chinese arming of Pakistan would be seen as primarily a threat to India, not to the Soviet Union. Mrs. Gandhi had already pledged in the Congress election manifesto to recognize the Heng Samrin government in Kampuchea, a clear rebuff also to China which is still viewed in Delhi as India's major security problem.

The unfolding of the Indian role will take place at the pace Mrs. Gandhi and the actions of others dictate, but it will be a new era which is unfolding in Asia under any circumstances.

From this standpoint, we turn to the election itself for a brief look at the returns and what they mean.

From disaster to victory

Gandhi fought her way to victory from the depths of the 1977 defeat with a combination of unflinching courage and the most acute political insight, unmatched by any Indian leader. While the Janata government plunged the country into economic chaos and a breakdown of stability marked by violent communal (Hindu versus Muslim) and caste clashes, Gandhi slowly rebuilt her own political machine despite repeated efforts by the ruling party to bar her from politics and even jail her.

Slowly over the last year, mainstream Congress forces have been brought back into the party. The electoral slates in every state in this contest were filled with Congress leaders knowledgeable in government and politics, in sharp contrast to the ruralist-dominated Janata and Lok Dal parties. The criteria of the voters was national interest, not the much talked about caste and communalist tendencies exploited by the ruralist candidates. The election was a referendum for prime minister. As one victorious congressman from Delhi put it, “Mrs. Gandhi was a candidate in every constituency.”

State-by-state trends

A quick view of the trend in the various Indian states shows this reality. The Congress-led alliance in Tamil Nadu, a traditionally regional-chauvinist dominated state, produced 37 out of 39 seats for the Congress. In Gujarat, the home state of former Prime Minister Desai, Congress took 25 of 26. In Rajasthan and Madhya Pradesh, known as strongholds of the Janata-linked Jan Sangh communalists, the Congress was handily winning.

The Hindi belt

The vote in areas which drove the Congress from office in 1977 was overwhelmingly in favor of the Congress this time around. New Delhi voters punished the

formerly Jan Sangh stronghold for urban lawlessness and unrelenting inflation—now at 25 percent. In New Delhi six out of seven constituencies went to the Congress where it had lost all of them in the last elections. In Uttar Pradesh, the heart of the Gangetic Plain and India's largest state where the Congress was swept from power in 1977, this time the Congress took the state with ease. In the south, where the Congress won in the last election, the margins were huge in its favor. The only national exception was West Bengal where the Communist Party-Marxist (CPM) was carrying the state.

Winners and losers

Leading the winners among individual political leaders was Gandhi, who won by a landslide margin of over 200,000 in Medok. Other notable winners were Congress General Secretary H.N. Bahuguna and numerous Congressmen including Mrs. Gandhi's son, Sanjay Gandhi. Two other contenders for the Prime Ministership, Jagjivan Ram (the Janata head) and Charan Singh (Lok Dal and current Prime Minister) also won their seats as did former foreign minister and Jan Sangh leader Vajpayee.

Political pundits saw the voters as "apathetic" and "uninterested" but returns showed the contrary. Almost 60 percent of the total eligible voters cast their ballots (300 million voters). Some areas recorded much higher percentages.

After 24 hours of returns, no other party except the Congress had recorded double digit returns in the number of seats won. The Times of India explained the verdict in the following terms: "By electing Mrs Gandhi as their nominee to the Lok Sabha in an overwhelming majority, the people of India have given themselves another chance to renew the task of building a viable nation-state. This is the essential significance of the unprecedented victory of the Congress (I)."

The challenge ahead for Mrs. Gandhi

This defines the challenge ahead for Mrs Gandhi. Some indicators of the critical issues were evident in the first announcements following the Congress mandate. Gold and silver prices fell massively and the stock market stabilized for the first time in two and a half years. Commodity speculators and black marketers who enjoyed a field day under the Janata waited to hear from the new government. The reflection of this was the immediate fall in prices of essential commodities in all areas. One analyst, interpreting the stabilization of the stock exchange, said that it reflects that a consensus exists within the population throughout all walks of life who want economic growth.

Soviets poised

Iran break-up looms; what after Khomeini?

For months, this publication has reported details on a special plan of the British Special Intelligence Services to "balkanize" the Middle East into feuding principalities and tribal regions.

In particular, *EIR* has emphasized that this plan—named "the Bernard Lewis Plan" in honor of the Princeton University-based British Islamicist who authored it—was the basis for replacing the Shah of Iran by the British with the unstable and chaotic Ayatollah Khomeini regime: Iran was destined to be split into pieces, to trigger similar break-ups in Iraq, Pakistan, Saudi Arabia, Syria, and elsewhere.

In the past days Iran witnessed unprecedented levels of ethnic and regional unrest and, from all appearances, the Lewis scheme has taken on a life of its own. However, there is a growing danger in the situation that Lewis and his colleagues did not count on: The Soviet Union has made exceedingly clear with its move into Afghanistan that it will not permit the disintegration of the states on its southern flank into warring principalities. If Iran continues to deteriorate there is little doubt that the Soviets will intervene militarily to end the instability. In the meantime, the Soviets are prepared to use their influence inside Iran to secure the situation as best it can.

In addition, Soviet Ambassador to Iran Vinogradov reportedly told Khomeini last week, that if Iran falls under the sway of an anti-Soviet "Islamic Pact" or agrees too readily to aid the insurgents inside Afghanistan, the Soviets will not stand idly by.

"Death to Khomeini"

Since the weekend of Jan. 5, outbreaks against Khomeini have broken out on an unprecedented scale in both Azerbaijan and Kurdistan in northwest Iran, while civil and religious strife has erupted in Baluchistan in the southeast and in pockets in the oil-rich area of Khuzistan in the southwest.

In Kurdistan, in a case described by France's *Le Figaro* newspaper Jan. 8 as that of "rats leaving a sinking ship," the Khomeini-appointed governor-general of the region quit his post and joined the ranks of demonstrators who were protesting acts of repression by Kho-

meini's revolutionary guards and demanding greater regional autonomy.

Iranian source report that the Kurds and the Azerbaijanis are linking up, a process mediated through secular nationalist forces in the National Front, dissident military units, and supporters of deposed Prime Minister Shahpour Bakhtiar.

Of the two northwestern areas, the unrest in Azerbaijan is far more significant.

The intensity of opposition to Khomeini has reached unprecedented proportions. Hundreds have either died or been wounded in pitched battles between local supporters of Iran's influential Ayatollah Kazem Shariatmadari and the revolutionary guards. For the first time since February, signs have appeared in Tabriz, the main urban center of the region, reading "Death to Khomeini!" and posters of Khomeini have been burned in the streets.

Second, most of Iran's intellectuals, merchants, and politicians either hail from Azerbaijan, or have adopted the area as a base of opposition to Khomeini. Azerbaijanis comprise the largest population grouping in Iran, numbering upwards of 10 million.

The third factor in Azerbaijan is Shariatmadari himself. By all accounts, Shariatmadari is the second most important religious figure in Iran after Khomeini, and the recent unrest in Tabriz is, in part, a street-level manifestation of an increasingly bitter struggle between the two men. This week that intensified as Shariatmadari supporters threatened to march on Khomeini's headquarter city of Qom to "liberate" their leader, who is now under effective house arrest by the Qom religious mafia.

The Shariatmadari Option

Signs are growing that Shariatmadari could become the rallying symbol for a nationwide, not just regional, opposition to Khomeini. He has emphasized that the mullahs, or clergy, should not run Iran's political life; for this reason, he has been looked to by various "secularist" and "middle-class" political elements throughout Iran.

As one observer noted: "For Khomeini, if a doctor in Iran was pro-Shah, he should be sent out of the country. For Shariatmadari, this is tantamount to national suicide. He's a pragmatist, whom the technicians, and middle-class merchants can live with, while Khomeini believes 'small is beautiful' and allies with the 'little man' as the base for his power."

In an article entitled "Khomeini Threatened More and More By Shariatmadari," *Le Figaro* Iran correspondent Thierry Desjardins reported Jan 8, "all the opponents of the Khomeini regime, and they are becoming more and more numerous, will rally to the side of Shariatmadari, who has become a standard-bearer not

only for his compatriots in Azerbaijan but also for all the regional groupings." This includes the Bakhtiari tribe, which maintains primary loyalty to former Premier Bakhtiar, now in exile in Paris. Support for Shariatmadari also extends to liberal opponents of Khomeini's "theocratic dictatorship"; merchants who resent the economic chaos induced by the Qom ruling group; and "all the groups of the left whose eyes have been opened by Khomeini's recent attacks on the Soviet Union," the journalist adds.

"Today," Desjardins concludes, "Shariatmadari is exactly in the same position (as Khomeini was before February). He wants to reunite the separatists, the elements nostalgic for the Shah, the liberals, the left and the merchants, but at the same time, he knows that if he attacks the Imam's regime frontally, Khomeini could still bring into the streets against him millions of demonstrators recruited in the most miserable quarters of Teheran. Shariatmadari must therefore let things drag.

"Very curiously, Khomeini thus finds himself today in the position of the Shah, who asked himself whether he had to hit back forcefully and immediately or if it were preferable to wait until his adversary exhausted himself."

The implications of the Desjardins analysis—which is borne out by parallel reports from Iranian emigré sources—are enormous. If Shariatmadari is indeed being put forward as a national "standard-bearer" against Khomeini, then it is certain that major *outside* forces are seeking to ride the Shariatmadari momentum to transform the Iranian internal situation to their advantage.

One suggested hypothesis centers on the French role, given the French connection-points to various anti-Khomeini Arab forces in Saudi Arabia and Iraq and the French government's commitment to avoiding a superpower showdown in the sensitive gulf region.

From the standpoint of its internal divisions, Iran's Jan. 25 presidential race takes on an interesting light. Sources report that the two main contenders are Abolhassan Banisadr, currently economics minister, and Admiral Madani, currently governor-general of Khuzistan. Banisadr, an advocate of the "Cambodianization" of Iran's economy through depopulating Iran's cities and sending people "back to the land," is favored by Khomeini. Madani, a "Pan-Iranist" ideologue who has gained support among certain Iranian military and professionals, is banking on the same base that is moving behind Shariatmadari, and is reportedly favored by him.

Should the two leading ayatollahs of Iran each make public their choice for president, sources indicate, the national confrontation could peak by election-time. One rumored possibility is that Madani, who has won Khomeini's confidence over time, will win a promise on Khomeini's part to remain silent on the presidential race, and will therefore emerge on top.



A unique conference with a unique task

The world verges on the precipice of thermonuclear war, or at best, a new Dark Age, the international audience of over 600 was told. This situation can be altered, however, by "tilting the internal processes in the United States" away from the policies and policy-makers characterizing the Carter administration. And the persons in the audience and on the podium understood how to do that.

The keynote speaker was Lyndon LaRouche, a 57-year-old New Hampshire Democrat, currently running for President of the United States. His immediate audience was the International Caucus of Labor Committees, whose delegates and supporters filled Detroit's Cobo Hall the weekend of Dec. 27-Jan. 1.

The ICLC, which LaRouche founded over a decade ago, punctuated its conference proceedings with musical

performances of the works of the great composers, Beethoven, Bach and Mozart. It has branches in the U.S.A., Canada, Latin America, West Germany, Sweden and Italy, where it functions in scientific, artistic and political-intelligence capacities with great and growing influence.

LaRouche likens the organization to nothing else that has existed in the 20th century, but to Plato's Academy at Athens. And as the Academy at Athens defined its tasks, to create the scientific concepts needed for human progress, and to ensure the political rule of those dedicated to such concepts—e.g., Alexander the Great—so the ICLC defined its tasks.

That theme was the conference theme. Because from its inception in 1966 the ICLC was consciously based on the conceptual breakthrough recorded by LaRouche in applying Riemannian mathematical physics-conceptions to the domain of human political-economy, the organization has uniquely situated itself to lead in the creation of a new Golden Renaissance.

Hence the ICLC's emphasis, in its international work, and in its conference proceedings, on music, which Plato called the key to children's education, and LaRouche called essential to evoke every child's "potentiality to become a genius."

Of overriding immediate concern was the world strategic crisis defined by Afghanistan and Iran. The ICLC intends to function exactly as did Plato's Academy in a similar crisis. And LaRouche, driving for the presidency, pledged to perform as Alexander had in "compelling evil generals to do good."

LaRouche on Alexander

The following is an edited transcript of Lyndon H. LaRouche's keynote address to the conference of the International Caucus of Labor Committees at Cobo Hall in Detroit on Dec. 28, 1979.

Perhaps the best string to pull to get at the whole in this tattered fabric of present circumstances is to emphasize that U.S. Secretary of State Cyrus Vance willfully, and with malice aforethought *caused* the taking of U.S. citizens as hostages in Iran, and that forces allied to Vance to this day, have been playing out that ugly scene with hostages in just the same manner that we saw earlier when a significant figure in Germany, Hanns-Martin Schleyer, was seized by the Baader Meinhof gang, held captive week after week during negotiations, and then *killed*. Some months later in Italy a former Prime Minister, Aldo Moro was seized also by the friends of Ramsey Clark, the Red Brigades, held captive, and then after the negotiations with the terrorists day after day, week after week, he was killed.

Similarly we see the United States being held hostage by the friends of Ramsey Clark, the Khomeiniac regime of Iran. And day by day our whole nation is being brainwashed by this Iranian crisis. The friends of Ramsey Clark, of Cyrus Vance, of Warren Christopher, of Arthur Goldberg, of Senator Edward Kennedy—the people that our own Governor Brown—sit there holding our citizens hostage to a policy.

This was done by the Secretary of State of the United States, Cyrus Vance, *against* the United States. And the Carter administration asked us for "national unity" behind this policy.

Last spring, another member of the Carter administration, Harold Brown, together with echoes from Zbigniew Brzezinski, (who does make political statements when he's not attacking waitresses) said they had a plan to develop a 110,000 member U.S. strike force that will be targeted into the Middle East Persian Gulf area. During last spring they proposed to European governments that this policy be supported. Every government in Europe except the British said "You're insane." The

American people wouldn't go for it, particularly over the European opposition. But Mr. Vance, the Carter administration, were determined to put a U.S. military force in the Middle East.

So they said, "Let's have a mini Pearl Harbor. We'll psych out the American people, and then they'll *scream* for us to put military forces in the Middle East." That's the immediate reason that Secretary of State Cyrus Vance orchestrated the seizure of the U.S. embassy and the taking of hostages, with full foreknowledge that bringing the shah into the United States would probably cause that action at that time.

Now, why do they want to put a military force in the Middle East?

Well, to shut off the world's oil supply—why else? To overthrow the government of Saudi Arabia. The Saudis have complained that the U. S. government, led by the *Kennedy* forces in the Congress and Justice Department, with fake scandal-mongering, are trying to do to Saudi Arabia what they did over the past year and a half to Iran.

After Treasury Secretary Miller was kicked out of Saudi Arabia, and told, "Cut this out," Kennedy upped the ante. And the scandals started to pour out of the New York Times and so on.

The Kennedy forces want to destroy Saudi Arabia, to cut off the world's oil supply from Saudi Arabia, just as they are doing in Iran. They want to engulf the entire region on which the bulk of the world marketing supply of petroleum now depends in chaos and cut off the oil.

So the day those forces go there, don't cheer, "the boys are landing!" Say, "Boy, that's the last time you saw oil for a long time to come." That's what's at stake.

This policy was decided this past spring, at the Arden House mansion of former New York governor Averell Harriman. All of the big oil companies were there—British Petroleum, Royal Dutch Shell, Mobil, Exxon.

The policy was argued at Arden House. Herman Schmidt of Mobil Corporation took the same position that British Petroleum and Royal Dutch Shell did. And Exxon capitulated. Since that time, the oil companies have been dedicated not only to ripping off the United States, but to cutting off a good deal of the world's oil supply, knowing that the consequences of this are death, famine, epidemic, and social chaos for a great deal of the world's population.

The oil companies cold-bloodedly made a decision which makes Adolf Hitler look relatively like a humanitarian. And the Carter administration, the people who own CBS, the people who own ABC, the people who own NBC, the people who own the New York Times, the people who own the Detroit Free Press—these people are wittingly complicit in this treason against the United States, and this willful genocide against most of the world's population.

Now, for some period of time, particularly since the Carter administration was inaugurated, the only thing that's prevented the world from going to war—and I mean thermonuclear war in all probability—has been a developing coalition led by the President of France, Valéry Giscard d'Estaing, and a somewhat progressively developing figure, Helmut Schmidt, the Chancellor of West Germany. The Paris-Bonn alliance and the creation of the European Monetary System has been the *only thing* holding up the value of the U.S. dollar while the Carter administration has been trying to drive it down.

Similarly, the Europeans have been the only force which has been preventing the implementation of full-scale genocide in the developing sector. The policies of the Carter administration are for genocide. Let's not make any bones about this; let's not be polite. Let's call a murderer a murderer. The Carter administration is the most immoral thing, second to Peking, which the 20th century has seen in the form of an administration of any country. Carter doesn't know what he's doing, he's too dumb to understand. It's the people who are running him that are the trouble. The Carter administration is wittingly dedicated to a policy which the designers of the policy *predict* will reduce the world's population from its present level of above 4 billion to a level of between 1 and 2 billion by the end of this century—in two decades.

They are *pure evil*, in the Biblical sense of *Satanic*. There's no morality which justifies anybody supporting the candidacy of Kennedy or Carter or Connally or Brown or Bush or Reagan. They're all supporting the same policy—whether it's the dummies because of the people that run them, or because they're conscious of what they're doing, like John Connally. There's no morality in a citizen who supports such people.

War by miscalculation

That's the reality we face. With the capitulation of Paris and Bonn to national unity, and with the treasonous and genocidal character of the Carter administration, the Soviets have gone crazy. The forces in the Soviet Union which were cooperating with Schmidt and Giscard have just been set back, in what amounts to a virtual coup d'état.

At this point, the dominant force in Moscow is associated with a formerly deposed president of the Soviet Union, Podgorny, who is for a confrontation policy against the United States in the Third World. In the United States we have a Carter administration, which, when it's not committing treason and genocide, is seeking a confrontation with the Soviet Union. We are on a collision course in which the general policy of the world is now toward genocide worse than Hitler's. As an added feature, you have the two principal powers in the world, the United States and the Soviet Union, on a

collision course which leads directly toward thermonuclear war by strategic miscalculation.

There's only one way that is clearly visible, by which the world at this time can be swerved off the present course, the present plunge into a genocidal new Dark Age of humanity, and that is to tilt the internal political processes, the institutionalized political processes, inside the United States.

The only way you can tilt the process in the United States is to tilt it in terms of the election campaigns. As long as the world believes that Bush, Reagan, Connally, Carter and Kennedy are the choices for the presidency in 1980, the world will probably not survive—at least, civilization as we know it. Therefore unless we have a candidate who is perceived to have institutionalized momentum and potential, who represents an opposite policy, we cannot straighten the world out; we cannot prevent the continued plunge toward a new Dark Age.

As President of the United States, I will compel evil to do good, moving the world on momentum, around the leadership which consciously understands how to do that. . . .

Unless you get, in the United States, the kind of policy that says: "Send Cyrus Vance up the steps of the gibbet, and hang the creature for treason," we are going, perhaps to World War III, but certainly into a new Dark Age. And the masses of people behind their accepted leaders, in their considered judgment, in their democratic opinion, are right now marching into the hell of a new Dark Age, led by Satanic forces.

Maybe half the world's population, maybe more, will die over the next 20 years, in a new Dark Age like that spanning the middle of the 13th to the middle of the 14th Century.

The only thing that can change this at this time has to come from within the United States. My campaign has to become the institutionalization of a new force, challenging credibly such swine as Bush, Reagan, Connally, Carter and Kennedy for the presidential nomination and election.

The Alexander model

The way to look at the world today in terms of these problems, is with the example of Alexander the Great in mind. It's obvious Schmidt can't do much more than he's doing. He's a limited man. I appreciate what he repre-

sents, but he's not a world leader. He's just a competent statesman, better than what we feel we might get otherwise. Giscard is a little higher quality, in terms of culture and intellectual development, but he's no world leader. He's just the best we've got. Indira Gandhi is a very good indispensable person, but I know her limitations.

They're not going to lead the world out of this mess. *They have already failed.* They had the opportunities. We told them in many cases what the opportunities were. They lacked the courage and perception to act. And it's their failure when they could have *won* this fight, and stopped this hell, that's brought us to this mess.

Don't tell me about the rest of the leaders of the world—*I have measured them and they have all failed.*

Don't talk to me about nations. Don't talk to me about "the Soviet Union is not going to go along with genocide." They will. Nothing will prevent it. Don't talk to me about "mass movements," don't give me any of the pragmatic things. They don't work. In fact, they have greased the skids.

So, let us look back, to the fourth century BC and the case of Alexander the Great, because that's the key to what I must try to do now, the key to the only thing that is going to prevent this sick human race, this civilization, which has declared itself morally unfit to survive, from dying. In the fourth century BC, the world was in a horrible mess. The ugliest obscenity up to that time, the Persian Empire, dominated the world. The allies of the Babylonian cults, which ran the Persian empire, were running Egypt—the cult of Isis, the cult of Thebes. The city-states of Ionia had been crushed. The majority of the forces in Athens were corrupt and rotten. The evil cult of Apollo, of Delphi ran much of Greece, and was already running Rome which at that time was little more than an obscure hick town in the Mediterranean.

The preponderance of forces in the world was evil—as it is today. There was a great scheme afoot, very much like the One-World scheme of Bertrand Russell, H.G. Wells, Aldous Huxley, and Robert M. Hutchins, and all these other United Nations type kooks. They were going to divide the world. This "all one Persian empire" thing wasn't working out. They had to make two Persian empires.

Philip of Macedon, aided by the *cult* agent Aristotle as well as others, had the scheme of conquering Greece from Macedonia and then using the Greek forces, which were the only qualified fighting troops in the world at that time, to carve up the world between an Eastern Persian empire and a Western Persian empire, or a Western empire based on what was called the oligarchical or Persian model.

It was in this setting, that the work of Plato, the conspiratorial organization known as the Academy at Athens, developed. Philip of Macedon, with his homo-

sexual generals, was about to go down to Asia Minor to accomplish this great project, the creation of two Persian empires, that is, a "One World" arranged into regional sections. At that point Philip was assassinated. In the ensuing affray, Alexander the Great, a protégé of the Academy of Athens and advised by them, took over. He led the pederastic generals—who never improved their morality—to destroy the Persian Empire.

During the brief period of his remaining life Alexander set into motion the greatest city building project, the greatest project in human development, that mankind has ever seen. There were Alexander cities all over the world and more planned, great trade development and great cultural development. Then Aristotle's agents poisoned Alexander, and the pederastic, sodomy-performing generals took over again. They destroyed most of his work, and that great hideous obscenity called the Roman Empire took over, flinging humanity, in the

Unless you get in the United States the kind of policy that says send Cyrus Vance up the steps of the gibbet for treason, we are going perhaps to World War III...

course of its existence, into a genocidal dark age. But the process of Neoplatonic conspiracy managed to save civilization, such as we have it today.

We must look at the world today not in terms of "which good countries as objective entities has the right presidents, and ruling parties, and do they represent the majority, and can they run the world, and are we safe." It cannot work that way. The people are ignorant, including the people in the United States. The population of the United States is morally unfit to survive in terms of its political behavior—what it tolerates from the media, what it tolerates in making homosexuality a political *cause*, the fact that it tolerates drugs.

Don't tell me what candidate the people like. Their opinion has no weight with me. The question is, do the people have the ability to overcome such stupidity and manifest those better qualities which lie within them waiting to be evoked, and can I help evoke them.

The only way to move the world is to move it just as Alexander moved armies, which were full of sodomy, and kept them too busy to become pederastic at the moment. He engaged them in battles which they could not conceive, and which they did not want to fight, but the very force of motion compelled them to do that. And

so by keeping the forces in the correct motion, evil was compelled to do good because it was so moved to do against its will. And that's the way we're going to move this world—on momentum, momentum around the leadership which consciously understands how to do that. That's why I must become President of the United States.

I do not propose to make the United States an empire. I am not an ambitious person. I am merely hubristic. I propose, that by taking the presidency, over the next eight or nine years I shall take nations, and heads of state, unwilling instruments, and I shall *compel* them to do good, by forcing them to move in the direction where I know how to use the power of the United States to force them to move.

I am going to do what Franklin Delano Roosevelt, of all people, promised to do in 1944. Roosevelt promised to Churchill, at the Casablanca meeting: "No more will the United States fight world wars to save the British Empire in any shape or guise."

No more will the United States tolerate the British system, whether colonial or neocolonial. No more will the United States tolerate the economics of Adam Smith in any part of the world. We are going to take the aching, poor, hungry world, and we're going to transform it with American methods. We're going to transform it with export of American development and high technology. We'll have Manhattan projects and NASA projects and every dirigist, federally directed scientific crash program that we deem necessary.

The creation of geniuses

Now that brings me to the point about the International Caucus of Labor Committees. Although we did not set out to do so consciously back in 1966, for very lawful reasons, this organization became a replication of the Academy of Athens, in terms of the scope and direction of work. This developed over a period of years, largely because of the fact that from the inception, the organization was based on the conception of political economy and method, in which the conception of multi-connected manifolds associated with Riemann was the central determining conception which shaped the way our judgement developed. And as we came in contact with opposing forces on this, ripping behind the stage props to find out what the reality is behind the appearance, we sorted these forces out, and we found ourselves becoming like the Platonic Academy. We have therefore found our activities variegated beyond the domain of political science. One of the things we are emphasizing is education of children, and certainly not because of the Year of the Child.

We have two problems: first of all, drugs; and a miserly, dastardly, treasonous destruction of the process of education. We are turning out increasingly from our secondary schools students who are not qualified to graduate from the third grade. The mind, the productivity, the potential of our society is being ruined. Some say, "Well, let's at least get back to what we had in the 1950's, something that works, even though it may have imperfections." But that is not adequate. We have to make reforms, not in the direction of socially relevant basket weaving and sensitivity courses, or "mainstream education" as they call it now. We need to come up with new approaches which facilitate the development of the potential genius of every child. We are tired of producing mediocrity.

The reality is that most children have the potentiality to be a genius, if that potentiality is developed and seized upon early enough and given the correct direction. We took seriously the question of focusing on music, because we recognized that Plato was right, as Al Farabi also knew, that the first thing that a child is capable of mastering in the sense of organized education is the well-tempered system of counterpoint. This is the first thing a child's mind can master, in terms of a comprehensive knowledge of lawfulness on the one hand, and freedom, i.e. creativity in the context of lawfulness on the other. The child now understands something that he or she never understood, that to be creative is *not* to violate the laws of the universe but to develop new qualities of solutions in terms of the basic law of the universe. Once the child's mind grasps that freedom and creativity and law are not antagonistic unless you misunderstand law, then the foundation of reference is laid for the child to understand anything. After the child's mind has been given a foundation by learning the music of Bach and Beethoven the next thing is geometry, but not the way it's taught in school. We're talking about geometry taught without Q.E.D., without *logic*, without Aristotelianism. Because Aristotelianism destroys the mind. And once they've learned geometry we're going to teach them physics—at the age of 8, 9, 10. I do not want a single child in this nation to reach the age of 16 in the future without being a qualified genius in physics. We need that, and it can be done.

Look back to the aftermath of the last Dark Age in the 14th century. Out of the bowels of the Black Death, after half the population of Europe had been wiped out within a century by the same policies that Vance and Kissinger represent today, a group of people like us saved the world by organizing the Golden Renaissance.

The only way to resist the Dark Age is to generate the additional, vital resources of knowledge through which the world can be steered into a new Golden Renaissance.

International Intelligence

EUROPE

Soviet-West German economic meet delayed

A meeting of the joint Soviet-West German economic affairs committee, which was to have taken place in Bonn in late January, has been put off indefinitely at Soviet request. The Soviet First Deputy Prime Minister Nikolai Tikhonov, who was to have presided from the Soviet side, cited a busy schedule and technical reasons, but speculation arose that Moscow was continuing to signal displeasure over West Germany's acquiescence to NATO arms programs. The Soviet news agency TASS, however, carried an interview Jan. 8 with a West German government economic official that emphasized the "firm foundation and sound prospects" for Soviet-West German trade.

Andreotti debunks slanders from Italy's Socialists

Former Italian premier Giulio Andreotti, interviewed Jan. 11 on national Italian radio, scoffed at Socialist Party treasurer Formica for claiming that Andreotti was guilty of attempting to bribe the Italian press and other news media with monies he had illicitly received from a now-cancelled state-to-state oil agreement between Saudi Arabia and the Italian state-owned oil firm, ENI.

Andreotti, who is considered to be in an excellent political position to take the reins of government again in the near future, has denied both sides of the bribery charges.

"The source of the attack is unreliable," the former premier said of Formica, whom he clearly held in personal contempt. On the subject of the Saudi-ENI oil agreement—cancelled by Saudi Arabia when the Italian Socialists first raised charges of bribery—Andreotti said: "The PSI has put Italy at the mercy

of international stranglers... on the oil market." The deal would have provided Italy with direct access to Saudi oil, bypassing the European "spot markets" where the British oil companies, in particular, have driven prices to more than double what the Saudis asked in direct purchase-agreements.

Questioned on the Afghanistan crisis, Andreotti reasoned that "while the move was not so smart" on the Soviets' part, he still advocates the entry of the Italian Communist Party into the next—perhaps his—Italian government. "This would be a step in the direction of the detente policy," he said.

Europeans reject Carter's Embargo on Soviet trade

Every Common Market nation except Great Britain has rejected a United States request to apply trade sanctions against the Soviet Union, according to Wall Street Journal reports. An Italian company that is state-owned announced Jan. 11 that it had just won a major new order to sell nuclear equipment to the Soviet Union, and fully intended to fill the order. According to a New York Times report, although the Europeans have formally agreed "not to undermine" the U.S. grain embargo by exporting additional supplies of their grain to the U.S.S.R., the same countries have adamantly refused to reduce their present shipments of grains and other foodstuffs in any degree. These include meat, butter, and sugar.

France has been particularly vocal about not using "trade as a political weapon," according to reports.

The Financial Times, a London newspaper, reported Jan. 10 that all European banks "are expected to adopt a much tougher stance in future lending to the U.S.S.R., and other East European countries." However, the same newspaper—in the very same article—reported that "bankers in London... were expressing doubt yesterday as to whether some countries, particularly France and West Germany, would take serious steps

to curtail such credits. If only because they would not wish to jeopardize their own exports."

France and West German banks, in fact, do the lion's share of international lending to the East bloc nations and, especially to the Soviet Union itself.

New civilian government in Portugal

The first totally civilian government since 1974 was installed in Portugal today. The new government is headed by two right-wing anticommunists, leading to fears of deeper polarization in a country with a powerful communist party-led trade union movement.

Francisco Sa Carneiro, the head of the Portuguese Social Democratic Party, is the new prime minister. His new foreign minister and second-in-command is Diogo Freitas do Amaral, head of the conservative Center Democratic Party and a political ally of British Prime Minister Margaret Thatcher.

Both men are long-time political opponents of Portuguese President Ramalho Eanes, who has been heading a caretaker government since the last government collapse in mid-1978. Freitas do Amaral is called by the London Guardian an "outspoken opponent of foreign policy initiatives taken by President Ramalho Eanes toward the former colonies of Angola and Mozambique."

Cossiga in Washington, seeks U.S. 'insurance'

Francesco Cossiga, the head of the moribund coalition government of Italy, will arrive in Washington, D.C. Jan. 23 to seek backing from the Carter administration for the continued existence of his government. The three-way coalition government of Christian Democrats, Republicans, and Liberals has been the subject of widespread speculation that it would not survive the first months of 1980.

Cossiga became prime minister during last year's protracted government crisis at the insistence of Bettino Craxi, the head of the Italian Socialist Party, after Craxi's own bid for the post failed. Craxi, whose party is notorious for links to known terrorists, backed Cossiga because of the latter's softness on the terror issue. The result was a renewed escalation of terrorist violence in late 1979.

LATIN AMERICA

Mexico gains U.N. Council seat

The United Nations General Assembly voted Jan. 7 to seat Mexico on the 15-member Security Council. The 133-3 vote for Mexico followed an extended impasse between Cuba and Colombia over who would be awarded the vacancy, assigned to a Latin American nation.

Cuba had been in line for the seat at the beginning of the fall U.N. session. But the United States and Britain, concerned over the anti-International Monetary Fund economic program which Castro advanced at the September meeting of the Nonaligned countries in Havana, persuaded Colombia to contest the seat. Through over 150 ballots, the Cubans consistently received a majority of votes, but not the two-thirds necessary for election.

The Security Council seat assumes greater than usual significance in the current period because of the international crisis in the Middle East and Asia.

Venezuela's Perez facing Watergate

Former Venezuelan President Carlos Andrés Pérez and three associates con-

ected to the development ministry of his 1973-1979 administration have been declared "under investigation" by the Venezuelan Investigatory Commission on Corruption.

In response, the ex-president has warned that the current Campins government "wants to discredit the greatest work in terms of Venezuela's development that has been seen in this century." Pérez's administration was responsible for leaps forward in Venezuela's basic steel, chemical, energy and other industries, and for launching massive industrial projects which have come under attack by the Campins government.

SOUTHEAST ASIA

Marcos invites opposition to join government council

Philippine President Ferdinand Marcos invited his principal rival, former Senator Benigno S. Aquino, Jr. to join a proposed advisory council to his martial law administration. Aquino, who has been in prison on subversion and murder charges since martial law was declared told the press that he would agree to join such a council if Marcos restored freedom of the press. Aquino has been out of prison on a two week "holiday" furlough granted by Marcos.

This unprecedented move by Marcos to cooperate with the man he accused of trying to overthrow him follows a period of intense pressure from the Carter administration, the U.S. Congress and Philippine and church-related groups based in the United States and the Philippines. In the past several months Catholic Jesuit-linked opposition groups have conducted widespread activity throughout the country including armed incidents. Also last month the Philippine military uncovered an assassination plot against Marcos that was linked to Philippine-exile business interests in California.

Briefly

● **JAPAN'S CABINET REJECTED** economic sanctions against the U.S.S.R. over the Afghanistan invasion, at least until they see what the European countries intend to do. The cabinet specifically ruled out for the present cancellation of four Siberia resource projects totalling \$1.5 billion and negotiations for several more in the multi-billion dollar range. Foreign Minister Saburo Okita told the Japan National Press Club Jan. 10 that while Japan expressed its "displeasure" to the U.S.S.R. it is "too early" to take specific action.

● **JEAN-JACQUES SERVANSCHREIBER**, French "centrist" politician, was one of the first foreign visitors to just-elected Indian Prime Minister Indira Gandhi. He came with promises of billions of petrodollars from his "Triangle Group." Given Schreiber's longstanding opposition to the international economic initiatives of President Giscard d'Estaing, observers are wondering if Schreiber is attempting to preempt Giscard's own visit to India at the end of this month.

● **GEN. ZIAUL HAQ**, President of Pakistan, may be facing the end of his rule as early as this February, according to Pakistanis recently arrived in Europe. In February, Zia must officially retire from the army and supporters of former Prime Minister Z.A. Bhutto, who was hanged by Zia, expect to be able to use the retirement to force Zia out of the President's post. In the last couple of weeks several generals who supported Bhutto have fled Pakistan for Europe and last week associates of Bhutto met to denounce Zia for aiding the Afghan Islamic rebels. The pro-Bhutto forces view Indira Gandhi's victory in India as aiding their cause and look to her for support.

Carter's 'national unity' on Iran falls apart

by Kathleen Murphy

The jerrybuilt structure of national unity, hastily slapped together by the Carter administration to provide an aura of support for its incompetent handling of the Iranian crisis, is falling to pieces.

Following grumblings two weeks ago from Jerry Brown and Edward Kennedy to the effect that President Carter was "hiding behind the hostages" by refusing to participate in a nationally televised debate in Iowa, the Republican Party has initiated an opportunistic campaign to exploit a crisis which they helped to create in order to boost their own designs on the presidency. The GOP offensive signifies that the New York Council on Foreign Relations' plan to install a Republican "strong man" in the presidency is now on in earnest.

'Who Lost Iran?'

The GOP officially launched its "Who Lost Iran?" tactic on New Year's Day. Announcing that "it's time to take the gloves off," Republican National Committee Chairman Bill Brock issued a widely publicized statement which charged Carter with failing to develop a policy "that would protect American interests...and discourage repetition elsewhere of the barbaric actions taken in Iran." Terming Senate ratification of the Strategic Arms Limitation Treaty "unthinkable," in the context of the Soviet Union's move into Afghanistan, Brock called Carter's "policy of patience" a "policy of deception" whose purpose "seems to be to make the American people believe we have a policy appropriate to the multiple crises in the Middle East."

Brock's statement, which also included an invitation to the Republican presidential candidates to break their

silence on the administration's conduct of foreign policy, was the signal for a coordinated outpouring of criticism from various GOP spokesmen.

Since then, nearly every Republican presidential hopeful has denounced Carter's foreign policy in nearly identical terms, with the Jan. 5 Iowa debate providing a national, if rather low-key, forum for the Republicans' theme: the present administration is weak and passive in dealing with the Soviet Union.

The Republican Party intends to up the pressure over the coming weeks as the international situation worsens. According to Brock's aide, the GOP defense advisory committee, whose members include such well-known hawks as William Kintner and former NATO ambassador Robert Strausz-Hupe (both colleagues of Alexander Haig's at the Foreign Policy Research Institute in Philadelphia), will be meeting during January to develop further position papers critical of various aspects of the administration's foreign policy. These will no doubt be transmitted to the public through the Republican candidates. As Brock's assistant told *EIR*: "Once you've started talking about these things, you just can't stop."

Henry Kissinger is also getting in on the act, but from a somewhat different angle. In a Jan. 4 interview with James Reston of the *New York Times*, Kissinger took a "soft cop" role, claiming to be interested in forging a new, nonpartisan national unity, if only Carter would let the Republicans take over the show. In a foreign policy speech in Boston three days later, the former Secretary of State and otherwise a loud critic of the Carter administration, announced that "until we come to some national agreement (on how to wield American power) on a

nonpartisan basis, we will continue to oscillate between extremes of panic and extremes of conciliation" that have characterized the last decade. In a press conference afterwards, Kissinger defended the actions Carter has taken in response to the Soviet incursion into Afghanistan.

While Kissinger may be attempting to negotiate a position in Carter's cabinet for himself, some sources report that a faction within the New York Council on Foreign Relations is toying with the idea of establishing a crisis-management oriented "government of national unity," a development that would de facto supersede the November presidential elections.

Carter set for a fall

In any event, it is incontestable that Carter is on the political skids. The dominant theme in the major national media this past week has been the disastrous ramifications which the Iran stalemate and the Afghani events hold for Carter's political future. A just released ABC/Harris poll reports that the American electorate is "losing patience" with Jimmy Carter's handling of the Iranian crisis, and that his sudden popularity over the last two months is about to evaporate. The poll reports that 53 percent of American voters will judge Carter's Iran policy a failure if the hostages aren't released in three weeks; that figure will jump to 74 percent if the situation isn't resolved within three months. The poll also claims that 58 percent of the voters agree with Ted Kennedy's criticisms of the shah of Iran, as opposed to 44 percent three weeks.

The deteriorating domestic economic situation isn't helping Carter much either. His embargo on grain sales to the Soviet Union is already wreaking havoc on the commodities exchanges and drawing unprecedented anger from the farming community.

Also a potential trouble spot for Carter is the Bert Lance case. Lance, a close personal friend of the President, is going to trial next week on the bank fraud and conspiracy charges which forced Carter to dismiss him from his cabinet post in 1978. The Jan. 9 *Christian Science Monitor* ominously predicts that Carter will be dragged through the mud when the Lance case, the international crisis situation, and the domestic economic scene all converge in mid-January.

The Republican attack on Carter has been picked up by Democratic Party presidential contenders Jerry Brown and Ted Kennedy, both of whom have blasted Carter's policies in Iran and Afghanistan in the wake of the Brock statement.

The alternatives

Yet for all their sound and fury, none of Carter's Republican opponents—nor Brown or Kennedy—are

offering anything that could be termed a significant improvement over the present administration's policies.

The GOP's proposed cures for the series of Carter foreign policy fiascos are worse than the disease. Representative is John Connally's suggestions for dealing with the hostage-taking in Iran. Campaigning in New Hampshire this week, the Texas tough guy blasted Carter for inaction on Iran and Afghanistan, and proposed that the U.S. consider "disrupting" Iranian oil fields—in other words, impose an oil embargo on ourselves and Western Europe!

Connally's proposal is even more criminal than it first appears. His deliberate devaluation of the U.S. dollar in August 1971 ushered in the first phase of the New York Council on Foreign Relations program for controlled economic disintegration. The CFR policy is the root cause of the current international strategic situation.

As for George Bush, the other major GOP candidate who stands to benefit from "Persagate," he can be held directly responsible for the Khomeini regime through his collaboration with the liberals in dismantling the CIA's intelligence capabilities while head of the agency in 1975.

On the Democratic Party side, neither Kennedy nor Brown are even able to present themselves as viable candidates. In this context, Democratic Party presidential candidate Lyndon H. LaRouche has issued a statement to his fellow party members identifying his unique capacity to lead them to victory in November. "Cartergate is on," says LaRouche, "and the GOP is confident that the Democratic Party won't be able to stop their march into the White House. Those Democrats who endorse either Carter or Kennedy are wasting their time, money, and efforts. This leaves only the fourth of the leading Democratic Party candidates, myself, as a credible champion for the Democratic voters in general."

The stick....

Since Republican National Committee Chairman Bill Brock issued his New Year's Day assault on Jimmy Carter's foreign policy, nearly every GOP presidential candidate has followed suit. The following is a sampling of what they are saying:

John Connally. President Carter "is failing to recognize the facts of life. It is absolutely unbelievable that a President could sit there for three years and be deceived about what is happening in Iran or Afghanistan or be surprised about the Soviet Union and the actions they are taking. That, frankly, is the most frightening statement that the President could have made. It concerned

me more than the lack of action over the last 60 days.” (Connally was referring to Carter’s statement that he had drastically changed his opinion about the Soviet Union in the wake of its Afghanistan invasion.)

“He should be out trying to mobilize the whole world against the Soviet Union. We’re witnessing the Soviet Union doing now precisely what Hitler did in the 1930’s when he moved (across Europe).”

Ronald Reagan. “The only thing that surprises me is that the President is surprised (about the Soviet initiative).

Howard Baker. “We will not be able to avoid future Iran until the U.S. reestablishes the fact that it protects its vital interests by whatever means necessary. I would tell the Russians that the time is over when we will tolerate adventurist Russian foreign policy.

Bob Dole. Carter bears “a heavy responsibility” for the Iranian crisis. “I am not certain that President Carter may be doing all he can, but just waiting for something to happen. The time may come, perhaps very soon, when we have to impose a strict embargo of our own—at least to make preparations to shut off any imports into Iran.”

Bush. “I feel an increasing frustration and sense of urgency” about the U.S. position in the world, said Bush, adding that he doesn’t want to get involved with the other candidates in trying to “out-macho each other” by urging ever tougher action by the U.S.”

...and carrot

In an interview with James Reston which appeared in the Jan. 4 New York Times, Henry Kissinger called on President Carter to bring the Republicans in to negotiate a new national unity coalition. Excerpts follow.

I think the administration has not been sufficiently appreciative of the facts of power, so it isn’t that I would not favor a firmer policy. ...

The only time Carter has not done well recently is when he has perhaps excessively hid behind the national unity on Iran.

I’ve made my own criticisms and I may make them again on a philosophical level, but I think that if the administration wanted to put together a really nonpartisan consensus and stop playing Mickey Mouse games with the Republicans, they’d have an obligation to cooperate ... and so far as I have any influence, I would support such an effort.

Hirsch panel: ‘No scientific

“The technology is available today to develop magnetic fusion ... in the 1990s, about two decades earlier than the current Department of Energy plan.” So stated Congressman Mike McCormack, the Washington democrat who chairs the House Subcommittee on Energy Use and Production. The subcommittee reported in two days of testimony Dec. 11 and 12 that there are “no scientific or technical barriers” to meeting the 1990 timetable. The single difficulty, the subcommittee agrees, is “the current lack of funding” of the U.S. effort and “the current Carter administration policy” to delay fusion development for another 40 years.

The Fusion Advisory Panel, convened in summer 1979 by McCormack, represents the nation’s leading fusion scientists as well as the top management of U.S. engineering, industrial, and aerospace corporations. The panel heard presentations from some of the leading scientists at the national laboratories and from the Office of Fusion of the Department of Energy.

Serving on the panel are Dr. Robert L. Hirsch, Exxon Research and Engineering Company who chairs the panel; Dr. Richard E. Balzhiser, Electric Power Research Institute; Dr. Robert Conn, University of Wisconsin Department of Nuclear Engineering; Ersel Evans, Westinghouse Hanford Company; Dr. T. Kenneth Fowler, Lawrence Livermore Laboratories; Dr. Harold Furth, Princeton Plasma Physics Laboratory; Joseph G. Gavin, Jr., Grumman Corporation; Henry K. Hebler, Boeing Engineering; Dr. John W. Landis, Stone & Webster Engineering; Dr. Tihoro Ohkawa, General Atomic Company; Robert I. Smith, New Jersey Public Service Gas and Electric Company; and Dr. Alvin Trivelpiece, Science Applications, Inc.

Both Energy Secretary Charles Duncan and Deputy Energy secretary John Sawhill ignored formal invitations to testify before the panel. But the Dec. 11 appearance by Edwin Kintner, director of the DOE’s Office of Fusion Energy, indicates the high level of optimism for the frontier technology that still exists among the Energy Department’s scientific and research personnel.

barriers to fusion in 1990's'

Kintner presented the panel with a detailed program for achieving a commercial magnetic fusion plant by 1995, which he characterized as a conservative proposal, not a crash program, but a concerted national effort at solving the remaining technical problems of fusion development.

"Fusion development cannot be evolutionary like the development of automobiles, airplanes, and electric utility plants because the required steps are simply too large," Kintner reported. "The closest similarity is probably to the space program. There are two simultaneous thresholds for space travel: acceleration beyond the gravitation field of the earth and provision of a life-supporting environment in a void. Unless both of these requirements could be achieved simultaneously, man could not travel and function in outer space."

"In a sense there are two similar simultaneous thresholds for fusion," the DOE official continued. "We must create and maintain a burning thermonuclear plasma, and then remove the heat energy at a high enough temperature to convert it to useful power. If we do not do both of these simultaneously, we have not taken a truly meaningful step toward useful fusion power." Kintner told the committee that the price-tag for a research effort in this direction would be \$12 billion in 1981 dollars.

Asked by Representative McCormack why the Department of Energy did not respond to requests to testify, Kintner answered that he was not consulted by the Carter administration on energy policy questions. Yet, Kintner's program is the only U.S. energy research program to attain or supersede all of its projected goals on schedule and within budget over the past five years.

Kintner concluded his testimony by pointing out that the potentials of fusion were so great and its applications so broad that as far as he could see no other large-scale energy system need be built once fusion was fully commercialized.

Panel chairman Dr. Robert Hirsch, former head of the U.S. magnetic fusion program, seconded Kintner's

testimony on the two most important points. "Fusion research is not technology limited. It's funding limited," Hirsch said, speaking for the panel as a whole. "Fusion research," he continued, "is the only energy program, or for that matter, the only major scientific-technological effort which has achieved its projected goals on schedule within the budget's forecast for specific projections."

Other testimony from the DOE's Office of Fusion Energy emphasized the optimistic prospect for fusion development. Dr. Frank Coffman, director of the fusion office's Division of Development and Technology, pointed out that recent technical and experimental progress had dramatically changed the projected parameters—such as size and cost—of tokamak fusion power plant designs. The importance of U.S. collaboration in international fusion development efforts was stressed by Dr. Lee Berry of Oak Ridge National Laboratory. And, Dr. Paul J. Reardon, program head for the Princeton Plasma Physics Laboratory's Tokamak Fusion Test Reactor program, startled the panel with the news that the Princeton project, which will be the nation's largest tokamak, is within 9 percent of its original budget and three months of schedule.

The House subcommittee has accepted all of the Hirsch panel's findings, including the proposal to add \$200 million to the budget for fiscal year 1981 for the accelerated fusion timetable. On Jan. 22, President Carter will submit the administration's 1981 budget request to Congress. Congressman McCormack's staff has scheduled meetings with top-level policy makers in the White House to push for the additional funding for magnetic fusion and a commitment for an "Apollo-style" program for fusion.

"Only the fusion program can be compared to the space program in that, given the national commitment, it is something we can and must do." He then challenged the panel members to take up the question of educating the American public as to the status and potential of fusion energy, as he and his staff take the fight for fusion to the executive and the president.

Exclusive interview

McCormack demands results from panel's findings on fusion

The Fusion Advisory Panel of the House Science and Technology Subcommittee on Energy Research and Production concluded Dec. 11 that there are "no scientific or technical barriers" to the development of fusion energy by the 1990s. In the following interview, Congressman Mike McCormack (D-Wash.), the chairman of the House energy subcommittee, details his efforts to educate the American population and orient the administration's energy policies toward commercial fusion energy.

Q: You established a panel of scientists and industrial people to review the prospects for developing a working fusion energy plant in this century. I understand that their findings were that it is not a lack of technological breakthroughs that is keeping us from this goal, but rather a question of inadequate spending, correct?

A: That's almost correct. It's more fair to say that we are confident that a demonstration plant could be on line before the end of the century. The cost would be about \$20 billion total for the balance of the century. That is if we get a national commitment to go ahead with a budget of \$600,000 for 1981 up from \$400,000 this year.

Q: You have committed yourself to mobilizing Congressional support of such a budget. How will you do it?

A: Simply by discussing it with other members of Congress and telling them the importance of going ahead with it. When we get a demonstration plant on line we will step into a new era, an era of unlimited energy supplies for all humanity, for all time. It will be clean, cheap energy for everyone for all time. It is obviously important to move into this as soon as possible. The development of nuclear fusion is the second most important energy-related event in the history of the human race. It is second only to the controlled use of fire.

Q: How will you build support for this program from the American population?

A: We will move into a program of high publicity as soon as we can. We want to bring the President on board. Now the President is preoccupied with Iran. But as soon as we can get him involved as much as possible, we will. The key is an Apollo-style program for a demonstration plant by the end of this century. The present administra-

tion proposal is for \$400 million for magnetic fusion.

Q: Do you think the President will support your proposal given the fact that this administration and former Energy Secretary Schlesinger reduced the fusion budget, and came near to killing it?

A: It may be argued how fast we should have gone in the past given the state of scientific advance on fusion. If the administration doesn't support this 1981 budget however, they could be criticized for failure to move on an obvious opportunity. We have been so successful with the fusion program, our successes in research have run away from our budget. One would have perhaps wished a little more in the budgets before.

Q: Have any of the Presidential candidates committed themselves to ensure the development of fusion energy?

A: It hasn't happened yet. Logically one would expect it from Carter. I would like all the candidates of the major parties moving aggressively with this.

Q: Do you think it should be a major focus of the Democratic Party platform?

A: I could imagine it might be an issue for the platform. Any political party would be wise for making a creative energy platform with an emphasis on energy production. I would anticipate that any party that does not will be at a disadvantage.

Q: Do you anticipate having a major media campaign to educate people on why fusion energy is a critical energy source?

A: We are looking seriously at that. It depends on the President's actions. If he gets very involved it changes the need for such a campaign because of the high visibility that the President has.

Q: Would you like to make any statements about the need for fusion energy in the context of our general energy problems?

A: ... Nuclear fusion can have an overriding impact on our energy supplies starting in the next century. We can go from an energy deficiency to an era of unlimited supply of energy much cheaper than petroleum. A program of rapid fusion development is less expensive than if we stretch it out.

I want to say something else about fusion energy. When we start getting nuclear fusion plants on line we can start reclamation and synthetic fuels programs. We can use fusion for the development of portable fuels, fertilizers, and to desalinate water. We can use fusion to remove trace materials from ores; that was not possible before. With an unlimited supply of cheap, clean energy we will be independent in energy as well as raw materials.

Campaign 1980 by Kathleen Murphy

Haig bows out... for now

Former NATO Supreme Commander Alexander Haig has bowed out of the 1980 presidential race and accepted the post as president and chief operating officer of the defense-oriented United Technologies Corporation

Haig decided not to become a candidate, as had been expected, after being suddenly called to New York for consultations with circles identified with the Council on Foreign Relations.

Our sources caution us, however, that the Council has not dismissed the possibility of reviving Haig's candidacy under the appropriate crisis conditions. As the Dec. 29 London *Economist* notes in assessing Haig's political future: "Improbable as it seems, the possibility of a dark horse in the form of a man riding on a white one cannot be absolutely ruled out (although) as a vice presidential candidate ... Haig's chances look better."

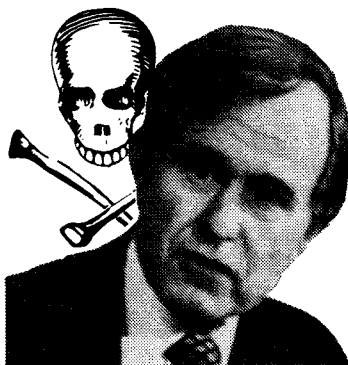
'Lurching and drifting' with Teddy

None other than Democratic presidential candidate Edward Kennedy has joined the Republican National Committee to cry "Who Lost Iran?" at Jimmy Carter. For the first time since his roundly booed remarks on the Shah of Iran, Kennedy has decided it's safe to criticize the President. After all, the GOP is doing it.

Campaigning in the Midwest last week, the Massachusetts Senator accused the administration of "lurching from crisis to crisis" in domestic and international affairs. "Many of us are troubled," he said, "as I am troubled and you are troubled, when we see Ameri-

can embassies that are burned, Americans held hostage, Cuban troops in Africa, Russian troops in Afghanistan, and we ask what we can do about it."

Like the Republicans, however, Kennedy is finding it awfully hard to come up with policy alternatives substantially different from Carter's. In a Jan. 5 statement on Afghanistan, Kennedy called for restrictions on high-technology exports to the Soviet Union, renewed military aid to Pakistan, an improved intelligence-gathering capability, closer relations with China and a diplomatic offensive in the United Nations. Sound familiar?



The skeleton in Bush's closet

The California Governor isn't the only kook running for President. Take George Bush, for example. Beneath his "clean conservative" image, Bush isn't much different from your average Moonie. The former CIA director belongs to one of the most elite secret societies in the US: Yale University's Skull & Bones.

Founded in 1832 on the model of the Rosicrucians, the Freemasons, and the ancient Babylonian and Egyptian cults, Skull & Bones draws its membership from the cream of the Anglo-American crop. Bush's fellow Skull & Boners include McGeorge Bundy, John

Lindsay, Averell Harriman and William Buckley among others. The society is housed in a mausoleum-like structure, where queer rites and strange rituals take place behind windowless walls. The entryway is adorned with a death's head, the society's symbol.

So jealously guarded are the cult's secrets that when a nonmember mentions Skull & Bones, any initiate present must immediately leave the premises. The society's members (who remain members for life—at least!) refer to outsiders as "gentiles" and "vandals" and communicate with one another in secret code—something which has completely confused the gentiles and vandals on Bush's own campaign staff.

President Moonbeam?

Jerry Brown's campaign is taking on an increasingly bizzare character. According to a report on Brown's exotic image in the Jan. 8 *New York Times*:

"Californians are given to referring to their Governor as 'Governor Moonbeam.' ... When Governor Brown formally announced his candidacy in Washington on Nov. 7, for example, he said that the keystone of his campaign was an effort to 'protect the earth, serve the people and explore the universe.'

"Similarly, a few days later, the Governor's penchant for the unorthodox was reinforced when he called on the Indian Swami Mukhtanada at a conference at Boston.

"... People meet with Billy Graham, the Pope, the Archbishop of a Greek Orthodox Church. It's rather ethnocentric to say one religious group is more important than another. Islamic leaders should be met with. This planet is very small."

Military aid to Pakistan in the hopper

House Foreign Affairs Committee Chairman Clement Zablocki (D-Wis.) and Rep. Jonathan Bingham (D-NY) are preparing legislation for early introduction which would exempt Pakistan from the provisions of the so-called Symington amendment to the 1961 foreign aid act. That amendment prohibits all economic and military aid (except food aid) to a country which diverts nuclear material destined for peaceful uses to the construction of nuclear weapons. Pakistan is such a country, and aid has been cut off.

While Zablocki and Bingham have been considering such legislation for some time now, the Soviet intervention into Afghanistan has, they feel, given them the back-up to now introduce the legislation. According to Capitol Hill sources, the Administration "welcomes" such legislation. Zablocki and Bingham may even introduce the legislation before the actual reconvening of Congress on Jan. 22, during one of the "pro forma" sessions which the House is holding twice a week between now and then. While there is little likelihood of emergency action by the Congress prior to Jan. 22, rapid action is expected soon thereafter. While no definitive Senate sponsor has been identified, members of the Senate Foreign Relations Committee are reported to be actively considering introduction.

When asked how Bingham, one of the most fanatical supporters of the "nuclear nonproliferation"

doctrine, could justify sponsoring the sale of weapons to a country in such obvious violation of the principles of nonproliferation, a spokesman for the congressman said, "Well, maybe if we give them conventional arms they will feel less need to develop nuclear arms."

House hearings on banking deregulation

Hearings will begin as early as the end of January on a number of House bills to deregulate the savings and loan industry by phasing out Regulation Q—the interest rate differential which gives savings and loans a fixed rate of $\frac{1}{4}$ percent above what commercial banks can offer for savings accounts. The Senate passed a bill in the fall of last year which also sought to eliminate Regulation Q as part of legislation authorizing the use of Negotiable Order of Withdrawal, or NOW accounts, the savings bank equivalent of a checking account. The House refused to go along with those sweeping changes, saying that it needed time to examine the regulation issue.

The House passed a temporary extension of the NOW accounts before adjournment and will review at least three versions of the more sweeping Senate legislation when it reconvenes. The most extensive reforms have been introduced by Rep. Doug Barnard (D-Ga.), a member of the House Banking Committee. Barnard's bill is essentially the same as the Senate version, except that it would carry out its

reforms over a much shorter period, and on some points, immediately. When asked why Barnard was proposing a more extreme version of the Senate bill, when the House had originally balked on its passage, Barnard's spokesman said, "It wasn't the House that balked, it was Congressman St. Germain."

St Germain (D-R.I.) is chairman of the financial institutions subcommittee of the House Banking Committee; he has introduced his own legislation which would continue to grant the interest rate differential (thereby allowing savings and loans institutions to attract more deposits), provided S & L's continue to extend a certain part of their loans to mortgages and the housing industry. St. Germain's legislation reflects his concern, and that of such Senate opponents of the original legislation as Robert Morgan (D-N.C.), that the deregulation of the industry would eliminate the critical low-interest, long-term mortgage-loan function of the savings and loan institutions.

One other proposal to be offered has been put forward by Rep. Jerry Patterson (D-Cal.) and would set the deregulation process into motion in 1985. Capitol Hill sources report that St. Germain will again be key in determining which legislation is finally enacted.

To begin oversight probe of FEC

The House Administration Committee has established five task forces to oversee the functioning of

the Federal Elections Commission. The five panels are responsible for: the audit and review functions of the FEC, headed by Rep. Vic Fazio (D-Cal.).

- the enforcement functions of the FEC, headed by Rep. William Ratchford (D-Conn.).

- the information office and public disclosure functioning of the FEC, headed by Congressman Peter Peyser (D-NY.).

- the administration and clearing house functions of the FEC, headed by Mendel Davis (D-S.C.).

- on public financing, headed by Rep. John Burton (D-Cal.).

Capitol Hill sources have reported that the task force on public financing may use recent matching funds decisions to claim that FEC regulations are too lenient. The same sources noted that this was really reflective of a move to tighten up the FEC, preventing aid to any "non-establishment" candidates.

Hearings on health effects of marijuana

Under enormous pressure from antidrug groups in his state, Maryland Senator Charles Mathias (R) has scheduled hearings in the Senate Judiciary Committee for Jan. 16 and 17 on the medical effects of marijuana usage. Reportedly, Mathias will use the results of the hearings to determine whether he will wage a fight on the Senate floor to delete the marijuana "decriminalization" provision from the notorious S.1, the criminal code reform bill.

S.1, in this Congress known as S.1722, has been sponsored and shepherded through committee by Democratic presidential candidate, Sen. Edward Kennedy, and entails 2a thorough reorientation of the criminal code of the United States. S.1 passed the Senate Judiciary Committee this fall with support from conservatives who acceded to the marijuana decriminalization position in exchange for "toughening" of other aspects of the bill.

Mathias' hearings will have extensive medical testimony from approximately 20 medical doctors including such well-known researchers on marijuana as Drs. Nahas (Columbia University), Heath (Tulane), Hembrie (Columbia University) and Cohen (UCLA). However, NORML (National Organization for the Reform of Marijuana Laws) is sending its "house doctor" Greenspoon, who is also scheduled to testify.

Several grass-roots antidrug groups are also on the agenda and have promised to pack the 400-person Senate Caucus Room where the hearings will take place.

Welfare jobs program being pursued

The House Education and Labor Committee is reviewing two bills that would convert the CETA jobs program into a massive public works program for welfare recipients. One bill, H.R.4425, has been proposed by the Carter administration and would establish a new "title" for CETA that would create

approximately 400,000 new jobs for welfare recipients. The CETA program now is largely used to rehire laid-off municipal workers at lower wages. Of the 250,000 CETA jobs currently in existence, only 25,000 are for welfare recipients.

Other legislation, the Hawkins-Perkins bill, would provide jobs for everyone eligible for public service. This would include low income individuals and couples, whereas the administration bill mandates jobs for families eligible for Aid to Dependent Children funds.

The committee held hearings on these bills in early October; Labor Secretary Ray Marshall testified. They plan to begin mark-up in the Subcommittee on Employment Opportunities, headed by Congressman Hawkins (D-Cal), in February.

The subcommittee will also hold hearings on Jan. 18 on the Employment Priorities Act, H.R.5040. This legislation will require that any company planning to close or relocate must first notify its workers. It then allows the Secretary of Labor to investigate the circumstances of these actions and whether any loan program or other activity will keep the plant from relocating or closing, thus in effect authorizing federal control over much of U.S. industry activity.

The subcommittee hearings will be held in Los Angeles and will include testimony from the rubber workers unions which have been faced with plant relocations. The day before the hearings, the committee plans to tour two plants in California.

National News

Does the U.S. have a foreign policy?

Henry Kissinger flew into Washington two days ago for "private consultations" on foreign policy matters in his office at Georgetown University. The exact content of the meetings have been kept secret, as were the participants. Alexander Haig is reported to number among them. Kissinger told the press entering the meetings that he supported the Carter administration's anti-Soviet foreign policy measures as a necessary "first step." ABC-TV reported that he had different words behind closed doors, calling the Carter policy stupid and ineffective, and terming the sanctions imposed against the Soviets "useless pin-pricks." At a press conference later in the day, Kissinger rephrased his statement of "support"—the measures are nothing more than a "gun shot across the bow"; the idea is to "stop the ship" and the Soviets are not stopping.

A source at Georgetown, who helped Kissinger spin off his scenarios, says that Kissinger wants a show of force—not in Afghanistan which is a military absurdity, but in Iran. The U.S. is rapidly building up the necessary massive forces in the area and establishing the network of bases in both Africa and in the Indian Ocean. Kissinger fears that Carter's vacillations, both now and before, may have already doomed such an effort to failure. This challenge to the Soviets—and to Arab world and Europe—is nonetheless necessary to show the world that the U.S. means business.

What the Democrats are really thinking

Soundings taken around the country reveal that President Carter's standing among Democrats is plummeting, with no rebound for the tattered Edward Kennedy campaign. With voter preference having rejected Kennedy and now

clearly moving away from Carter, the current leader in the Democratic race is marked "uncommitted."

The soundings: A North Carolina poll shows that 48.8 percent of all Democratic voters are uncommitted. Next comes Carter with 47.8 percent. Kennedy is dismissed as a factor with 3.4 percent. The North Carolina results are typical for the South. Once it's recognized that Kennedy is not a major threat, the anti-Kennedy sentiment that binds Southern Democrats to Carter dissipates. County leaders reached in several deep South states all confirm the existence of very large uncommitted sentiment in the Party. The "Go Uncommitted"—to the convention—phenomenon is not confined to the South. Iowa State Democratic sources foresee a 30 percent and up uncommitted vote at the Jan. 21 caucuses. In 1976, the uncommitted voters, not Carter, actually won the Iowa caucuses. In the other pre-New Hampshire caucus state, Maine, whose State Democratic Caucus will be held on Feb. 10, State Democratic officials are already talking in terms of expecting a 20-30 percent uncommitted vote.

LaRouche promises a cure in 30 days

Lyndon LaRouche, candidate for the Democratic presidential nomination in 1980, offered to cure the Iran and Afghanistan crisis "in 30 days." In a Jan. 2 release, the presidential candidate said that "Zbigniew Brzezinski's efforts to cause the United States to ally itself with those Iranian and Pakistan dictatorships which have made virtual acts of war against the United States is a symptom of the mental illness which appears to have taken over the Carter administration as a whole." LaRouche proposed to President Carter "that he, out of his love for his country, the United States, accept the resignation of Vice-President Walter F. Mondale, and appoint me vice-presidential nominee. He should plan to resign himself as soon as my confirmation is effected.

"Then I promise to get the United States out of the deadly and worsening strategic crises this administration has manufactured. I promise to cure this mess within 30 days."

Carter sees no hope in Iran crisis

President Carter told a group of Congressmen in Washington this week that the crisis in Iran cannot be resolved by normal means. Because the "international terrorists" who seized the embassy and the hostages are independent of the Khomeini government, there is no entity "with which we can negotiate," he said, ignoring the facts. And he added that the terrorists are not concerned "even with the security of the country within which they live."

At a State Department briefing, spokesman Hodding Carter III implied that the terrorists holding the U.S. embassy were agents of the Soviet Union! From that standpoint, virtually every U.S. government spokesman is reiterating the importance of "moderates" like Ghotbzadeh and Co. to deal with the U.S. against the Soviet Union.

Carter's statement came just before his Secretary of State, Cyrus Vance, proclaimed before a national television audience that a United States naval blockade of Khomeini's Iran "cannot be ruled out." Then, on Jan. 12, Hodding Carter III, spokesman at a State Department briefing, said that a naval blockade of the type mooted by Secretary Vance was actually "under active consideration."

United Nations sources report that the U.S. delegation at the United Nations has been "really strongarming" other nations' representatives into voting for economic sanctions against Iran—a vote that the Soviet Union has pledged to veto in the Security Council.

Iran, for its part, has said that a naval blockade "will mean war," and that in the event of sanctions, it will cut off oil sales to any nation participating with the U.S.

The U.N. sources also say that U.S. policy appears to be a "step-by-step" pursuit of showdown with the Soviet Union, which is now said to be building two military bases in Western Afghanistan, a clear indication that should the U.S. send a "strike force" to Iran, the Soviets are prepared to also invade that nation.

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Responding to the threat of U.S. military action, *Pravda*, the Soviet Communist Party newspaper, declared that Iran and the U.S.S.R. are "good neighbors," and added, "The United States is the real threat to Iran."

New York Times bids for uncommitted voters

"Before plunging headlong into yet another Presidential election, perhaps we should stop a minute and consider whether this expensive, time-consuming and divisive process is necessary or even produces results superior to the alternative: hereditary monarchy."

So begins an Op-Ed column in the *New York Times*, Jan. 12, authored by John Steele Gordon, whom the *Times* only describes as a member of "a public relations firm" in New York "and author of a book about driving." Mr. Gordon points out that 38 men have been president of the United States, while 41 have been King or Queen of England. Dividing these into three categories, "great, adequate, or disastrous with regard to the fortunes of the country they led," and assigning 3 to each great leader, -3 to each disaster, and 0 to each adequate leader, Mr. Gordon finds that "monarchy wins in a walk at -3 to -12."

Mr. Gordon concludes: "Having a monarchy, then, clearly means fewer visits to the repair shop and longer intervals between major tune-ups. Since it is also much cheaper to operate (all those beefeaters, changing guards, royal yachts and castles in Scotland cost less than one big-state primary—and turn a pretty tourist penny into the bargain) it should be obvious that monarchy must be the choice of every thinking consumer."

Of course, it's all tongue-in-cheek. Isn't it? There is, of course, the fact that leading personnel at the *Times* do most of their thinking on "gouvernance" down at the New York Council on Foreign Relations, the daughter institution of the Royal Institute for International Affairs, which is in turn, "Chatham House," otherwise the executive body of Her Britannic Majesty's Secret Intelligence Services. All of which makes the *New York Times*—whatever Mr. Gordon is—something of a "public relations firm" for the British monarchy. Can it be that this Op-Ed, which takes up fully one-half of a prized p. 19 with graphics, represents a new appeal to the whopping percentage of "uncommitted" American voters, on behalf of the *Times'* preferred candidate?

U.S. Air Force using Egyptian bases

The U.S. Air Force has been using Egyptian military facilities and participating in training sessions with the Egyptian Air Force from a secret base in Luxor, Upper Egypt, admitted Egyptian Defense Minister Gen. Hassan Ali. According to U.S. and Egyptian officials, the U.S. used its super-sophisticated AWACS surveillance jets with computerized facilities in the exercises, which took place beginning three weeks ago. The AWACS planes, according to reports, are capable of being used in the mooted intervention into Iran, the Persian Gulf, and the Indian Ocean to coordinate a naval blockade.

Briefly

● **WARREN CHRISTOPHER**, U.S. Under-Secretary of State, hopped over to Brussels NATO headquarters yet again last week while Assistant Secretary of State Richard Cooper toured Western capitals seeking support for economic and other sanctions against the Soviet Union and Iran.

● **PRESIDENT CARTER** met with "40 former foreign policy officials" to search for a foreign policy consensus this week at the White House. The media reported the President vacillating between standing up against the Soviet Union and backing down from a direct confrontation to. The White House declined to make a statement on the meeting or even reveal the names of the participants.

● **JOSEPH HENDRIE**, chairman of the Nuclear Regulatory Commission has announced that 38 nuclear power plants in the country have not complied with new safety requirements provided by the agency's findings on the Three Mile Island facility shutdown last year. Hendrie announced that the facilities in question will have one month to comply or face shutdown risking a serious electrical blackout this winter

● **CITIZENS FOR LAROUCHE** (CFL) has announced a formal complaint with the Federal Communications Commission against NBC Television for its refusal to sell 30 minutes of political advertising time for Democratic Presidential candidate Lyndon H. LaRouche, Jr.

LaRouche intends to address the population on solutions to the war danger created by the Carter Administration's actions in the Middle East; CFL has stated that any attempt by the major media to block such a paid political address is "criminal obstruction" against vital United States national security interests.

Red Brigade link in the U.S.A.

Italian authorities have officially announced a probe of a Moro-kidnap-linked organization in America. A few months ago, EIR had already completed its probe...

Italy's Public Prosecutor Guido Guasco has identified in a 198-page document issued earlier this month a "U.S.-based radical organization" as one on a list of terrorist organizations linked to the Red Brigades in the assassination of former Italian Prime Minister Aldo Moro. That organization is the Zero Work Collective, linked earlier by *EIR* as well as by the presidential campaign of Democrat Lyndon LaRouche to international terrorism and to U.S. environmental action. Guasco's report also named the Irish Republican Army, the Basque ETA, and the Red Army Group-Baader Meinhof Gang as linked to the Italian terrorists.

Zero Work's links to environmentalism were uncovered in the course of an investigation commissioned by candidate LaRouche into the plans for violence at an Oct. 6 environmentalist demonstration at the Seabrook, New Hampshire nuclear power plant construction site. The demonstration was being organized by the Direct Action Coalition, a splitoff from the Clamshell Alliance. The investigators discovered that the Zero Work Collective had not only called for the use of violence on Oct. 6, but were active participants in organizing the demonstration.

The defense of Seabrook was initiated by pro-Carter Governor Callen only after enormous pressure was applied by New Hamp-

shire citizens and LaRouche campaign workers. The demonstration was largely a failure.

But prior to the Seabrook exposé of the Zero Work-Red Brigade connection, *EIR's* bureaus in Rome, Milan and New York published two major reports on the roots of Italian terrorism. In the second report entitled *Socialist Area*, the history of the Red Brigades and the gang's relationship to the Italian Socialist Party was thoroughly documented. One of the essential features of the report centered upon an obscure "new left" group called Potere Operaio (Workers Struggle) and its founding leaders Toni Negri and Francesco Scalzone, both currently under arrest as controllers of the Red Brigades.

The report further documents that Potere Operaio and the "theoretical" journal *Telos*, based in Italy and the United States, have been practically identical in ideology and personnel.

Under the rubric of "intellectual exchanges and revolutionary intercourse" leading Italian terrorists—including Red Brigades master Negri—visited the U.S. in the early 1970s and established extensive contacts in major U.S. universities. Specifically the University of Buffalo served as one of the centers for establishing this interface, under the direction of Tavis-tock-trained Warren Benni, University of Buffalo's president.

Zero Work is yet another "split off" creation of *Telos* magazine circles in which Negri was central. One of the founders of *Telos*, Paul Piccone, was closely associated with Toni Negri. Zero Work's members in the U.S. are small in number, but its supporters range into far more powerful circles. Immediately after Negri's arrest in Italy, a group of prominent U.S.-based figures, such as former U.S. Attorney General Ramsey Clark, formed a political-legal-financial defense committee for the arrested Red Brigade leaders. This defense committee, the Committee Against Repression In Italy (CARI), was constituted by New York University Professor Bertell Ollman, Wayne State University Sociology Professor Martin Glaberman, plus several leading so-called Marxist academics and theoreticians. One of the leading organizers of CARI was an Italian citizen living in New York City named Sylvia Federicci whose home address in Brooklyn, New York was the same as that of the "U.S. radical" Zero Work Collective!

Once the Zero Work group was confirmed as "active" and with the additional accumulated knowledge that Professor Martin Glaberman is a top terrorist controller in Detroit, direct unbroken ties between Italian and U.S. terrorists were again confirmed.

Additionally, it is important to note that Glaberman called special attention to himself by filing an injunction to stop three Italian judges from using sophisticated voice print equipment at Michigan State University where Toni Negri's voice is on tape telephoning the Moro family during the height of the kidnapping crisis.

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