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Autumn crisis in the Euromarkets?
East-West links rebound despite Poland
Congress challenges Carter war doctrine

**Tracking the Billygate networks:
Oil, drugs and terrorism**



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EIR

From the Editor

This week's Special Report extends *EIR's* revelations about the actual diplomatic intrigues involved in the Billy Carter scandal. In reports now circulating in the Mexican, West German, and Iranian exile press, *EIR* has exposed the secret agreement by the Carter administration to provide Washington's protection for international Muslim Brotherhood terrorism, in exchange for a political boost to the President on the Iranian hostage issue.

Here an investigative team directed by Editor-in-Chief Criton Zoakos presents a further dimension of the Billygate scandal: the role of Libya-U.S. links in Camp David diplomacy, the networks that have engineered the 1979-80 oil price increases, and the Permindex-British Special Operations Executive strategists who run the "left" and "right" terrorists linked to the Carters' Libyan friends.

European Editor Vivian Freyre Zoakos, Richard Freeman and Mary H. Carey researched the report, along with Scott Thompson, one of *EIR's* senior counterintelligence specialists, who contributed the sections on the Charter Co. and Robert Vesco.

In Economics, we update efforts by the State Department and Federal Emergency Management Agency to ration U.S. lending, as a liquidity crunch looms and the Fed once more starts to price credit out of reach. A challenge to this incompetence from the new National Democratic Policy Committee is summarized in our National section, along with the beginnings of Congressional moves against the Carter administration's limited nuclear war doctrine and military alliance with Peking.



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Business Briefs

Steel and auto

Tripartite boards for rationalization oversight

President Carter's plan for "reindustrialization of America" may boil down to the rationalization and shutdown of the aging steel and auto industries, since no concrete plans or funding for building up "industries of the future" exist.

The Senate Democratic Task Force on the Economy this week leaked to the press a report to the Senate Subcommittee on Industrial Policy, hailed by the *New York Times* and others as "more far-reaching and daring" than Carter's speech because it bluntly emphasized the need to shift workers from shrinking industries. "There is little economic justification, if any, for the bailout of industrial losers" the report said of the U.S. steel, auto, and other industries of the Great Lakes region.

The administration has already set up a tripartite government-business-labor board to oversee this shutdown of the U.S. steel industry. Secretary of Transport Neil Goldschmidt is reportedly meeting with the auto companies and unions to form a similar auto tripartite board, to deal with the financial crisis in Chrysler, Ford and GM.

Fiscal policy

Israeli central bank cites military drain

In its just-released 1979 annual report, Israel's central bank documents the worsening collapse of the country's economy. Authored by Central bank chief Arnon Gafni, who prides himself on independence from the government of Prime Minister Begin, the report led the Swiss financial journal *Neue Zürcher Zeitung* on Sept. 3 to the conclusion that only a successful outcome to Mideast peace negotiations could prevent Israel from going through a full-scale economic collapse.

Since the 1973 "Yom Kippur War," Israel's foreign debt grew from \$3 billion to a current \$13 billion. Inflation has become "turbulent," as the report states. During 1979, real gross national product declined by 8 percent.

Gafni accuses public opinion of harboring the misconception that U.S. aid to Israel arrive "free of cost." The report documents that from 1964 to 1979, Israel imported \$16 billion worth of military equipment. Of that, 60 percent was financed with long-term loans. These loans, however, were subsequently refinanced leading to a sudden surge in foreign indebtedness during the 1970s.

Gafni proposes simply to introduce even more austerity against the population. He includes among his own successes the fact that during 1979, as a result of a "crash program" implemented by the government and the bank, private consumption dropped by 5 percent in real terms.

Oil strategy

OPEC to double prices over next three years?

The OPEC Long-Term Planning Group, chaired by Saudi Oil Minister Zaki Yamani but under the consultancy of former British Petroleum Minister Anthony Wedgwood Benn, has prepared a draft strategy for raising OPEC oil prices to over \$60 a barrel, double today's prices, by 1984. The text of the draft, according to the London *Sunday Times*, calls for the simultaneous "indexation" of oil prices to Western industrial nations' inflation rates, currency rates, and GNP growth rates.

Fadhil al-Chalabi, OPEC Deputy Secretary and senior pricing specialist, calculates that this indexation would raise world oil prices by 10 percent per year, 2½ per quarter, which would yield a price of some \$60 a barrel by 1984.

OPEC may well adopt this radically inflationary strategy at its late-September annual Petroleum Ministers Summit in Vienna, worried West European

sources told *EIR*. Such a three-pronged indexation "is very grim indeed," one Bonn source said, "but what is the alternative from OPEC's standpoint? If the method had been applied since 1973 or 74, oil prices might now be lower." One Vienna banker close to OPEC said he was "completely puzzled that the Saudis should so radically change attitudes on the subject of indexation," which they previously opposed as inflationary. He cited "political pressure on the strategic Mideast situation" from the United States as a possible explanation.

Petrodollar investment

Arabs buy into Japan's high-tech firms

OPEC money is flowing into Japan at record rates, not only in bank deposits known as "free yen," but even more so into the stocks and bonds of high technology firms. Japan's long-term capital will show an estimated \$2.5 billion surplus in August, 60 percent of which is due to inflow of OPEC funds, according to Japanese banking sources. Of this amount \$500 million is in the form of stock purchases. Favored investments are in the Japanese giants in the field of advanced electronics, chemicals, computer electronics and computers. Among the top ten leaders are: Hitachi, one of the leading cartels and a specialist in electronics and robotics; Toshiba, a leader in consumer electronics; Mistubishi Electric, Mitsubishi Heavy Industry, Takeda Chemicals and Fujitsu, the leading computer firm.

Currency markets

Sterling and Swiss francs seen as good buys

Anglo-American international portfolio managers in New York are quietly telling clients to hold onto the British pound

sterling—its rise to pre-1967 highs isn't over yet. "The pound could break above \$2.50—sooner than anyone thinks," said one source. "It's continuing to quietly feed on itself. International money, especially Arab money is coming in."

This money manager also believes the now depressed British government bond or gilts market will zoom. "If sterling does break \$2.50, the Bank of England could move to strongly lower interest rates, and the gilt market would take off," he stated.

In the volatile Eurocurrency markets, the stable Swiss franc is also favored to strengthen against the U.S. dollar, another source said. "The U.S. will not come out of this recession by the end of the year and inflation will continue to grow nastily," he noted. "The Swiss franc could easily go to \$1.55 by the end of the year—perhaps even \$1.50."

International credit

Golden lining for Polish finance

The Soviet Union is putting together a billion-dollar equivalent loan package to ensure the continued stabilization of Poland which will include a hard-currency loan, turnkey industrial projects, and a loan of Soviet gold to the Polish central bank, New York banking sources confirmed this week. "The gold segment would amount to a Soviet grant in effect," the source said; it would be repaid in cash, on easy terms.

The move hastens the world remonetization of gold as the premier central bank reserve asset, a process begun by the European Monetary System. "Poland would keep the gold as its basic reserve asset, not sell it or collateralize it for loans from the West," the source said. "They will then be able to liquidate other currency reserves for imports and reduce their heavy Euromarket borrowing requirements."

The move relieves Western pressure on Warsaw generally. Poland's most re-

cent Euromarket dollar syndication of \$325 million in late August from Lloyds and Bank of America bore a spread over the London Inter-Bank Rate of 1½ percent, the charge to the worst borrowers.

Banking

Manny Hanny endorses Brandt panel approach

Manufacturers Hanover has joined the ranks of New York banks which want to see the International Monetary Fund reorganized, probably along the lines recommended in the international policy group known as the "Brandt Commission." In its Sept. 2 newsletter, Manny Hanny discusses at length what would be entailed in introducing "basic changes" in the role of the IMF and the way that it does business."

A development policy thinktanker in Washington, D.C., who just participated in a Third World conference in Arusha, Tanzania reports that New York banking community spokesmen David Rockefeller, Irving Friedman and Rimmer de Vries are also pushing for IMF reform.

The Brand Commission argues that Third World countries would be far more willing to go to the IMF for debt refinancing if the IMF would "soften" its "conditions," or austerity requirements. In addition, the Brandt Commission has argued for longer maturities on IMF loans.

The IMF's just-signed agreement with Tanzania for a \$200 million loan may be a signal that the IMF is already softening conditionalities. Last year, Tanzania refused an IMF loan to avert a large devaluation of its currency and large domestic consumption cutbacks. Asked at a press conference in Washington, D.C. Sept. 4 whether the IMF was indeed softening conditions, an IMF press spokesman stated: "Conditions are not becoming more liberal. Rather, adjustments to high oil prices would be frustrating, so the adjustment has been extended out."

Briefly

● **CITIBANK** will shortly issue a report predicting that the era of sharp energy price increases is over. Instead of 15 percent per quarter increases as in 1979, the report will argue, increases will fall to 1 percent per quarter.

● **EUROPEAN** Community steelmakers will cut output an additional 3 percent from the 10 percent cutback already enforced at the request of Italian and some German steel companies.

● **AUSTRIAN FINANCE** Minister Androsch may resign after Austrian newspapers started muckraking alleged bribes for hospital construction contracts. Already arrested were executives of Siemens, ITT, and the head of Austria's industry confederation, and suspicious has fallen on some close associates of the finance minister.

● **WALL STREET** *Journal* columnist Lindley Clarke praised Nazi finance minister Hjalmar Schacht in a Sept. 2 column, saying, "Where is Schacht now that we need him?" Clarke is a protégé of economist Milton Friedman, a publicly professed Schacht admirer.

● **THE HOUSE** Operations Committee has completed a two-year study of foreign purchases and investments into U.S. high-technology firms, which concludes that "the inability of relatively small local ventures with advanced technology to raise venture capital in the U.S. markets is of real concern and has perpetuated . . . foreign acquisitions."

● **THE CONSUMER** Price Index registered zero growth for July, but the basic underlying rate of inflation in the U.S. economy is conservatively said to be 10 percent and the resurgence of food prices in July and August will bring that rate to the surface.

Autumn crisis in the Euromarkets?

by David Goldman

Both the American and international sectors of the world dollar credit market remain at the edge of a potentially devastating liquidity crisis, despite apparent efforts of the American authorities to contain it. In fact, American policy is running on two simultaneous tracks.

On one level, the State Department has taken over the day-to-day management of the dozens of banking consortia who handle the refinancing of the \$80 billion or so in developing countries' debt service this year, the great source of instability in the world credit system. The Federal Reserve has taken action to prevent the late August interest rate spiral from running out of control, and creating a possible crisis situation both at home and in the Eurodollar market.

But the emergency arm of the American government, the Federal Emergency Management Agency, is in full mobilization preparing for total financial crisis, including preparations for exchange controls, credit controls, and other extreme measures—in the event that stabilization fails (see Banking).

Without taking into account the global financial and political context, none of the recent—or coming—developments on the financial markets makes any sense. Let us review, sequentially, what happened in the week up to Sept. 4:

Eurodollar interest rates rose spectacularly during the week ending Aug. 29, with the benchmark six-month Eurodollar rate at $12\frac{7}{8}$ percent, and the three-month rate at $12\frac{1}{2}$ percent. Federal funds rose to a

high of $11\frac{1}{2}$ percent on Aug. 28, up more than 1 percent over the week. Compared to the equivalent domestic rates, the Eurocurrency rates were a full 2 percent higher; the usual spread is less than 1 percent.

According to a wide spectrum of money-market sources at the leading commercial banks, Eurodollar bankers were scrambling to get hold of whatever liquidity they could in the shortest possible time period. As we reported in last week's banking column, bankers feared a major political crisis through either the Polish or Mideast theaters, and possible interruption of oil supplies or flow of funds. The pressure for funds was sufficient to drive interest rates up by two percentage points over the week.

Apart from the short-term political threat, bankers also considered the prospect for a medium-term squeeze on international liquidity, due to the bunching up of Third World debt-service obligations at the end of this year (see International Credit), amounting to the better part of \$80 billion.

One leading investment bank analyst considers the most telling development in the American banking system this year to be a net flow of funds from American banks to their foreign branches between March and the end of August of \$15 billion. In March, American banks were net borrowed of \$6 billion from their foreign branches; by August, they were lent net of \$9 billion to their foreign branches.

What this indicates is liquidity draining from the

domestic credit system, starting with Fed Chairman Volcker's March imposition of lending controls in the United States.

Credit control and downward rates

The commercial banks have had extensive rollover requirements for Brazil and other major debtors during the last two quarters. While negotiations stalled over terms of medium-term syndicated credits—Brazil must borrow another \$10 billion or more this year—banks had to roll over trade paper or conduct similar short-term bridge financing to keep large borrowers afloat.

At present, the State Department is shepherding the medium-term credits through, telling banks where to lend (and also where not to).

The State Department itself believes that this process cannot continue much past the beginning of 1981's first quarter. Indeed, any significant market disruption, e.g. rapidly rising interest rates, would bring about a crisis much more rapidly.

Therefore, the Federal Reserve took steps to bring down domestic rates—in such a fashion as to ensure, in the consensus view of most Wall Street analysts, that the economy will remain flat or worse for the foreseeable future. First, the Fed injected reserves into the banking system on Friday, Aug. 31, bringing the Fed Funds (interbank short-term lending rate) down to between 8 and 9 percent.

More importantly, the Fed persuaded bond syndicators to postpone between \$3 and \$5 billion in bond issues that had been tentatively scheduled for September, according to an *EIR* survey of bond market houses. In effect, the Fed did once again what it had done in March: shut off lending in order to lower interest rates.

The break in rates is intended to make possible the refinancing operations internationally, i.e. to continue the drainage of funds out of the domestic credit system into the international credit system. The State Department and Federal Reserve hope that some deal can be struck with OPEC to make large-scale additional resources available through the International Monetary Fund for further refinancing. However, their staffs are pessimistic about the success chances of such schemes.

Volcker is mugging the same victim twice

What makes this policy so much more unstable than it was last March is that the record volume of bond market financing during July and August, a major source of increased money supply and higher interest rates, was urgently required to rebuild the financial resources of the corporate sector, strapped as it was for liquid funds.

As Salomon Brothers showed in a July 21 study, the liquidity position of American corporations is at a postwar low, and Salomon Brothers analysts argue that the situation is worsening, not improving, through the present depression.

Cutting off the volume of refinancing, as the Fed did last week, threatens the stability of the economy in a fashion even more profound than last March's credit controls. In effect, the Fed has tried to mug the same victim, the American economy, twice. The pickings this time are much slimmer.

The underlying illiquidity of both the domestic and international sides of the market make the system continuously prone to crisis. This is evident from last week's sudden interest rate runup; the moment that market participants believe that the game may be over, the scramble for funds will push rates up violently.

On the American side, the threat of a Penn Central-style bankruptcy, which threatens to produce uncontrollable consequences, is significantly enhanced by the shutdown of the corporate bond market. The Federal government's \$100 billion per annum (including so-called "off-budget") borrowing requirement ensures continued pressure on long-term American interest rates.

Most of all, the continued, underlying inflation threat will tend to push dollar rates up sharply. A few analysts, such as William Griggs of Schroeders Bank, believe that inflation will subside to the 9 to 10 percent level in an utterly quiescent economy, making the current long-term interest rate for AA-rated securities of 13 percent relatively attractive.

Washington looks to continued inflation

However, *EIR* does not believe that the inflation rate will fall in any such fashion. The damage already done to the farm sector and the transportation sector (through phased implementation of deregulation) have unleashed profound inflationary consequences. The current rate structure will not hold.

That the federal government itself does not believe matters are under control is indicated not only by discussions with the would-be crisis managers themselves, but by the cited activities of the Federal Emergency Management Agency (FEMA). FEMA's unpublicized but comprehensive preparations for a general financial crisis are the fallback position in place for the failure of the above scenario.

Gold's rise during the last week, to \$652 in London on Sept. 4, indicates how unstable the international situation is. The ultimate hedge against a breakdown of the international markets is the biggest gainer of anything traded.



The IMF admits strength of EMS

by Renée Sigerson

Ever since July 1978, one of the more bizarre occurrences influencing international financial developments has been the adherence of circles in London and especially New York to a policy of keeping as secret as possible the existence of the European Monetary System (EMS).

This little game, which involved blacking the EMS institution out of U.S. financial newspapers, as well as a great deal of lying at international conferences as to what the EMS is about, is about to be brought to a close.

In its latest annual report, the International Monetary Fund (IMF), the centerpiece of Anglo-American global financial operations, matter of factly reports that the EMS has emerged as a major factor shaping international financial relations. "The EMS," the report says, "represents a major modification of exchange arrangements and international policy coordination." The context is the IMF's estimation that it was the EMS which brought to a screeching halt the IMF's own preferred policy from 1976 to 1979 of "floating exchange rates."

In the same way that the IMF is an asset of London-New York banking circles in shaping the domestic economic policies of governments, the EMS is the creation of French and West German circles, whose goals are strongly backed by industrial and official circles throughout continental Europe.

The EMS was made public in July 1978, then formally instituted in March 1979. In early 1979, high-level West German officials described it as a "seed crystal for a new international monetary system." At its founding, the EMS pooled \$70 billion in currency reserves from eight member nations, including a \$30 billion gold account whose worth has since doubled.

In the IMF annual report to be issued two weeks before the Fund's Sept. 30 annual meeting, it is noted that implementation of the EMS includes "plans for the establishment of a European Monetary Fund" (EMF). In Europe, the EMF is called "Phase II" of the EMS. Its purpose will be to generate government-backed long-

term lending policies for international development projects. Prior to now, the IMF never mentioned "Phase II" in its publication. Were "Phase II" to be successfully implemented, it would supersede the entire 1980s policy of the IMF to subject the Third World to triage in isolation from international trade.

The fact that the IMF cites the EMF as having put to rest the "floating rates" system is no small matter either.

The report states: "A coordinated policy vis-à-vis the U.S. dollar has broadly been followed by the EMS participants. Thus, while there has been an increase in intervention by participants using European currencies to support bilateral rates . . . intervention in U.S. dollars has continued on a large scale, mainly to reduce fluctuations of EMS currencies vis-à-vis the U.S. dollar or to carry out necessary adjustments."

Earlier, in a general summary, the IMF report summarizes: "In the determination of exchange rates, the monetary authorities of a number of industrial countries maintained or increased efforts to influence the course of exchange rate movements. This tendency has manifested itself, *inter alia*, in some increase since 1978, compared with earlier years, of the period of floating exchange rates, in the level of official intervention in foreign exchange markets and in the pursuit of monetary policies tending to stabilize exchange rates. . . . The question arises whether measures by the industrial countries to influence exchange rates, can on balance be expected to assist or hamper the pursuit of their macroeconomic objectives."

The story behind these observations is that in 1976, the IMF was working with then U.S. Treasury Secretary Blumenthal to forcibly ratchet world trade downwards through international currency warfare.

The 1976-78 frequent attacks on the U.S. dollar were repeatedly rigged by British banks, often operating out of Far Eastern foreign exchange markets. The pool of liquidity the British banking system used to dump literally billions of depreciating dollars on European central banks was heavily drawn from offshore deposits of "dirty money."

Blumenthal, who is personally connected to Far East-based British banking, acquiesced to these attacks by refusing to use the resources of the Federal Reserve to support the dollar. European exasperation with Blumenthal was a contributing factor to European determination to found the EMS. When the EMS was formally introduced, Blumenthal was dumped and the U.S. policy of "benign neglect" toward the dollar was soon replaced with the current equally damaging policy of high interest rates. U.S. high interest rates are also being challenged by the EMS members, both in attacks in their press (see Foreign Exchange), as well as in current European policies of lending at slashed interest margins on the Euro-markets.

Recycling panics policymakers

It's nearly time to roll over Third World debt, but no one has a good way to do it.

For 1980, developing countries seek between \$80 and \$90 billion in loans, almost every penny of that for refinancing of the debt which has accumulated since the 1973 oil hoax. Financial policymakers worldwide are gritting their teeth, because less than half of that borrowing requirement—the bare minimum to prevent default somewhere—was filled in the first half of this year.

At bottom, at least \$50 billion of that sum must be raised or politically accounted for (i.e., postponed to 1981, as bankers last week agreed to do for Bolivia) before year-end. Thirty-five billion dollars of that total will have to come from syndicated loans and bonds raised on the Euromarkets. "We're already sitting on a rescheduling nightmare," one Washington official stated. He also reported that the State Department was actively involved in the debt refinancing negotiations between U.S. banks and their Third World borrowers. "Each time we sit down and get the private banks together, they're increasingly skittish about rolling over these countries. . . . the private banks will be doing less recycling, period. . . . We want a totally different solution. . . ."

Whether or not any of the plans currently being debated can be implemented will be the major subject of discussion at the International Monetary Fund meeting in Washington at the end of September.

The two kinds of solution under heaviest debate in London and New York banking circles are 1) to hand as much of the debt burden as possible over to the International Monetary Fund (IMF). The Fund would extract repayment under conditions of harshest regulation of Third World economies; or 2) to establish closer coordination between central banks and commercial banks in reviewing loan allocations, mainly by introducing Euro-market regulation.

Although neither solution has the merit of solving the problem of developing country debt, both were intensively discussed this week at an informal gathering of bankers in Alpbach, Austria. Participants at the "sounding board" session for the IMF annual conference included Swiss Central Bank chief Fritz Leutwiler and U.S. Undersecretary of State for Economic Affairs Richard Cooper.

Leutwiler's remarks tended to favor increased central bank activity in regulating Euromarket activities. He predicted that Euromarket lending will continue to expand through the 1980s, despite the overhang of multibillion dollar commitments which are becoming increasingly difficult to refinance; however, he warned, the "susceptibility to crisis will also increase."

At the same time, Leutwiler rejected out of hand the proposal for IMF-backed guarantees for Third World lending. He argued that this

would only fuel the uncontrolled growth of unpayable debt.

IMF control over Third World debt was also termed impractical by former Treasury adviser Peter Kenan in an interview this week. "I have a terrible sense," he reported, "that everyone is going into the IMF annual meeting with the idea that the IMF must bail everyone out—and the IMF can't. What worries me is . . . we have no policy, we have no mechanisms—then we'll have a crisis."

Many experts expect the crisis to emerge around refinancing of Brazil. Holder of no less than 16 percent of total Third World debt, or more than \$50 billion, Brazil is expected to seek \$9 billion in loans over the next four months. Top-level think-tankers and New York bankers have recently visited Brazil to propose that it go to the IMF for \$4 billion in standby facilities, rather than expect the banks to do all the financing. But it is a matter of Brazilian national pride not to beg for financing from the IMF, which if it did lend to Brazil would impose lower growth rates on its automotive and agricultural sectors.

At Alpbach, Cooper meanwhile shocked participants with an impassioned defense of the \$5 billion-range U.S. payments deficit for this semester. Cooper stated that the deficit will force oil-producing surplus countries to invest in energy-saving capital equipment in the industrialized countries. Challenged by European participants as to whether this wouldn't take away from investment in the developing countries, Cooper retorted that it would probably be a good thing, since the rate of return on investment was better in industrial than in underdeveloped countries.

Europeans issue storm warnings

A new interest-rate war would unsettle the currency markets and once again, the cause would be Volcker.

The threat of a long-term renewed rise in U.S. and international interest rates and the instability this will cause in international lending markets will probably mean turmoil in world currency rates, European financial circles warned this week. Fritz Leutwiler, president of the Swiss National Bank, told the Alpach European Forum at Alpach, Austria Sept. 1 that while growth of the Eurocurrency markets will increase through 1980 in all currencies, "susceptibility to crisis will also increase."

The U.S. dollar has already felt this susceptibility, falling from its summer-long range of DM 1.80 to almost DM 1.77 before a slight recovery during the post-Labor Day market reopening. The pound sterling meanwhile topped its pre-1967 devaluation high of \$2.40, reaching to levels of \$2.42.

Fundamentally, the market is concerned that interest rates must rise because, not in spite of, the deepening world recession. "The quality of borrowers is deteriorating," as Leutwiler expressed it. Increasing numbers of LDC debtors are demanding large-scale debt refinancing, just as industrial countries and industrial corporations are also being forced back onto the capital markets to cover cash flow depressed by the prolonged downturn in world business.

The acute competition for funds could lead to a fresh world interest rate competition in which no cur-

rency can be sure of maintaining any stability for long, the Swiss banker indicated.

Even the proverbially stable Swiss franc is not safe, in Leutwiler's opinion. The Swiss bank official announced that measures announced to liberalize the Swiss capital markets in August were actually designed to gain further control over Euro-Swiss francs now outside the bank's watchful eye. Current strategy, he said, is to "attract directly to Swiss banks some of the Swiss-franc financing that had moved out to the Euromarkets." The new measures boiled down to Swiss bank payment for the first time of interest to foreign depositors, which *Crédit Suisse* reports is already pulling "significant" funds out of Euro-Swiss francs into Zurich.

An interest-rate differential is slowly developing, with Euromarket banks forced to quote three-month Euro-Swiss rates of 5 $\frac{1}{8}$ % and more this week compared to the domestic Swiss rate for foreigners of 5 $\frac{5}{8}$ % percent.

Political instability around the world also took its toll on the dollar this week. The dollar was artificially strengthened specifically against the deutschemark by the Polish crisis, as international "hot" money fled Frankfurt when the Bonn government seemed threatened by the collapse of its East Bloc détente policy.

As quickly as these political is-

ssues cooled after Labor Day, there was a reflow out of the dollar again. Even the Italian lira, which has been rumored ripe for devaluation, is now given a new lease on current rates because of dollar weakness. Forward discounts on the lira relative to the dollar fell as investors rushed to cover their long-dollar positions against the lira.

In a world where the U.S. government has neither foreign diplomacy nor competent monetary policy, this see-saw could be repeated many times during the fourth quarter. In a highly unusual commentary on European frustration at continued high U.S. interest rates in the teeth of the world recession, the West German financial daily *Handelsblatt* Sept. 2 hit the "monetarists" of the Fed. Attacking U.S. Federal Reserve Chairman Volcker by name, the journal editorialized that Volcker is fixating on monetary aggregates to the complete disregard of the ravages of his policy on the real world of the market.

"For monetarists, interest rates jump around in the markets joyfully, like a young filly in the meadow. . . . The monetarists accomplish a stability which is a fiction . . . by abandoning the stability of a real economic factor," the editorial said. "A crucial example of this is the United States. . . . Just as economic growth was already down to zero, the eminent Mr. Volcker forced interest rates up into the sky. A little later, he relaxed. . . . Such interest rate 'exercises' have considerable impact on Europe, particularly Germany," the paper protested, pointing to renewed fears of an interest rate contest between the United States and West Germany.

FEMA tutors the managers

The crisis agency is already guiding credit, and looking forward to panic.

The Federal Emergency Management Agency (FEMA) has announced a nationwide series of banking conferences on the theme "Emergency Management for Lenders." Officials of every major bank in the United States will be briefed on FEMA's plans to restructure the economy in a crisis.

The first of the series will be held Sept. 21-23 for the Western states in Boulder, Colorado. Invited are the leading commercial and savings banks of the 13 states, the state banking federations and the American Bankers Association and U.S. Savings and Loan League.

FEMA's emergency plans include banking programs under conditions of a limited nuclear war under the Carter administration's new Presidential Directive 59 military doctrine. There are also blueprints for managing a financial panic triggered by a political crisis in the Persian Gulf or a Third World debt crisis. "The current situation on the LDC debt front is such that we have to be prepared for any and all purely financial crises, not just natural disaster or war-related crises," a FEMA spokesman said.

FEMA, the federal agency now charged with coordinating federal response to all emergencies, was established by executive order by President Carter, without any oversight by Congress, just in time to manage the Three Mile Island nuclear sabotage in the spring of 1979.

Last November it secretly managed the freeze of Iran's \$12 billion assets in U.S. banks. That freeze almost created a world financial crisis.

FEMA director John Macy has evolved a new concept of banking for today's emergency-prone environment: don't lend wherever emergencies may appear. The first day's lead panel on "Hazard Mitigation" was conceived of in a discussion between Macy and the conference cosponsor, University of Colorado Natural Hazard Center Director Gilbert White last year. "They agreed," FEMA sources said, "that the key to reducing exposure to risk is having investors and lenders make more prudent investment decisions by being fully informed about hazards. Then they can either at least make more informed investments, or better, not invest in those areas at all."

This extremely broad concept has already been applied to the case of earthquake-prone areas of the U.S. West Coast and flood plains of the Midwest, where FEMA has been advising bankers not to make mortgage loans to "foolish people who insist on living in disaster areas," as one source put it.

The agency, in this case FEMA, which shapes these criteria could have undue influence on where credit is allocated in this country without any emergency. Indeed, "if the banks like the approach, we will try to get each bank to institute in-house training programs."

FEMA financial specialist Joseph Russo's panel on "National Security Issues for Lenders" will broaden the definition of "disaster-prone" to include most of the U.S. It will deal with "economic and financial aspects of banking in a limited war situation, and in the final situation of a nuclear attack against the U.S.," Russo said this week in an interview. Under the new PD 59 doctrine of "counterforce," "limited war could include a nuclear strike elsewhere in the world" by the U.S., Russo said.

Russo stated that under the National Security Act of 1947, FEMA has "all the residual powers of our predecessor agencies to make full plans for all emergency banking measures." Russo said plans for the following "could be triggered by the limited war scenario":

- Credit controls: "We have full plans for sharing of loss and allocating credit through the economy once the President invokes the Credit Control Act," Russo said. "We would oversee the equitable distribution of credit resources in the banking system by priority."

- Foreign asset freezes: "We could freeze the assets of any other country, including those of a defaulting Third World country which threatened the U.S. banking system."

- Foreign exchange controls: "We have full plans for whatever foreign exchange controls are necessary to protect the dollar in an emergency."

- Wage/price controls: "The President might have to go to Congress for authorization, but as to the emergency plans, we have them ready for across-the-board wage/price controls."

Farmers to educate candidates

Meetings of farmers, with labor in attendance, have resolved to build a movement to tell the politicians what to do.

At a meeting held on Aug. 30 in Montgomery, Ala., more than 250 people voted up a proposal by the American Agriculture Movement for a three-year moratorium on payment of debt on public loans by farmers. The proposal had been announced at an Atlanta press conference four days earlier by Georgia AAM leader Tommy Kersey, who issued a direct appeal to President Carter to act by executive authority to effect the moratorium. The debt moratorium demand is the cutting edge of an organized election-year effort to educate political candidates on urgent farm policy matters, and rally a grassroots farm-labor alliance to keep the victors honest.

A "candidates' night" sponsored jointly by the American Agriculture Movement and the Alabama Banking Association, the Montgomery meeting followed a similar event held in Oklahoma City, Okla. the day before. Attendees in Montgomery included representatives of the Alabama AFL-CIO because, as state AAM coordinator Buddy Rose put it, "Labor has a direct interest in the current farm situation." The meeting was addressed by AAM national president Marvin Meek and several local candidates. Meek set the tone of the meeting when he told every person present to "get involved in politics" at every level, or the American farm sector will go under.

The combination of Carter ad-

ministration policies and the summer-long drought threatens to bankrupt large numbers of farmers—2000 of whom are going out of business every week, according to Meek. Net farm income is expected to drop 25 to 40 percent in 1980 from 1979 levels. Farm debt has spiraled. The impact will not be felt only among farmers, bankers and equipment dealers in rural America.

The AAM proposal for a moratorium on federal farm debt is aimed at giving farm producers the chance to recoup after several years of losses, and get back into the black before resuming payments. It is not a cancellation, the proposal's sponsors emphasize. That would undermine the entire farm credit structure. Rather, a "classwide" payment deferral is deemed necessary. The moratorium proposal is widely viewed as the most effective approach to what may otherwise burgeon into a financial catastrophe, requiring a huge federal bailout operation. Producers argue that the existing provision for granting loan repayment deferrals on a "case by case" basis is inadequate to meet the crisis.

"We expect that he [Carter] will offer us something," AAM leader Kersey said in outlining the proposal, "but we don't want to hear anything trivial, or some sort of tinkering; we need a major overhaul, and we can't wait until Nov. 4. There must be action in Octo-

ber." Kersey said Carter's record does not warrant farmers' support for his reelection.

Sen. Herman Talmadge (D-Ga.), the chairman of the Senate Agriculture Committee who faces a tough reelection fight in November, had promised action in June, only to turn around and draft a bill giving Agriculture Secretary Bergland discretionary authority instead of a mandate.

AAM President Meek told the meeting, "In 1977, when we first warned of the crisis ahead, we were considered doomsdayers," he said. "Now we are historians. . . . The policy which led to gas lines is being applied to food production. Soon there will be food lines." Meek insisted, "You've got to become active. You must get involved in the county and state levels. Listen to what your representatives have to say. Get involved. Either we succeed or we might not be here in the future. . . . We have to get people who agree with us elected."

The message was not lost on the candidates. Sen. Donald Stewart (D-Ala.) at the Montgomery meeting, U.S. senatorial candidate Bob Kerr, and congressional candidate Jim Townsend in Oklahoma City, among others, pledged support.

The involvement of representatives of the AFL-CIO in the Montgomery meeting is an important measure of the seriousness of the grassroots drive. Alabama AAM coordinator Rose put it this way in Montgomery: "We intend to go to labor people and work with them. We have common interests—we farmers consume one-third of all the products of labor. If we can't retool because of our debt-credit problem, labor won't work. If they can't work, we lose our market."

Trade Review

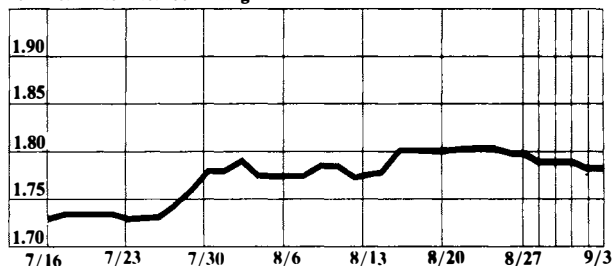
by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Financing	Comment
NEW DEALS				
\$2.1 bn.	India from France	India has approved plans for an aluminum complex in Bengal designed by French Pechiney and largely financed by France, despite the fact that 80% of equipment will be made in India. Includes 2.4 mn. tons per year bauxite plant, 800,000 tpy alumina facility, 218,000 tpy aluminum smelter, new mines, railroads, and coal-fired electricity generation. French bank investment will be repaid in exports of 400,000 tpy alumina. Plant will be managed by a new state company.	Giscard promised \$435 mn. govt. aid; French banks investing \$800 mn.	Will turn India from importer to exporter of aluminum.
\$700 mn.	Israel	The Israeli cabinet has approved a plan to build a canal carrying water from the Mediterranean at Gaza to heights over the Dead Sea, where the drop would generate 600 megawatts of electricity per year.	Seeking foreign investors with promise of profit over 50 year period.	Jordan protests illegal flooding of its territory. Gaza strip rights undefined.
\$103 mn.	Brazil from France	Portugal-Senegal section of new 2,500-circuit submarine telephone cable linking Brazil with Europe. Compagnie Generale d'Electricité subsidiaries will provide cable, repeaters and equalizers.		Contract signed with Brazilian govt.
\$38 mn.	Malaysia from U.S.	Two Northrop Corp. RF5E reconnaissance jets. This is a version of the F5E and will be used for border patrols.		Pentagon has approved and advised Congress.
\$32 mn.	Egypt from U.S.	FMC Corp., Emerson Electric and Hughes aircraft will sell 52 armored troop carriers equipped with TOW antitank missiles. Deal includes training and U.S. on-site instructors.		Pentagon has approved and advised Congress.
\$32 mn.	Kenya from Saudi Arabia and EEC	Road from Kenya to Sudan border (150 miles).	Saudi Development Fund loaning \$22 mn. at 3%; EEC and Kenya providing rest of financing.	Part of ongoing series of low-interest Saudi loans to Kenya.
UPDATE				
\$1.7 bn.	Philippines from U.S.	Construction will resume on Westinghouse's Baatan peninsula nuclear power station which was suspended after TMI.		Suspension will add \$600 to \$700 mn. to cost.
\$200 mn.	Iraq from U.S.	2 Boeing 747s and 3 Boeing 727s for Iraq's commercial airplane.		State Dept. has vetoed export licenses on planes about to be delivered on grounds Iraq is friendly to PLO.

Currency Rates

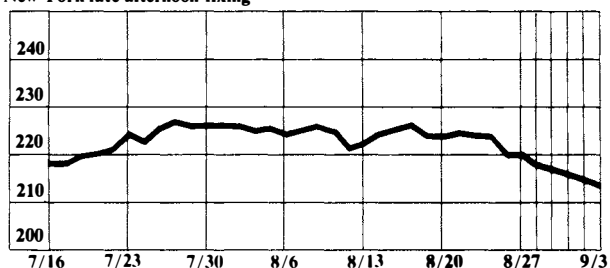
The dollar in deutschemarks

New York late afternoon fixing



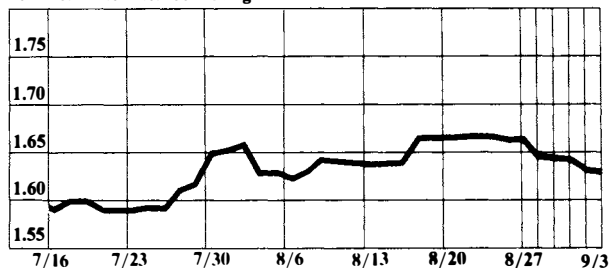
The dollar in yen

New York late afternoon fixing



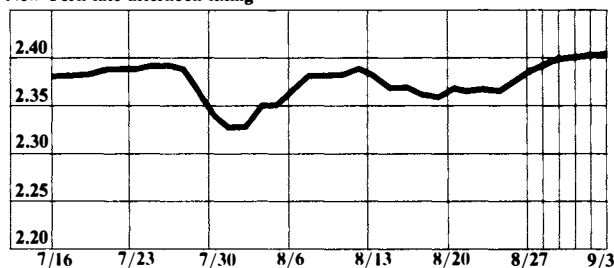
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Guest Column

A nation that's clamoring for development

by Steven Bardwell

Dr. Bardwell, a previous contributor to EIR, is Plasma Physics Director of the New York-based Fusion Energy Foundation. He is one of the world's leading experts on plasma behavior. He has also worked closely with EIR on behalf of the Fusion Energy Foundation to develop the LaRouche-Riemann economic model.

"Mexico had its revolution in 1910, but in the 70 years since that revolution, we have not been able to do what the Japanese did in the 30 years after World War II, or what the Koreans did in the 15 years after 1960—namely, become an industrialized country. Why?"

This question, and its implicit answer, were repeated to me over and over again in the conversations which I had with Mexican engineers, scientists, and teachers during several visits to their country over the past two months.

Mexico, more than any country I have visited, is preoccupied with the problems of development and with the realization of a common and popular commitment to achieve that development—it is a most "American" country!

On one of these trips, I had been invited by the Mexican Institute of Petroleum, the research division of Pemex, the Mexican national oil company, to deliver a day-long lecture on the LaRouche-Riemann econometric model and its applicability to energy studies in underdeveloped countries. During a break in the seminar, one of the 40 engineers attending the lecture asked me the question about Mexican development, expressing an attitude which pervaded the audience of the seminar as well.

The contrast to European audiences with the same professional composition that I have spoken before was

astounding. The unspoken, but pervasive, sense of pessimism, of man's necessarily limited horizons that typifies for me the "British" ideology, is totally foreign to the educated technical layer that I met with in the nation of Mexico.

Mexico's technical elite are more "American" than many of their counterparts in the United States! Especially for the Pemex engineers and policymakers, the concrete expression of this commitment to growth and development is Mexico's oil resources. When the President of Mexico, José López Portillo, described the world's energy resources as the "common responsibility of mankind," he explicitly formulated the attitude of a large layer of the Mexican population—oil is simultaneously an obligation and an opportunity: an opportunity to ease the pains of progress with abundant energy, fertilizer, and foreign exchange, but just as much, an obligation to consume that oil rapidly enough for development to occur.

The head of Pemex under López Portillo, Jorge Díaz Serrano, is implementing this outlook with an aggressive program of exploration, drilling and extraction. Díaz Serrano's program includes the integration of agricultural capitalization and nuclear energy development into Mexico's regional plans, several of which were announced in August.

In a practical sense, the depth of Mexico's commitment to development was emphasized to me in the context of the greatest impediment to industrial development there—the large and unproductive portion of the economy in subsistence agriculture. In contrast to countries like Poland, for example, the most advanced of Mexico's policymakers and engineers have no sentimental attachment to the Mexican "culture" of peasantry. They are anxious to clear away the roadblock that primitive agriculture presents to industrial development in both cultural and economic terms.

In the history of the United States, beginning in the 1840s and proceeding ever more rapidly after the Lincoln administration, the backward agricultural sector was abolished as an integral part of industrial growth. Technological advances that produced machines for application to farming, coupled with dissemination of knowledge of scientific farming practices, created an agriculture that could cheaply feed a fast-growing industrial workforce, even as the percent of the total workforce involved in farming relatively declined. What had been in effect abolished was an agricultural sector too backward in its methods to produce food cheaply enough and in sufficient quantity to feed a growing nation.

The economic consequences of the perpetuation of this sector of agriculture in Mexico were graphically described by the agricultural secretary of one of the most highly mechanized states of Mexico, himself a farmer

(not a peasant), when he said: "Right now, Mexican agriculture is so inefficient that it produces the most expensive bean in the world! If we continue this subsistence agriculture, in 10 years we will still be producing the world's dearest bean. We could grow these beans more cheaply on Mars!"

That attitude takes considerable political courage, in the face of the potentially explosive situation in many rural areas in Mexico which continue to suffer under severe poverty and backwardness. However, it is clear to an influential and growing core of the Mexican government under López Portillo that this situation can only be corrected with an even more aggressive commitment to urbanization and industrial growth.

As one Mexican engineer working on the LaRouche-Riemann model and its implications for Mexican development said to me: "Mexico *cannot* invest in the poorest sector of its economy, subsistence agriculture. Rather, we must *do away* with that sector—it must be abolished."

I returned to the United States convinced that this commitment to development is not confined to the engineers and scientists I met. The popular culture and ideology of the country give evidence everywhere of a general understanding of the necessity of industrial progress and development.

Mexico City strikes an American from New York not so much for its size (13 million people), its sanitation (it is much cleaner than New York), or its weather (which is beautiful), but for the vitality and confidence it conveys. The city is growing, with new subway lines, new housing, new highways. There is a large investment of resources in the maintenance of the ubiquitous historical monuments and buildings; but most of all, there are no signs of the social decay which dominates many American cities. There is poverty but not lumpenization; I saw no public drug usage (commonplace in New York); there was no graffiti, nor the use of the streets as a replacement for mental institutions (again, very common in New York City).

Mexico's popular culture is based on a strong and positive sense of patriotism. The "anti-gringoism" is well placed, directed specifically against the anti-republican and anti-American tendencies which the United States has over and over again exported to Mexico in more recent years—but not against the pillars of republicanism which are revered in Mexico perhaps more than in the United States of America.

I am convinced that most Americans in the United States do not realize what a powerful intellectual and moral influence our republican tradition has been around the world, and what a powerful example the "American system" remains for economic development.

All we need do is to import it back into our own country.

The Billygate networks: oil, drugs, terrorism

by Vivian Freyre Zoakos

In the fall of 1978, three events occur involving the Middle East. First, the Camp David accords are signed, following the summit meetings among President Carter, Egyptian President Anwar Sadat, and Israeli President Menachem Begin.

Second, the Iranian revolution, under the direction of the covert Muslim Brotherhood, becomes irreversible, culminating with the January flight of the Shah from the country.

Third, the President's brother, Billy Carter, meets in Atlanta with Libya's ambassador to Rome, Gibril Shallouf, and Sicilian lawyer Michele Papa. They fly to Rome and then to Libya, where Billy's career as a Libyan agent begins. In Libya, Billy was to be hosted by the same Muslim Brotherhood networks who were simultaneously orchestrating the Iranian revolt.

Billy's initiation into the Middle East comes together with the timing of Camp David and the fact that the U.S. President and the National Security Council were aware from the outset of the junior Carter's activities. In fact, the weight of evidence supports the conclusion that Jimmy Carter is not involved in a scandal over Libya because of his brother. Rather, Billy's Libyan adventures were a byproduct of Carter administration policy.

Libya's role in Camp David involved two forms of blackmail, reflecting the extent to which Israeli intelligence, and forces sympathetic with it, control segments of the Libyan leadership. One was Israeli blackmail against Egypt, given Israel's capacity to use Libyan extremism against Egypt, a threat that may have helped Sadat cave in to the Camp David process. Additionally, Israel gained an insurance policy vis-à-vis the Carter administration, entrapping the Carter family in dubious dealings and thus gaining blackmail leverage against the administration.

The so-called secret clauses of the Camp David accords included a working alliance between the U.S., Egyptian and Israeli secret services and the covert controllers of Muslim fanaticism in the Muslim Brotherhood. Reportedly Sadat was promised enhanced control over Libya—and its



Mario Leanza, Billy Carter, Ahmed Shahati and Georgia State Senator Lloyd Hudgins in Rome in September 1978.

financial resources—to counter its activities against his government.

More broadly, Camp David was not a peace treaty, but a deliberate blockage of alternate efforts toward a comprehensive Middle East settlement involving Western European industrial-development commitments for the region as a whole that would help make a Palestinian state a realistic proposition, in a framework of security guarantees for Israel acceptable to both Israeli moderates and the Middle East's Soviet neighbors.

Camp David was viewed by its creators in Anglo-American intelligence as a transition to a new Middle East conflict, like the diplomatic maneuverings of Henry Kissinger prior to the 1973 Arab-Israeli war. Such a conflict would ensure massive cutbacks in world oil supplies and resulting slashes in industrial production and living standards consonant with the “new Dark Ages” policies of these strategists. Beyond the diplomatic level, the same British networks facilitated the spread of Islamic fundamentalist cults throughout the Middle East, and the buildup of terrorist capabilities against key leaders and nations, as well as the proliferation of drugs as a lever against economic development potentialities.

Accomplices of the British oligarchy among the old Libyan aristocratic families, to which Gibril Shallouf and his partners in the Billygate affair belong, have shown themselves eager to double and quadruple the price of Middle East oil upon which the economies of Western Europe and Japan depend. Every major oil price hike since Qaddafi was installed has been triggered by

Libya in collaboration with British Petroleum and such BP proxies as Armand Hammer's Occidental Petroleum.

The Billygate background

The networks that involved Billy Carter in the Libyan affair represent the dirtier underbelly of the self-described Olympian families who are the architects of the deindustrialization policy which a new round of Middle East conflict is to help usher in. The 300 elite families include the continental black nobility, especially the Italian House of Savoy and its allies in Eastern Europe and the Middle East (e.g., the Sursoks, Pallavicinis, and Farouk dynasty), as well as the British oligarchy. Staff members for these Olympians, many of whose present ranks were groomed during World War II by the British Special Operations Executive (SOE), are the controllers behind European terrorism, the \$200 billion international narcotics cartel, and the offshore facilities in British colonial outposts like the Bahamas which launder the funds for these dirty operations.

It is by now a publicly held secret that Jimmy Carter, the poor peanut farmer from Plains, Georgia, was picked up and groomed for the presidency by the Trilateral Commission, one of the Olympians' top policymaking institutions. In Billygate we find the President and his brother merely playing back the lessons in corruption. Where these oligarchs seek to make billions in short-term profits from rising oil profits, and to perpetuate their rule at the expense of rival powers committed to high-technology growth, Billygate dis-

plays the Carter family grabbing millions through oil deals and influence-peddling for the day when Jimmy Carter is no longer the President.

It was Ahmed Shehata, chief of foreign affairs for the Libyan ruling party and one of the three Libyans most directly involved with Billy Carter, who in January 1978 trip to Libya. To trace his activities while in the nominally as a return visit for Billy Carter's September 1979 trip to Libya. To trace his activities while in the United States is to unearth a part of the hidden story of Billygate, as his path and that of the people with whom he associates repeatedly intersects the dirty operations of key Olympian staff members.

Shehata, together with Libyan ambassador to Rome Shallouf, was hosted in Washington at the National Association of Arab-Americans in an affair organized by Clovis Maksoud, the Arab League Ambassador to the United Nations and a collaborator of the Muslim Brotherhood. The actual host of this event, however, was ex-Senator J. William Fulbright, a top staff member of the Anglo-American establishment with oversight responsibility for the Middle East. He was assisted by Congressman Robert Abourezk, whose family law firm later represented the 191 Iranian students arrested in Washington, D.C. in the rioting which followed the Muslim Brotherhood assassination of anti-Khomeini leader Ali Akbar Tabatabai.

The Vesco link

Following a visit by Shehata to Atlanta, Georgia for further meetings with Billy Carter, he and his entourage traveled to Jacksonville, Florida. There Shehata met Raymond Mason, chief executive of the Charter Co. Days later, Mason flew to the Bahamas to meet with Robert Vesco, the financier who fled to the Caribbean in the early 1970s with over \$200 million in looted assets. Mason wanted help in Charter's takeover of a Bahamian refinery owned by Carey Energy Corporation, which depended on Libyan and Iranian crude oil.

As we detail in this report, the nearly bankrupt Charter Co. was able to snap up this refinery over the heads of more serious bidders due to explicit instructions of both the National Oil Company of Libya and the National Iranian Oil Company. More importantly, the Charter Co. extended Billy Carter an offer which would net him \$25 million, a sum high-level Libyan sources claim was actually paid to the President's brother, to guarantee embargo-free crude oil supplies from his Libyan friends. And, during the politically sensitive negotiations for the Charter-Carey takeover that were concluded in May 1979, we have two special consultants, both personal friends of the Carter family, meeting with Jimmy Carter in the White House.

The most important of these Charter "consultants" is Peter Jay, who had been groomed to play the same intimate role as British Ambassador to the Carter White

House that his predecessor, Lord Harlech, played with the Kennedys.

Assuming the post of financial editor at age 30 to the *London Times*—the centerpiece of the publishing empire built by Beaverbrook's heir, Lord Thomson—Jay has been trained as a British intelligence agent. It is Jay, for example, who publicly charged that the "regional nationalism" encouraged by the European Monetary System (the first phase of a program for high-technology transfer to the Third World planned by France and Germany) would lead to the revival of the "Reich." Jay blended in with Jimmy Carter's "Atlanta mafia" and National Security Adviser Zbigniew Brzezinski—providing Charter Co. with a perfect conduit for its proposed refinery takeover deal.

It was these same SOE circles—led by Canadian financier E.P. Taylor, an associate of Jay's father during World War II—who built up the Caribbean in the post-war period into an offshore haven for drug running and dirty money laundering activity. Robert Vesco, prominent throughout Billygate, was later granted asylum in the Bahamas as a junior partner, acting as an intermediary between these staff members of the Olympians and such kingpins of organized crime as Meyer Lansky.

Through these international narcotics and hot-money laundering operations we find one of the interfaces with the continental black nobility who first contacted Billy Carter through their man, Michele Papa. A petty mafioso, Papa is also linked to some of the most notorious right-wing leaders and terrorist gangs in Europe. Illustrating this is the case of Italo-American realtor Mario Leanza, a petty informant for the Justice Department as he once was for Benito Mussolini. Leanza put the wheels in motion to bring Billy Carter to Libya as repayment on a "favor" he owed to Papa. Like Vesco, Papa is an intermediary or "cutout" for another branch of the Olympians, the House of Savoy and allied families who run the Sicilian separatist movement of which Papa is a titular leader.

All relevant features of Billygate were known to the President through such Justice Department informants as Leanza, among numerous other intelligence-gathering personnel and techniques used to monitor Billy Carter's activities. Throughout his tour of Libya the President's brother was under intensive surveillance.

When President Carter feigns ignorance of his brother's activities we are forced to conclude that he is either lying, or that Zbigniew Brzezinski and the Attorney General deliberately withheld information from him. The latter is clearly impossible given the parallels between Billy's activities and the President's own foreign policy. Indeed, if there is a crime involved, it is not brother Billy's relationship with the Libyans, but the collusion of the administration with those forces, such as the Muslim Brotherhood, who are enemies of America through their commitment to a new Dark Ages.

The Charter network: from BP to Schlesinger

by Scott Thompson

Over the past month a major scandal involving the Charter Co. and the Carter administration has emerged as foremost among the six areas of congressional investigation in "Billygate." Material already in the public record shows that the President's brother, Billy Carter, undertook to secure embargoed free oil from his Libyan friends for a Bahaman refinery that the Charter Co. purchased in the spring of 1979 on a "most-favored" basis from the Carey Energy Co. In exchange, Charter offered Billy a commission that would net him \$25-50 million a year.

In the middle of the Charter-Carey negotiations at least two special consultants of the Charter Co., both personal friends of the Carter family, are known to have met with the President. Further, information received by the Senate Judiciary subcommittee on Aug. 22, 1979 proves that two top executives of the Charter Co. enlisted help to takeover Carey Energy from fugitive financier Robert Vesco, who played a notorious role in the "Watergate" resignation of President Richard Nixon and who has since been embroiled in numerous influence-peddling schemes that implicate top members of the Carter White House.

Both the Charter Co. and Jimmy Carter, who promised never to lie to the American people as Nixon did in "Watergate," during his 1976 campaign, have denied any wrongdoing. Nonetheless, Senate investigators report that, like Richard Nixon, the President has "stonewalled," refusing to turn over records of phonecalls, meetings, and White House visitors or other documents needed to get to the bottom of the Charter story. And the United States is once again faced with the prospect of a President subject to blackmail on national policy unless this scandal is quickly aired.

The most likely hypothesis on the Charter oil scandal is that a political intelligence branch of British Petroleum intervened through Billy Carter's friends to hand the Carey Energy Corporation and its Bahaman refinery over to Charter.

Where the Anglo-American interests behind Charter stood to make billions in Libyan and Iranian oil off the Charter-Carey deal, the by-now hardened Carter family

sold the office of the Presidency to make millions while Jimmy Carter is still in office.

The sequence of events

This deal was wrapped up in 1979, but available evidence shows it was struck much earlier:

- In September 1978, Billy Carter made his first visit to Libya, and Raymond Mason, the chairman of the Charter Co., held the first of six negotiations with fugitive financier Robert Vesco.

- In October 1978, Secretary of Energy James Schlesinger announced that a \$5 per barrel entitlement on No. 6 crude oil would be extended to Carey Energy's Bahaman refinery. Built in the early 1970s by Carey and Socal, who respectively owned 65 and 35 percent, the refinery operated at a profit until the 1973 OPEC price hikes (sparked by Qaddafi) made the Libyan and Iranian No. 6 crude that the Carey refinery processed for New England markets uncompetitive. With the stroke of a pen, Schlesinger turned the nearly bankrupt refinery into a highly desirable prospect, if crude oil supplies could be guaranteed.

- In November 1978, the National Oil Company of Libya filed suit for \$170 million Carey owed on back crude oil shipments forcing Carey Energy into liquidation.

- In early January 1979, Ahmed Shehata, the unofficial "foreign minister" of Qaddafi's Arab Socialist Union Party, Gibril Shallouf, the Libyan ambassador to Italy, and Abdul Latif Kikhia, the head of the Italian-Libyan Chamber of Commerce in Rome and brother of the Libyan ambassador to the United Nations, met with Raymond Mason of Charter. This meeting occurred in Jacksonville, Florida during a U.S. tour of Libyan government officials sponsored by Billy Carter and such notables as former U.S. Senator J. William Fulbright, a registered Lybian agent, among other things.

- A few days after the Jacksonville meeting, the chief executive of Charter Co. flew to the Bahamas to meet with Kikhia's friend, fugitive financier Robert Vesco, to discuss financing of the Carey Energy takeover.

The final contract for Charter's takeover of Carey Energy and 50 percent of its Bahamian refinery was not signed until May 1, but the real deal was concluded months earlier in this sequence of maneuvers. The bid that Charter offered Carey to control half its \$700 million refinery—the fifth largest in the world—was a mere \$20 million. A rival concern, Hideca Oil, offered a \$200 million cash down payment and arranged more stable sources of crude oil supply, primarily from Mexico and Venezuela.

Both the National Oil Company of Libya (NOC) and the National Iranian Oil Company (NIOC), the latter being owed \$15 million for crude oil shipments by Carey, signed affidavits that they would not consider any buyer besides Charter acceptable. They also renegotiated Carey's debt, which totaled nearly a half-billion dollars, so that Charter had only to pay a small one dollar premium on future NOC/NIOC crude oil shipments.

Jimmy, Billy and the Charter Co.

With its May 1 acquisition of Carey Energy, Charter Co., which financial observers viewed as nearly bankrupt in 1977-78, became one of the larger oil producers, moving instantly into the "Fortune 100" category with earnings of over \$4 billion. Charter's net earnings of \$80 million for the second quarter of 1980 alone were greater than its total in earnings for the previous four years.

Subsequent to the Charter-Carey deal, evidence has

emerged which tends to confirm that the President was fully aware of his brother Billy's financial ties to the Charter Co.

Peter Jay, the British ambassador to the United States, acted as the British Petroleum controller and chief consultant to Charter on the Carey takeover. As soon as he left his post as ambassador in June 1979, Jay was formally hired by Raymond Mason, whom he had known for years.

Jay had been sent to the United States in 1977 by his father-in-law, then Prime Minister James Callaghan, to develop the same intimate relationship with the Carter White House that Lord Harlech (David Ormsby-Gore) had earlier established with the Kennedy administration. Jay succeeded in this mission, becoming close not only to the "Atlanta mafia" and to National Security Adviser Zbigniew Brzezinski, who has been implicated both in "Billygate" and its coverup, but also as a confidant of President Carter and his wife.

Jay was groomed for this role as a second generation member of the wartime British Special Operations Executive (SOE), the team of "bright, young men" who worked directly under Lord Beaverbrook and Prime Minister Winston Churchill. During the previous war Churchill had created British Petroleum (originally known as the Anglo-Persian Co. for its control of Iranian oil concessions) both to secure supplies for the British Navy and to provide an outpost for British intelligence operations in the Middle East-Persian Gulf region.

Ownership of Charter stock

Name	Title of Class	Amount Owned	Percent/Class	Outstanding* Voting Shares
Raymond Mason, President, Charter Co.	common stock	3,027,882	15.0	14.0
St. Joe's Paper Co.	common stock	4,115,000	20.4	19.0
Edward Carey American Financial Corp.	preferred stock	126,000	8.9	0.6
	preferred stock	250,000	17.7	1.2
	warrants to purchase common stock	1,350,000	26.4	0.0
All officers and directors as a group	common stock	3,595,326	17.8	16.7

Table includes beneficial ownership of Charter (i.e., more than 5 percent) as of the May 12, 1980 notice of annual meeting of stockholders.

*percent of total

St. Joe's Paper Co., the largest Charter stockholder, is controlled by the Alfred I. DuPont Trust, whose chief executive is Ed Ball. It was Ball who groomed the current Charter Co. chairman Raymond Mason. Edward Carey is the brother of N.Y. Governor Hugh Carey; the capture of Carey Energy Corporation by Charter Co. is believed to have been important in curtailing a 1980 bid for the presidency by Hugh Carey, a product of the once powerful Brooklyn machine.

American Financial Corporation is a holding company which helped install Max Fisher, an alleged partner of fugitive financier Robert Vesco in the Caribbean cocaine and marijuana trade as temporary chairman of United Brands. AFC also holds major interests in the Reliance Group, whose container corporation subsidiary has been closely associated with Israeli mafia leader, Shaul Eisenberg.

Under SOE, similarly, Churchill deployed men into staff positions that ranged from responsibility for securing war materiel from North American industry to more glamorous paramilitary and espionage tasks. As assistant secretary to the Ministry of Supply and, later, to the Board of Trade, Peter Jay's father was a member of this Churchill/Beaverbrook team.

After World War II, SOE undertook a reorganization of finance and industry throughout the British Commonwealth. Thus, Lord Robert Thomson, the appointed heir to Beaverbrook's publishing empire, built a media network which centers on *The Times* of London for which Peter Jay worked as economics editor from 1967 until his appointment as ambassador to the U.S. in 1977. Another major task undertaken by such SOE members as Sir William Stephenson and Canadian financier E.P. Taylor was to build up the Bahamas, establishing the infrastructure for Carey Energy's Freeport refinery, as well as the offshore dirty-money laundering facilities that made the Bahamas an attractive place for Robert Vesco to relocate with his over \$200 million in stolen assets.

In addition to Jay, word of the Charter transaction was also relayed to the President by Jack McGregor, a personal friend of Billy Carter who had been chief counsel for Carey Energy and who was retained as a consultant by Charter. On April 4, 1979, Jack McGregor met with Jimmy Carter to discuss his brother. "I alerted the President to Billy's general financial problems and the possible need for a legal defense fund and legal representation," McGregor said in testimony before the Senate Judiciary subcommittee.

In August 1979, McGregor also served as go-between for a meeting in Georgia of Billy Carter and his financial assistant, Randolph Coleman, with Lewis Nasife, president of the Charter Crude Oil Co., a wholly owned subsidiary of Charter. Arrangements were discussed for Billy to obtain guarantees of crude oil shipments to Charter that would not be subject to embargo in the event of a Libyan oil embargo against the United States. Billy was to work out the details with his Libyan friends in early September during his planned visit for the tenth anniversary celebration of the Qaddafi regime.

Sources formerly in the highest levels of Libyan intelligence have stated that in payment for his services, the Charter Co. placed \$25 million in offshore bank accounts for Billy Carter, where it is currently held for him. Senate investigators are also in possession of evidence which documents that Billy Carter received substantially more money from the Libyan government than the \$220,000 "loan" payments made shortly after his second trip to Libya as a Charter representative.

Vesco's network: offshore and on

The first major public break in the Charter oil scandal occurred on Aug. 22 when the company revealed in a special report to Senate Judiciary subcommittee investigators that two top executives of the Charter Co. made over a half-dozen trips in 1978 and 1979 to the armed enclave of fugitive financier Robert Vesco, who built his lair in the Bahamas after looting over \$200 million from Investors Overseas Services (IOS).

At one late-January 1979 meeting between Vesco and Charter Co. chairman Raymond Mason, which followed a few days after Mason met with Billy Carter's friends in the Libyan government, the oil company chief executive sought financing from Vesco for a planned takeover of the Carey Energy Corporation and 50 percent of its Bahamian refinery, the fifth largest in the world. In late March 1979, according to the Charter report, Vesco phoned Mason claiming that he was instrumental in Charter's proposed acquisition and therefore entitled to a \$5 million finder's fee.

Arms, bribery and White House intrigue

With this latest "Billygate" revelation, Robert Vesco, whose illegal contributions to President Richard Nixon's 1972 reelection campaign played a significant part in Nixon's resignation, was once again a prime suspect in a congressional probe into the corrupt practices of an incumbent President. Nor was this the only time that Vesco has been linked to substantial bribes of Carter White House officials in which Jimmy Carter has been directly implicated.

The networks associated with Vesco in these influence-peddling schemes include some of the world's dirtiest operations, involving drug running, arms smuggling, and hot money laundering throughout the offshore haven of the Bahamas and the politically tense Middle East. As we will show, these networks, handling a large chunk of the estimated \$200 billion annual earnings of the international narcotics cartel, are also heavily involved in certain aspects of the oil industry

(including the Charter acquisition of Carey Energy) whose total earnings nearly rival those from drugs and organized crime.

A few days after the Charter Co. report was released and Billy Carter appeared before the Senate Judiciary subcommittee, the President's brother was again subpoenaed to testify under oath, this time before a federal grand jury in the Southern District of New York, where Robert Vesco had been indicted on five separate occasions in the past. Multiple sources report that a major focus of the grand jury is to investigate an alleged \$30 million slush fund that the Libyan government placed at Vesco's disposal to bribe White House officials for the release of eight C-130 planes purchased by the Qaddafi regime, but never delivered due to political pressures from the Zionist lobby.

Former U.S. intelligence sources report that as a result of bribes offered to such figures as White House chief of staff Hamilton Jordan and former Office of Management and Budget director Bert Lance, the Carter administration was prepared at one point to release the aircraft. These sources further corroborate the polygraph-verified statements Vesco made in the presence of Senators Orrin Hatch (R-Utah) and Dennis DeConcini (D-Ariz), who are directing the judiciary subcommittee probe of "Billygate," that Jordan and Democratic National Chairman John White were involved in Vesco's efforts to deliver the planes. Reputedly, substantial bribe monies were offered to White by an associate of Vesco who was working as an FBI informant.

Two embargoed 747s were released as a "token of good faith" to the Libyans; however, the deal is believed to have blown up when nationally syndicated columnist Jack Anderson exposed another \$12 million bribery scheme involving Jordan in an attempt to take the legal heat off Vesco. In a series of articles on this scandal that began in September 1978, Anderson exposed the fact that President Carter actually directed then Attorney General Bell to meet with Vesco's "bagman," Spencer Lee IV. (See "Vesco's Links to the Carters," *EIR*, Vol. 7, No. 31, Aug. 12, 1980, for a report on the plot, codenamed "Operation Kingfish," through which the Justice Department under Attorney General Benjamin Civiletti planned to kidnap and assassinate Vesco to cover up the evidence.)

In addition to Billy Carter, a prime suspect as the "passthrough" for the C-130 bribe money now reportedly under investigation by the New York grand jury, is said to be Frank Terpil, a notorious arms merchant who is now under indictment in New York and Washington, D.C. for, among other charges, conspiracy to murder an enemy of the Libyan government. Sources close to the ex-CIA agent report that Terpil, who has sold

millions in small arms to Qaddafi, as well as peddling sophisticated assassination and torture devices to former Ugandan dictator Idi Amin, was a constant companion of Billy Carter during his trip to Libya in September 1979.

It was during this visit for Libya's tenth anniversary celebration that Billy Carter sought guarantees of embargo-free oil supplies for the Charter Co. Billy confirmed his link to Terpil on this trip, stating that the indicted arms smuggler and hitman Terpil was functioning as his "interpreter."

Who is Robert Vesco?

Robert Vesco, the common thread throughout these and other scandals involving the Carter White House, is the son of an Italian immigrant auto worker in Detroit. In 1965, he began to move toward control of Investors Overseas Services with assets estimated at well over \$1 billion.

In his rise to wealth and in his later flight with over \$200 million in stolen IOS assets, a flight which ended in the Bahamas, Vesco has acted as an agent of influence for two overlapping networks that the authors of the bestselling book, *Dope, Inc.*, have identified as the "real kingpins of organized crime," namely, the British oligarchy, which operates in this regard through the British Special Operations Executive team groomed by Sir Winston Churchill and Lord Beaverbrook in World War II, and SOE's Zionist mafia auxiliary. Both the SOE and Zionist mafia collaborate closely with the real controllers of Billy Carter's Libyan friends in the Italian black nobility (e.g., Prince Spadafora) in dirty tricks operations.

IOS was run by precisely the same combination, as an examination of its chief underwriters and board members confirms. Bernie Cornfeld, nominal chief executive of the firm, was sponsored by the Paris-based Zionist lobby leader Edmond de Rothschild and the European black nobility-linked Dreyfus Fund. Under Cornfeld, IOS became a vast international dirty money laundry which interfaced with Zionist mafia leader Meyer Lansky, drug-running and casino gambling operations such as Resorts International in the "Silver Triangle" of the Caribbean, and the Banque de Cr dit Internationale run by the chief of logistics and finance for the Israeli Mossad, Tibor Rosenbaum.

Vesco himself had gotten his start in "international high finance" with backing from Edmond de Rothschild, who provided him with several millions in loans to purchase International Controls Corporation, Vesco's first base for his conglomerating operations. Exemplary of his shadier ties was his 1969 bid to takeover Geneva's Exchange and Investment Bank, which New York City investigations showed had received over \$2

million a week in receipts from narcotics and gambling handled by Lansky's hot money manipulators in Miami, Florida and the Bahamas.

In the early 1970s Bernie Cornfeld's financial legerdemain had drawn the attention of U.S. Securities and Exchange Commission officials and authorities in several Third World countries who found their nations' assets being smuggled off to IOS coffers by the firm's U.S. military intelligence-trained operatives. At this point, Sir Kenneth Keith, a director of the drug-linked Eagle Star Insurance and chairman of Hill Samuel (one of IOS's chief underwriters), determined that at least a cosmetic change in leadership was in order. As a result, Vesco was virtually handed control of IOS, which he bought with a \$5 million loan from IOS itself!

Vesco began next to look for partners to maintain control of his multibillion dollar money laundry, and one of the prime candidates was Raymond Mason, the future chairman of Charter Co., whose conglomerating activities closely paralleled Vesco's own. According to a "Summary of Contacts between the Charter Company and Robert L. Vesco 1971 to Date," which the firm submitted to the Senate Judiciary subcommittee on Aug. 22:

Vesco, then president of International Controls Corp., first contacted Raymond K. Mason, President of Charter, during mid-1971 regarding a possible purchase by Charter and St. Joe Paper Company of the controlling interest in IOS, which was controlled by Vesco at that time. Such discussions continued between Mason, Vesco and Edward Ball, Chairman of the Board of St. Joe [the largest stockholder in Charter—ed.] until June 1972 when they terminated without any agreement ever being reached.

Throughout the period covered by these negotiations with Charter Co., Vesco triggered a series of contrived financial crises within IOS to secure his control. Under this smokescreen he also began asset-stripping on such a grand scale that he touched off an international financial panic, which is precisely what his Anglo-Zionist patrons wanted. The threat of an IOS collapse is credited with forcing President Nixon's capitulation to City of London demands that he implement Friedmanite "Phase I-IV" austerity measures. Vesco, meanwhile, skipped off to the Caribbean with his loot.

Intrigues in the Bahamas

Throughout the late 1960s and early 1970s, the Bahamas were being transformed into an offshore haven for dirty operations by such leading SOE members as E.P. Taylor, the chairman of Roywest—a leading

Bahamian investment bank formed by an amalgam of Royal Bank of Canada, National Westminster of London, and the Hongkong and Shanghai Bank. The latter has been identified by the authors of *Dope, Inc.* as the central controller of heroin traffic from the "Golden Triangle" in Asia.

Under Taylor's direction, D.K. Ludwig and Charles Allen undertook the development of Freeport, one aspect of which was to build a major oil refinery, a task undertaken by Carey Energy Corporation. Charles Allen, chairman of Allen & Co., one of the largest and least known investment banks, is a personal friend of Raymond Mason of Charter Co. He is also the man who introduced Armand Hammer, whose Occidental Petroleum Co. would become a major partner of Charter in international oil production, into Libya.

Another project promoted by Taylor, Ludwig, and Allen was the building of the Resorts International casino on Paradise Island in the Bahamas. Vesco had salted millions of IOS funds into the casino in preparation for his flight to the Caribbean. It has since been revealed that as part of his negotiations with Mason on the Charter-Carey deal he proposed a complete takeover of Resorts as well.

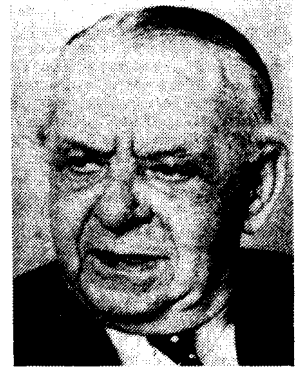
It was this group which overrode Bahamian Prime Minister Lynden Pindling's decision, just as the Charter-Carey deal was to be signed, to back instead a bid from a rival company for the refinery he thought was more in the country's interest. Pindling had been installed by this group to rubberstamp its decisions. In addition to Mason's personal ties to Allen and Vesco, Charter stockholders had other levers they could pull to pressure the colonial government, if necessary.

Several law enforcement sources have confirmed that the extensive cocaine and marijuana trade in the Caribbean "Silver Triangle" has been controlled by Robert Vesco since he took up residence in the Caribbean. These same sources have identified Max Fisher, the Detroit-based Zionist lobby leader, as one of Vesco's chief partners in this operation through Fisher's control over United Brands (formerly the United Fruit Co.). Since Max Fisher took over and reorganized United Brands, Drug Enforcement Agency personnel have stated that more than half the cocaine entering Florida from the Caribbean is transported on its banana boats.

Max Fisher was elected temporary chairman of United Brands when Carl Lindner of American Financial Corp. purchased over 21 percent of the company's stock acting as a frontman for the politically powerful interests behind Fisher. At the same time that Lindner helped engineer Fisher's United Brands takeover, he extended \$30 million in unsecured loans to the Charter Co. (considered almost bankrupt at the time) and he is today one of Charter's major stockholders.

The Occidental network: Armand Hammer's friends

by Richard Freeman



The Charter Oil Company owes its good fortune in most parts of the world to connections it has established with key financial networks. In Libya, exercising a position of immense power on Charter's behalf is Occidental Petroleum, the personal fiefdom of its 83-year-old chairman and controlling interest, Armand Hammer.

The links between Charter and Hammer are manifold. They include joint oil production and marketing agreements in Australia; common participation in the Florida National Bank of Jacksonville, Florida; and a proposed sale of valuable oil supplies by Occidental to Charter which broke off this April. Beyond the formal connections, Charter moves in the same circuits as Hammer. It depends in particular on Hammer's good graces in Libya.

Hammer's good graces are substantial. In Libya, Occidental lifts 130,000 barrels of oil per day, making it one of the largest oil company concessions granted by the Qaddafi government. Beyond that is the story of how Hammer came to be in Libya in the first place.

Hammer's friends are the powers behind the \$200 billion annual international narcotics trade, who picked him up as a teenager and elevated him to a position of influence. They placed him in Libya in 1966. Ever since, he has been a powerbroker there, radiating influence back into the United States.

Hammer's relationship with Charter Oil is signaled by the bizarre way in which Hammer chose his own outside directorships. Hammer is on the board of only one corporation in addition to Occidental Petroleum and its subsidiaries. That is the Jacksonville branch of the Florida National Bank of Florida. Why Hammer should choose to take a seat with that obscure institution is worth pursuing.

The bank is obscure but, as it turns out, significant. Florida National is 25 percent owned by Edward Ball, the executor of the \$2 billion estate of Alfred I. duPont. Ball also owns St. Joe's paper, which in turns owns 20 percent of Charter Oil.

But to understand Hammer's Libya ties, it is necessary to review his career and his sponsors.

Hammer's power derives from the selection of his family to play a role in Anglo-American operations. Now a Unitarian, Hammer comes from a Jewish family coopted for special intelligence operations.

A modern Parvus

It is probable that Hammer's grandfather's immigration to the United States was sponsored by Baron Maurice de Hirsch, a financier and raw materials extractor who in the 1870s and 1880s preselected Eastern European Jews to move to Canada and the U.S. to run extensions of his underworld financial operations there.

Hammer's parents were ardent Bund-type socialists in the U.S. who were also involved in bootleg operations. Armand himself was chosen to follow in the footsteps of the Anglo-Dutch intelligence agent Alexander Helphand. Better known by his code name Parvus, Helphand used his control of elements of the Russian socialist movement to help launch the 1905 revolution there and attempt to reverse the government's industrialization drive. At the same, Helphand-Parvus made millions from his sale of munitions to Turkey and Germany.

After being given a position in the Anglo-American liquor industry from which to build up a fortune and develop networks that would persist for life, Hammer was dispatched to live in Russia from 1922 through 1932. This "Red" cover has given him entree to most East bloc countries and has helped him interface with left-colored terrorist groups operating from Italy and Libya.

Early on in Hammer's 1922-32 operations, he promised to supply Russia with 1 million tons of grain, and earned a few meetings with Lenin that served as a *carte blanche* throughout the U.S.S.R.

In 1922, he earned exclusive representation rights to do business in Russia for most of the American industrial giants, including Ford, U.S. Rubber, Allis-Chalmers and Ingersoll-Rand. Once entrusted with this plum, Hammer developed few contracts, while people like Washington Vanderlip, who were given no such

exclusive rights, signed a \$3 billion trade accord between U.S. industry and Soviet Russia in the early 1920s. Hammer was instead assigned to negotiate small select deals, and try to oversee and block any major agreements that would solidify industrial cooperation between America and Russia.

When Harry Sinclair signed a huge contract for development of the Soviets' Baku oilfields, which involved contracts for scores of American firms, Hammer was not even working for an American company. According to his book, *In Pursuit of the Romanoff Treasure*, he was attempting to sign oil contracts for a large group based in Hamburg, Germany, which appears to have been Royal Dutch Shell.

Once established in Russia, Hammer had a second assignment, beyond extending White Russian and left-wing British-Dutch intelligence networks there, and obstructing U.S.-Soviet business accords. He was to secure the Romanov crown jewels.

By 1925, using intelligence connections in Russia that he had consolidated following Lenin's death, Hammer had established what his biographer called an "ornate pleasure dome" outside Moscow, known as the Brown House. Using the house as a base of operations, U.S. investment banker Averell Harriman traveled to and from the U.S.S.R., setting up meetings and developing the Bukharin and Trotsky networks of destabilization against the regime. Many Anglo-American financiers, artists and socialists passed through Brown House in the 1920s.

The fact that the Third Annual Armand Hammer Conference on Human Rights and Peace occurred July 4-6 in Warsaw, not long before the Polish strikes were triggered, is one reminder that Hammer's aid to anarcho-socialists has not ceased.

To get himself operational feelers into the White Russian community as well, Hammer married Russian Baroness Olga von Root. When forced to leave Russia in 1932, he set up operations in Paris, buying up trade paper issued by the Soviets to foreign business firms, which was often garnered by financial subagents of Harriman's. Hammer bought the paper at up to a 50 percent discount and was then in a position to exercise a certain financial influence over Soviet policy.

With the help of his British networks in the Kremlin, Hammer had meanwhile accumulated almost \$10 million worth of the Romanov crown jewels. No Soviet official in his right mind would let Hammer leave with this national treasure, but Hammer had a friend in the middle of British intelligence operations within the government—Grigori Zinoviev. In addition to his position as a leading figure in the Communist International, Zinoviev was in 1932 the head of the Soviet Concessions Committee, which decided who could do business in the Soviet Union. With a wink and some other transactions,

Hammer relates in his book, Zinoviev allowed him to leave the country with his treasures.

Drugs and bootlegging

His background has put Hammer at ease with the Middle East's drug, illegal liquor, and dirty-money community, including Qaddafi. Before his Russian ventures, Hammer started his business career running a major liquor concession a few years after the onset of Prohibition, at the age of 20.

In 1918, Hammer was attending Columbia University Medical School and also helping out at his family's drug company, called the Good Drug Co. This is the period in which Arnold Rothstein and his friends were preparing the bootleg liquor industry on concessions from the British families that ran whiskey into the U.S. from Canada. In his official biography, Hammer would have us believe that all by himself he outwitted the mob. The evidence points to the opposite conclusion.

His background has put Hammer at ease with the Middle East's drug, illegal liquor, and dirty-money community, including Qaddafi. Hammer started out as an American bootleg adjunct, then was selected for special operations inside the Soviet Union, where he is still considered a 'friend of peace.'

The Good Drug Co. was given a contract to produce alcohol-laden tincture of ginger, which could also function as a highball ingredient. Soon the family business in the Bronx had nearly 1,000 employees instead of 20. According to Hammer's biography, his next assignment was to move into the world ginger market on behalf of the mob. He sent buyers into the handful of countries that exporter ginger to the U.S.—India, the Fiji Islands, and Nigeria. All were British colonies firmly under the control of London investment banks, but in need of a channel for their product into the U.S. Hammer bought so much ginger for immediate or future delivery that he nearly cornered the market.

By 1921, Hammer was a millionaire several times over. In the 1930s and 1940s, when he resumed his dealings with the liquor industry after a 10-year pause, the mob had started to trade drugs through the same bootleg networks. This was true of American and

National Distilleries, both of which Hammer bought heavily into. The J.W. Dant Co. of Kentucky, which Hammer bought 100 percent, was also cited as a drug front. In 1945, when Hammer sold United Distilleries for more than \$10 million, the purchaser was Louis Rosenstiel, chairman of Schenley's Liquor, reputed to be one of the largest narcotics traffickers in the U.S.

Hammer and Farouk

Currently, Hammer's principal help to Charter Oil and its president, Raymond K. Mason, is in exercising his influence inside Libya. Hammer's connections to the Middle East go back to at least World War II, and include his ties to both the Muslim Brotherhood and British intelligence working there.

The key to the operation is Hammer's dealings with former King Farouk of Egypt and press baron Lord Thomson of the Thomson Group, owner of the Hudson Bay Company of Canada.

Hammer became friends with the Egyptian King Farouk, who reigned from 1936 until 1952. Hammer first began selling Russian jewels to the King but soon was providing extensive financial services for Farouk, including shipping a deluxe yacht to the King under the cover of wartime cargo.

Beginning in 1939, Farouk began to use Egyptian state funds to fund the Muslim Brotherhood, the secretive organization that put Khomeini into power in Iran and runs Libyan strongman Muamar Qaddafi today. This was during the time that the Brotherhood was openly pro-Nazi and therefore Farouk oversaw the training of the Egyptian "blueshirts," modeled after the Nazi brownshirts.

Farouk's ties into the Italian House of Savoy brings him full circle into Hammer's drug and mobster circles. Farouk's father, Saud, forced to leave Egypt as a child, went to live with Queen Maghiretta, of the Italian ruling House of Savoy. Saud always referred to the Queen as his "second mother." The Italian ruling house is the leading part of the black nobility that brought Billy Carter to Libya ostensibly to line up oil contracts for Charter Oil. The House of Savoy is deeply involved in the international drug and assassination bureau, Permindex. Farouk's uncle, Munir Chourbagi, was on the founding board of Permindex.

King Farouk himself lived out his life after the 1952 coup against him on the Isle of Capri, where his next-door neighbor was mobster Lucky Luciano.

The Thomson group

Because of Farouk's ties to the Italian nobility and the Muslim Brotherhood, the King was, among others, immediately helpful in bringing Hammer to Libya in 1964 and setting up valuable oil contracts for him in 1966.

Of equal importance is the late Lord Roy Thomson, the Canadian press lord who owns some of the world's most prestigious papers, including the *Times* of London. Thomson's son and namesake currently maintains the press empire to the same effect.

In the mid-1970s, Hammer gave Thomson 20 percent of Occidental's North Sea oil holdings, allowing Thomson to form the Scotland Petroleum Co. This occurred in exchange for a favor, namely, running protection for Hammer. According to Hammer, Thomson intervened in the early 1970s and used his pull in Egypt and elsewhere to get Qaddafi to come to terms with Occidental and stop threatening to expropriate or further reduce Hammer's oil production or ownership prerogatives in Libya.

At the same time, Roy Thomson's Bahamas connection is legendary. He is one of the bright young men that ran Allied intelligence for the Special Operations Executive (SOE) during World War II. Heavily comprised of British nobility, this elite unit then relocated to Newfoundland, Canada at the war's end to carry on its activities in a private mode.

In turn, of great assistance to Thomson in this period was international press mogul Lord Max Beaverbrook.

From a power base in Canada, SOE set up the Bahamas banking laws which established the Caribbean as the seat of offshore banking in the 1940s. Thomson, along with E.P. Taylor, built up the Bahamas banking zone, creating the largest offshore bank through a branch of Royal Bank of Canada, called Roywest, in the Bahamas. Thomson is a board member of the Royal Bank of Canada.

As the wealth and power of the offshore banking operations grew, so did the power of those who ran the networks. They took control of all illegal drugs, money and weapons trade in the region, making the Bahamas one of the headquarters of the \$200 billion per year international narcotics trade.

While Thomson is advising Hammer, one of Thomson's protégés and subordinates from the London *Times*, Peter Jay, is inserted as financial adviser and lobbyist for Charter Oil.

One of the directors of the Royal Bank of Canada in the Middle East, Yvonne Sursok, is tied into old-line nobility in the Middle East; the Sursoks, who once owned the real estate on which Israel now exists, control considerable chunks of land in Lebanon. Thomson is thus in a position to oversee the Libyan operation from the top, as well as influence several aspects of the Billygate affair.

With such highly placed contact points in the Middle East and an 11-year presence in Libya, it is no wonder that Hammer's good graces should be sought by Charter Oil.

The Libya-Papa network: socialists and right-wing terrorists

by Mary H. Carey

As Sicilian attorney Michele Papa admits in a July 30 interview to the Italian newspaper *La Repubblica*, it was he who initiated the contacts with Billy Carter leading to Billy's first trip to Libya in September 1978.

Michele Papa is no mere businessman, however corrupt, but a seasoned political operative whose networks go back to the creators of Benito Mussolini, and today comprise the controllers of neofascist terrorism as well as the left-wing variety.

A member in good standing of the Italian Socialist Party (PSI), Papa is also a self-proclaimed leader of the Sicilian separatist movement, and as such a long-time associate of the Qaddafi government which regularly provides the separatists with weapons and funding. Papa is also a close associate of individuals central to Billygate, such as Libyan ambassador to Rome Gibril Shallouf and Ahmed Shahati, the secretary of Qaddafi's party, Arab Social Union, and its top foreign policy official.

Both the *New York Times* of April 8, 1979 and the Rome daily *La Repubblica* of June 31, 1980 report the story of Michele Papa's role in setting up Billy Carter's trip to Libya. The story comes from Atlanta real estate broker Mario Leanza, who made contact with Billy Carter on Papa's behalf. Papa had previously helped Leanza out in business dealings with Libya. Papa contacted Leanza in June of 1978, asking him to contact Carter and talk him into going to Libya. Leanza, a friend of Billy's, agreed.

According to both Leanza and Papa, Billy Carter's trip was set up by a series of daily phone calls in late 1978 between Leanza in Atlanta and either Shallouf or Papa in Rome.

Who is Michele Papa?

Michele Papa's pedigree is best illustrated by a look at Papa's patron, Lelio Basso of the Italian Socialist Party. The most telling single fact about Lelio Basso is that he became the president of the Bertrand Russell Tribunal after Bertrand Russell's death. This makes Basso one of the chief links between British intelligence

and its various operations on the continent.

Another fact is the membership of the Lelio Basso Foundation, a "philanthropic" organization founded by Basso to infiltrate British intelligence into the Third World and the East bloc. The foundation membership includes the notorious Richard Falk of Princeton University, one of the major think-tankers behind the current scenario known as the Bernard Lewis Plan. Ayatollah Khomeini's Islamic revolution was Phase I of this scenario. Phase II calls for the overthrow of the Saudi Arabian royal house, chaos in the Saudi oil fields and the general collapse of Mideast oil production.

Michele Papa runs the Sicilian branch of Basso's Italian-Arab friendship operation. This network functions as a conduit for funds from Libya in particular, into both left- and right-wing terrorist gangs in Italy.

The Padua-Arab Association, one of the offshoots of Basso's national Italy-Arab Association headquartered in Rome, was run by Claudio Mutti. During the period when Mutti was president of the Padua group, the association was investigated by Paduan Judge Gerardo D'Ambrosio, who established the fact that the funds of the Association were used to finance the right-wing terrorist group, Ordine Nero.

Ordine Nero is a reborn version of Ordine Nuovo, which was dissolved in 1973 by order of Judge Vittorio Occorsio, on the grounds that it was a reconstitution of the Fascist Party and therefore forbidden by Italian law. In February of 1974, Ordine Nero stated its aims: "To spread terror among the anti-fascists with bombs and ambushes, spread chaos in the country, and transform our cities into so many Belfasts where there will be no more peace for those who pursue anti-fascist activity; no more peace for the red bourgeoisie."

Judge D'Ambrosio specifically named Mario Tuti as a recipient of the Padua-Arab Association funding. Tuti has received two life sentences for terrorist bomb attacks; the most recent was for the 1974 bombing of the Italicus line from Rome to Brennero, in which 12 people died. Ordine Nero claimed responsibility.

Tuti was sentenced for the Italicus murders on Aug.



Michele Papa (second front left) with Lelio Basso (fourth from left) and Muammar Qaddafi (third from right).

2, 1980: the day of the Bologna railway station bombing in which 80 people lost their lives and 150 were wounded. The caller from the rightist NAR (another offshoot of Ordine Nuovo) justified the grisly attack with the words, "Honor to comrade Mario Tuti."

Tuti was forced to leave Italy after he murdered two policemen. In exile, Tuti published a "memorandum" which appeared in several Italian papers. Here Tuti boasts that he received funds from the Libyan embassy in Rome, adding that Qaddafi was one of his spiritual mentors, along with Mao, Hitler, Mussolini and others.

This sheds some light on the character of the Carter administration's associates. The Franco-Libya Association, cofounded by Lelio Basso, functions similarly: funneling Libyan money into French right terrorists.

Papa and Sicilian separatism

The Sicilian branch of Lelio Basso's "Arab friendship" operation, the Sicily-Arab Association, was founded in 1974 and headquartered in the city of Catania. Michele Papa was initially its second in command; the first president of the association was Filippo Jelo. The story of how Jelo lost his job explains a lot.

In February 1975, police in Sicily arrested one Bernardino Andreola, a 46-year old left-fringe activist known for his association with Giangiacomo Feltrinelli, an early controller of Italian left-wing terrorism.

Andreola was arrested for his involvement in a failed kidnapping attempt against Christian Democratic Senator Graziano Verzotto, an erstwhile ally of Enrico Mattei, the slain founder of ENI, the Italian state oil company. Andreola told the police an amazing story.

According to the weekly magazine *Il Settimanale* of April 21, 1976, Andreola described the "Alpha Group," a "revolutionary movement formed from the fringes of the revolutionary left." It began operations in Sicily in 1973. The aim was Sicilian independence, to be achieved with "Arab friends."

Andreola said that "at the end of 1974 we activated throughout Sicily 42 propaganda cells, 18 cells of armed proletarians, and six information cells. Through ideological penetration, our Marxist duty is to create the

preconditions for the class struggle to emerge from clandestinity and into the streets." In Andreola's apartment, carabinieri found explosives, phone-bugging devices, a radio transceiver and a document-forging laboratory.

Il Settimanale also detailed a meeting at the villa of a Mafia-linked politician. At this meeting, Andreola met a lawyer who was "the president of an Italian-Arab friendship association," located in Catania. As *Settimanale* points out, the only such organization in Catania at the time was Papa and Jelo's Sicily-Arab Association. The scandal created by this revelation forced Jelo to resign, at which point Papa took over.

According to another Italian weekly, *L'Europeo* of May 16, 1976, Andreola said he had been personally contacted by Michele Papa, and that they discussed Andreola's "separatist army."

Papa, Libya and terrorism

Michele Papa's cooperation with Colonel Qaddafi goes further back. In December 1974, shortly after the founding of the Sicily-Arab Association, Papa accompanied Lelio Basso to Tripoli. Basso went to meet Qaddafi as the head of his Rome Italy-Arab Association, and Papa is reported by the Italian press to have gone along in the capacity of Basso's deputy.

Michele Papa was also the coordinator of a 1978 conference at a villa in Taormina, Sicily, in which various members of the Italian Socialist Party including Papa gathered to study Col. Qaddafi's "Green Book," with its condemnation of both capitalism and communism as "perverse ideologies."

Qaddafi's sponsorship of left-wing terrorist groups is certainly no secret to European law-enforcement agencies. The most blatant example was cited by Andrea Janach in his book *International Terrorism*. In 1978, Italian police arrested a member of the left-terrorist Red Brigades, who claimed he had just returned to Italy from a Libyan terrorist-training camp. In his pockets police found a document with directions to the camp and the name of a "Mr. Saudi." Janach reveals that the latter is Abdullah Saudi, a leading Libyan banker, one of the negotiators of the Fiat-Libya deal and member of the board of directors of Fiat. Janach draws the obvious conclusion that Abdullah Saudi was channeling Libyan money into the Red Brigades.

The case of Michele Papa spotlights an apparent anomaly: the involvement of both left- and right-wing terror, seemingly inspired by opposite ideologies and each the sworn enemy of the other, in the Basso-Papa Libya operation. Indeed, despite Papa and Jelo's friendliness with leftist kidnapper Andreola, and despite their idol Qaddafi's funding of left-wing terrorism, their Sicily-Arab Association was from the beginning embedded in the extreme right of the Italian and Sicilian

political spectrum and its neofascist wing.

The anomaly is only apparent. As *EIR* has shown in the past, the labels placed on various groups and ideologies of international terrorism are purely a matter of convenience for their controllers. Italy is the best example: in the middle of the seventies, magistrates and law-enforcement officials began to get too close to the real oligarchical backers of the abortive right-wing coup d'état in 1970, and of the 1973 "Rosa dei Venti" coup plot involving high levels of the Italian secret service. It was then, in the mid-1970s, that "black" or rightist terror began to slack off, and "red" or left terror began its upswing. The pendulum now seems to be swinging the other way, but behind the killers, the interlocking directorate of British and Israeli intelligence, the oligarchy and the international dope trade remain the same.

Investigations on the Hill

There are currently two Senate Judiciary subcommittees probing different aspects of Billygate. A special subcommittee chaired by Democratic Senator Birch Bayh has to date focused largely on Billy Carter's ties to Libya, while the Improvements in Judicial Machinery Subcommittee, chaired by Sen. Dennis DeConcini (D-Ariz.), has been probing potential corrupt links between fugitive financier Robert Vesco and the Carter administration. Yet a third body, the Senate Permanent Investigations Subcommittee, may begin a probe into former Office of Management and Budget director Bert Lance.

Congressional sources report that there are six areas which the special subcommittee intends to probe:

- The Charter Co., which offered to pay Billy Carter \$25 million for arranging embargo-free oil supplies from his Libyan friends;
- Billy Carter's income tax situation;
- Potential obstruction of justice, particularly in matters dealing with Billy Carter and Robert Vesco;
- Possible ties between Billy Carter and indicted arms smuggler and hitman Frank Terpil and Terpil's boss, Edwin Wilson;
- A possible Philippine connection established by Jeff and Billy Carter to bail out the family's peanut warehouse; and,
- Billy Carter and Charter's ties to Robert Vesco.

The special subcommittee has also developed several potential perjury cases. Evidence the subcommittee possesses is believed to prove that Billy Carter received

substantially more from the Libyans than the \$220,000 "loan" he has admitted to.

To date, the special subcommittee has been hampered by two factors. First, the White House, despite President Carter's statement in an Aug. 4 report that he is "eager to answer the subcommittee's questions on all matters . . . within the scope of your inquiry," the Carter administration has stonewalled in a manner even more blatant than Richard Nixon in turning over key investigative material.

Second, Sen. Birch Bayh, who represents a political compromise as subcommittee chairman, has consistently refused to move in an aggressive manner to get to the bottom of Billygate. Shortly after President Carter's white paper report, Bayh announced that he sees "no evidence of a major breach of the public trust" by the President or White House aides. It was only at the reported insistence of Sen. Dole, for example, that the subcommittee brought up the fact that two of Billy Carter's chief business associates, George Belluomine and Robert Sprague, are under Justice Department investigation for drug-running.

Bayh is also reported to have blocked investigation into a secret alliance between the Carter administration and the terrorist Muslim Brotherhood, the body that installed the Ayatollah Khomeini regime in Iran. A possible concern of the Senator from Indiana is the fact that such an investigation would ultimately uncover the workings of the Muslim Brotherhood-controlled Muslim Student Association in Indianapolis, Ind., whose Persian Speaking Group has provided the manpower for riots and terrorism against anti-Khomeini forces in the United States. The politically powerful and well-funded MSA Persian Speaking Group has been put under executive protection as part of President Carter's deal with the Muslim Brotherhood. Locked in a tough reelection campaign, it is possible that Bayh does not want to rock the boat in his home state.

The subcommittee chaired by Sen. DeConcini, on the other hand, has been moving like gangbusters on the Vesco case. The financier, who provides a key thread throughout Billygate, became a subject of investigation as the subcommittee reviewed Justice Department handling of dozens of politically sensitive cases. The subcommittee has compiled evidence which implicates Attorney General Benjamin Civiletti in obstruction of justice, both in his refusal to prosecute Billy Carter for failure to register as a Libyan agent and in a plot codenamed "Operation Kingfish" to kidnap and murder Vesco after his ties to top Carter White House aides were exposed.

Closed-door hearings on Aug. 19 reportedly heard Ralph Ulmer, chairman of a N.Y. grand jury empaneled to investigate alleged Vesco bribes of White House officials, describe substantial obstruction by the Justice Department.

International Intelligence

Foreign policy debate in Japan heats up

The 1980 "blue paper" of the Japanese Foreign Ministry, for the first time in the postwar period, abandons the traditional catchphrase that Japan should strive for an "omnidirectional peace diplomacy" aimed at maintaining good relations with every country. Instead it calls on Japan to firmly line up with the West and to "confront the Soviet Union" diplomatically.

Observers, including editorials in the Japanese press, were taken aback at the tone of the document, since upon the inauguration of the new Zenko Suzuki cabinet, Foreign Ministry officials had leaked reports that Suzuki would try to restore good relations with the U.S.S.R. in particular. Relations had deteriorated under Suzuki's predecessor Masayoshi Ohira, who had followed Washington's China card policy, and the business community has lost an estimated \$4-5 billion in business deals with the U.S.S.R. to European competitors.

Discussions among the U.S.S.R., U.S. and Japan on natural gas development in Yakutsk, Siberia have been suspended until at least after the U.S. election, according to the Tokyo press. Foreign Minister Masayoshi Ito, on a tour of South Asia and China, dispensed aid to Pakistan and Thailand as part of this effort to line up with the U.S.-China axis.

A new 'counterpole' in the Middle East?

Following this week's dramatic offer by Col Muammar Qaddafi of Libya to merge Libya with Syria, the move has been analyzed by European commentators as an initiative to establish a counterpole in the Arab world to the emerging Saudi-Iraqi alliance. Preliminary reports are that the Syrian regime of Hafez Assad has virtually accepted Qaddafi's offer. European governments view this development with alarm, since they favor the

Iraq-Saudi relationship, which is premised on rapid economic development of Arab nations as a counter to Israeli expansionism. Qaddafi's countereffort is by contrast premised on confronting Israel militarily instead, and doing so at the earliest possible date.

At the same time, Egyptian President Anwar Sadat has agreed to resume "Palestinian autonomy" negotiations with his Camp David partner, Menachem Begin. Observers note that Sadat appears to have won no softening from Israel on the points that had stalled the talks: Israel's takeover of Jerusalem, the West Bank, and southern Lebanon. In Cairo and elsewhere, it is asked whether Sadat has been offered Libyan territory and oil reserves as a prize for allowing President Carter to play up the triumph of a new Camp David round.

Qaddafi hit by his former Anglo-Italian allies

Libyan Prime Minister Abd as-Salam Jallud declared last week that the attempted coup against President Muammar Qaddafi last month was orchestrated by an "Italian agent," and hinted that Egypt was a party to the incident. Jallud is the only Libyan official to publicly admit the occurrence of the coup attempt, which was centered near the Egyptian border of Tobruk. He warned that Egypt may soon conduct an "aggressive action" against Libya with the backing of the U.S., noting that Egypt has placed its troops stationed near the Libyan-Egypt border on alert.

The architect of the uprising at Tobruk is Major Idris Ash-Shuhaybi, who reportedly fled to Egypt following the coup attempt. The major is thought to be part of a growing anti-Qaddafi conspiracy now based in Rome which calls itself the National Democratic Movement. According to *EIR's* Arab sources, Rome and Malta are the centers of the NDM's operations, which are reported to have backing from exiled Libyans based in London.

Begin operative loses Paris fight

A months-long faction fight in the French Zionist movement came to a head Sept. 2 with the removal of Avi Primor from his post as President of the French branch of the World Zionist Organization. United Jewish Social Fund of France directors Guy de Rothschild and Adam Loss objected to Primor's efforts to erect a vocal French "Jewish Lobby" modelled on what exists in the United States.

Rothschild and Loss had in particular mobilized French Jewish groups and leaders in opposition to Primor's involvement with a group entitled "Jewish Renewal," which is committed to the breed of Zionism represented by Prime Minister Menachem Begin of Israel. The head of Jewish Renewal, Henry Hajdenberg, has been widely accused in the French press of pro-fascist sympathies.

Excelsior series reprints EIR's Iran charges

Mexico's leading daily newspaper, *Excelsior*, this week serialized Spanish journalist José Luis Villalonga's interview with the Empress Farah of Iran, in which she cites *EIR* Middle East editor Robert Dreyfuss's report on how Anglo-American intelligence overthrew her husband and created the Iranian revolution. Unlike the West German magazine *Bunte*, which first printed this interview, *Excelsior* includes not only Villalonga's discussion with the Empress, but adds the lengthy selections he takes directly from Dreyfuss's report.

Excelsior, read throughout Latin America, is carrying Villalonga's interview in a 10-part series. Farah is quoted as saying that Dreyfuss's report details "plans which are coldly calculated to create total chaos in the Persian Gulf. . . and perhaps global destruction." *Excelsior* includes *EIR's* detailed evidence of British intelligence sponsorship of "Is-

lamic fundamentalism"; efforts to create a Middle East Treaty Organization; and plans to undermine the economies of Western Europe and the U.S. through a provoked cutoff in oil supplies. Dreyfuss's warning is cited: "The main goal of these groups—their basic objective—is the deindustrialization of the world, and zero growth in the global demographic index."

Thai Supreme Command puts troops on alert

Thailand mobilized its border troops on Sept. 2, asserting that Vietnam now poses a serious military threat to Thailand because it has amassed a grand total of 1500 troops at Phnom Malai, near the Thailand-Kampuchea border, according to Agence France Presse. At present, Vietnam has an estimated 30,000 troops in the border area as part of its operations against the remnants of the Pol Pot forces. The new Thai alert follows weeks of warnings of a new Vietnamese "invasion" complete with calling up of Thai reserves. Throughout this period, China has announced that if Thai-Vietnamese fighting broke out, China would "counterattack" against Vietnam.

Vietnamese diplomatic sources assert that a Peking faction is arguing for a new Chinese invasion of Vietnam under the pretext of Thai-Vietnamese fighting, while others claim that China's domestic political and economic problems rule out an early invasion.

Eastern Europe faces financial clamp

American and British bankers said this week that the Polish events represent a phase in their long-term strategy to grind down the Comecon nations economically and thus penetrate and split the bloc.

"We learned our lesson from Czechoslovakia," the Eastern Europe chief at Citibank said Sept. 4. "It's a good thing the entire Polish economy wasn't shut down. This way we have free trade unions, and Poland will depend more on us for loans." The U.S. Agriculture Department's Commodity Credit Corporation will grant Poland \$670 million in guarantees for feed-grain imports as a "concession" after negotiations in Washington that "intensively reviewed Poland's books," according to a USDA source.

The Vatican correspondent for the Polish émigré magazine *Kultura* told Agence France Presse Sept. 2 that Poland needs "a new Marshall Plan"—not just aid, but aid earmarked for exactly the factories and infrastructure projects foreign investors wish to promote.

UN declares war on urban civilization

The United Nations sponsored a conference in Rome this week on the theme of the "nightmarish growth" of the population of the world's cities. The Sept. 3 *London Times* called it "one of the most awe-inspiring conferences ever held," in an editorial titled "Great Wens [warts] All Over the World," referring to urban centers.

The city today is becoming "a burdensome consumer of energy and social expenditure and a producer of sickness and pollution," said the *Times*. There are "no universally applicable remedies" to what it terms the overpopulation problem. "To pump money into agriculture . . . may feed the towns, but the more modern agriculture becomes, the less labor it needs—though the heavy demands which mechanized agriculture makes on energy may reverse that trend. Some small dents in the problem have been made by measures such as better town planning, encouraging self-help in the shanty towns and discouraging population growth, but broader answers are going to be needed."

Briefly

● **RADIO FREE EUROPE** is working with Said Ramadhan, an international leader of the Muslim Brotherhood currently residing in Geneva, to beam broadcasts into the Muslim populations of the Soviet Union.

● **THE MOSSAD** has formed a secret cell to train the fanatic Hindu militants of India's RSS in Israel. The RSS trainees are travelling to Israel via Nepal and London. Recently, the RSS held a big meeting in London which was attended by the Lord Mayor.

● **CHUN DOO HWAN**, the new South Korean President, met with Reagan Asia adviser Ray Cline, a former CIA station chief in Taiwan, while not yet finding the time to receive Jimmy Carter's ambassador to Korea, William Gleysteen.

● **DOM MINTOFF**, Malta's prime minister, went to Italy the first week in September to discuss a military agreement, possibly including the establishment of a NATO base on the strategically located island. The talks are conditioned by the fact that Libya is Italy's number-one trade partner and main source of oil, while Libyan-Maltese relationships are drastically deteriorating.

● **MICHEL DEBRE**, Gaullist candidate for the French presidency, wrote in *Le Monde* Sept. 3 that Europe cannot accept any cutbacks in its agricultural production at a time when developing-sector populations need this food to survive.

● **NECMETTIN ERBAKAN**, the leader of Turkey's Islamic fundamentalist National Salvation Party, is involved in heroin smuggling, according to charges made by the Turkish daily *Hürriyet*. The pro-Khomeini National Salvation Party is allegedly operating as a conduit for illegal drugs coming out of Iran.

East-West links rebound after Polish crisis

by Rachel Douglas

The end of the two-week strikes in the Polish port cities of Gdansk and Szczecin Aug. 30 and in the mine district of Upper Silesia two days later dampened the danger of immediate Soviet intervention and stopped Poland's slide into economic paralysis due to the strikes. The settlement bought time both for Polish leader Edward Gierk and for the groups who pushed the strikes into the delicate realm of demands for political reform, but it does not ensure stability for Poland.

The crisis could flare again. Already, the British-linked dissident group known as KOR has announced its plan to carry the demand for "free trade unions" throughout Poland and into other nations of Eastern Europe.

The Soviet Union, although not happy with how much ground the Polish regime conceded the strikers, evidently approved the settlement in order to give Gierk some breathing room. But European banking sources involved in Poland consider the announced solution to be short-term, and fear a new explosion if the Soviet leaders try to shape post-strike Polish politics in terms of a crackdown on the dissidents, and limitations on the "independent, self-governing trade unions" that will now be allowed.

The danger comes not only from the developments inside Poland, but effects they have had on the already tense international situation, especially on Moscow's assessment of whether any detente policy is worth pursuing.

Even before the Gdansk settlement, leaders in Eastern and Western Europe declared that efforts for East-West cooperation and dialogue must not be frozen because of the crisis in Poland. Despite the postponement of two important East-West summit meetings in the month of August, West German Chancellor Helmut Schmidt, President Valéry Giscard d'Estaing of France and the former prime minister of Italy, Giulio Andreotti, all urged a cautious approach to the Polish tinderbox by both East and West.

Their restraint aided at least a temporary cooling off of the Polish crisis, while the Western Europeans' reaffirmation of their East policy was read in Moscow as evidence that Soviet President Leonid Brezhnev's Europe-centered detente was still viable. On the basis of the current American strategic posture and the proliferation of confrontation "hot spots" around the globe, the Soviets judge that detente is finished outside of Europe.

Soviet Foreign Minister Andrei Gromyko, writing in an August issue of the Soviet Communist Party journal *Kommunist* pronounced the United States an unreliable partner in international relations, "liable at any moment to violate its international obligations," and prone to declare "spheres of its vital interests" in a way that recalls territorial claims in the "Wild West."

Brezhnev seconded this evaluation in a major foreign policy speech he gave in Alma Ata, Kazakhstan Aug. 29. The Soviet president especially criticized the recently announced shift of United States strategic doctrine,



Photo: Wide World

Striking workers at the Lenin shipyard in Gdansk, Poland last month.

which he said was intended "to make the idea of nuclear war acceptable to public opinion" through the idea of "limited" or "partial" application of nuclear weapons that "has nothing to do with reality."

Brezhnev contrasted Western European foreign policy, particularly that of France and West Germany, to the dangerous course he attributed to Washington. His own meetings this year with Giscard and Schmidt, Brezhnev said, were examples of the importance of "deepening detente and international cooperation."

German coal deal

One of the diplomatic events cancelled because of the Polish crisis was Schmidt's first official meeting with East German President Erich Honecker, which was to have taken place in the German Democratic Republic on Aug. 27. (The other was Polish leader Edward Gierk's trip to Bonn.) The postponement of the Schmidt-Honecker meeting, years in preparation, was of special concern to West German observers of East-West relations because it is known that Honecker, like Brezhnev, has a "tough line" faction to contend with at home—party and military men who think that even a Eurocentric detente is of no use any more.

In a Sept. 1 statement at the Leipzig trade fair, however, Honecker denied that there would be any freeze in relations. As he toured the Hoechst chemical company's pavilion, Honecker pointed to "new horizons of relations between the two German states," both

in economic cooperation and for the sake of—using Schmidt's words—"peace and détente in Europe, but also in the world." Honecker quoted Schmidt's call that "war must never again start from German soil."

To back up Honecker's words, there was the surprise announcement of a coal deal, evidently one which would have been issued by Schmidt and Honecker had they met. During the next five years, 1.5 million tons of East German brown coal and coal powder will be delivered to West Germany in exchange for coal machinery and coal processing facilities. The deal is valued at between 10 and 20 million deutschemarks (\$6-12 million).

Chancellor Schmidt believes that expanded economic deals will be a critical contribution to cooling down the Polish crisis, too. On Sept. 3, Schmidt replied, by way of a press interview, to Jimmy Carter's private note urging more economic aid for Poland. Indeed, Schmidt told the *Westdeutsche Allgemeine Zeitung*, the United States, as the bigger economy, should give three times as much assistance to Poland as West Germany does (Bonn's latest government guarantee for private loans to Poland exceeded \$200 million) and should attach no political strings. It is essential, Schmidt explained, to "resist the temptation" of interfering in the domestic politics of the borrowing nation or to "give the impression of pursuing domestic political goals" through actions in a foreign country.

Schmidt surprised West German television viewers

Sept. 1 when he devoted the first of his national campaign broadcasts to his East policy, which Christian Democratic Union-Christian Social Union opposition candidate Franz-Josef Strauss has been trying to exploit as a campaign issue against Schmidt as the Oct. 5 elections approach. The CDU presidium had issued a communiqué calling the Polish strikes testimony to the failure of Schmidt's foreign policy, while a CSU spokesman denounced Schmidt for backing West German investment in the "corrupt and bankrupt" Polish economy.

Schmidt, whose Social Democratic Party won decisively when the Chancellor conducted a regional election last spring on the issue of "war or peace," defended his policy with enthusiasm. The Federal Republic of Germany, he said, favors unhindered relations with all nations—especially with Poland! The Bonn government will remain firmly committed to détente despite "suspicions and slanders," because there is no alternative. "The concern of German policy in Europe," declared

Both the Soviet Union and Western Europe hope Poland's Edward Gierak can gain some breathing room. Chancellor Schmidt believes that expanded economic deals will be a critical contribution to cooling down the Polish crisis and achieving 'utmost reasonableness' on all sides.

Schmidt, "is peace in all of Europe. Europe is Dresden, Warsaw, Gdansk and Budapest as well. . . . Our foreign policy has to be one of utmost reasonableness."

Giscard, who plans to go ahead with a visit to Warsaw in the second half of September, said in his own statement on the Polish crisis that he valued the "historic ties of friendship" between France and Poland and would like to see a "hands off" policy approach from *all* foreign powers.

Polish danger remains

The crisis in Poland, however, did not end with the tentative agreement between the Gdansk Interfactory Strike Committee and Deputy Prime Minister Mieczyslaw Jagielski. Moscow is viewing the settlement warily.

On Aug. 31, *Pravda* published the harshest official Soviet statement of the entire crisis—a full day *after* the Gdansk settlement was known. *Pravda's* article, bearing the authoritative signature A. Petrov, said that "anti-socialist elements" connected with Polish emigré organizations had stood on the shoulders of striking workers for "counter-revolutionary objectives."

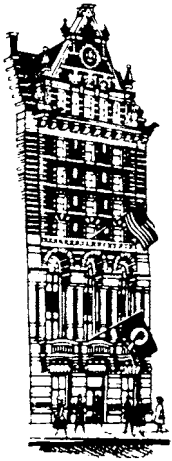
The language in *Pravda* suggested that Moscow, or at least a section of the Soviet leadership, wants the settlement to be followed by an internal crackdown in Poland. This would be aimed first off at the dissident group KOR (Workers' Defense Committee), whose members fanned the strike and were the first to introduce the "political" demand for "free trade unions." A Sept. 1 Soviet television broadcast attacked KOR leaders Jacek Kuron and Adam Michnik by name for their "anti-socialist activities."

Kuron, released from jail in Warsaw Sept. 2, promised an escalation which will only hasten Soviet pressure on Warsaw to silence the KOR group. Kuron pledged to spread his organization to "other countries of the Soviet empire."

The official Soviet announcement of the settlements in Gdansk and Szczecin omitted details of the major political concession made by Jagielski. His agreement with the Lenin Shipyard workers in Gdansk, which is to serve as the basis for a new law on trade unions, provides for setting up "independent, self-governing trade unions," outside the official trade union structure. On its part, the Inter-Factory Strike Committee promised that the new institutions would not attempt "to play the role of a political party" nor "challenge existing international alliances."

In addition to Moscow's uneasiness, the Polish economic crisis and the approach to it of those Polish leaders promoted in the Aug. 24 shakeup triggered by the strikes virtually guarantee that Poland will remain on the brink of crisis. A complete overhaul of the Polish Communist Party's economic "action program" is under way, and in the words of the new Finance Minister Marian Krzak, it will place Poland "somewhere on a scale between Hungary and Yugoslavia."

Hungarian-fashion decentralization of economic decisions and austerity like Yugoslavia's are what some of Poland's foreign creditors had hoped to achieve. But the result of those policies will be a Poland *less* able to meet workers' demands for higher living standards, *deeper* into the hole of debt-dependency, *not* able to generate surplus to invest in the expansion of its industrial base, and *more* prone to accepting International Monetary Fund-style conditionalities which mandate a tighter domestic economic regime and thereby create the conditions for a new explosion of social and political unrest.



Freedom House and East bloc penetration

The following observations were contributed by a correspondent familiar with American and British refugee organizations.

Before an individual leaves the United States to hook up with dissidents in Poland, the most important stop in many cases is not Langley, Virginia or Foggy Bottom, but an elegant edifice in midtown Manhattan, residence of the human rights-oriented Freedom House, Inc.

In the nine-story Willkie Memorial Building of the Freedom House, located across the street from the Fifth Avenue public library, one finds a beehive of activity. The second-floor offices contain file catalogues of all dissident organizations, translation banks for underground dissident materials, and consultation facilities on how and where contact can be made with dissidents, and how transmission of material and travel expenses can be arranged through Freedom House's subcenters in London, Paris and Munich.

In the New York headquarters and operations such as ANEKS, Zapis, Puls, and Index on Censorship in Europe, daily contact is established and maintained with Polish dissidents and strike leaders. In coordination with the ILO and other organizations, funding channels were used for conducting hundreds of thousands of dollars into Poland.

Freedom House contacts and connections for Poland's upsurge occurred months and months before the strike.

As one Freedom House associate who visited Poland last fall put it: "We knew that confrontation was inevitable already in November of 1979—it was clear to us that we had to proceed with our plans."

The planners

Freedom House was established 38 years ago by a group of Anglo-Jesuits who were also involved in the International Rescue Committee. Under the auspices of

refugee and relief work and human rights—as during World War II and the immediate postwar period—Freedom House centralizes a major intelligence network devoted to destabilization, insurrection and population control.

Leo Cherne, a former Presidential Intelligence Advisory Board member, is a Freedom House executive committee member who together with William Casey runs the International Rescue Committee's provisions to mercenary armies in East Africa.

Other executive committee members of the Freedom House include Zbigniew Brzezinski and the U.S. ambassador to Italy, Richard Gardner, both on leave, as well as New York Sen. Jacob Javits and senatorial aspirant Bess Myerson.

Freedom House coordinates East bloc dissident activity with the Arts Council of Great Britain. It is acknowledged that the Arts Council is currently involved in financing the London-based Polish émigré organization ANEKS (Aid to Polish Workers), as well as various KOR-related publications both inside and outside Poland, including ZAPIS, Index on Censorship, and Puls.

The Bruces and Pagets

The Arts Council includes:

Evelyn Rothschild of the London *Economist*, who is on record in support of systematically reducing global population and industrial capacity;

David Astor of the Times, Inc. Astor family interests, also a member of the editorial board of the London *Observer*;

Lord Balfour of Burleigh, director of the Bank of Scotland, a member of the Robert Bruce family; and The Marquess of Anglesley of the Paget family.

The Pagets and the Bruces have specialized in Eastern European operations; it was they who ran the "London Poles," the pre-World War II Pilsudski operation, and its military component, the Home Army (Armia Krayova). Earlier, they were patrons of Leon Trotsky and Nikolai Bukharin's opposition to Soviet capital formation. Together with the International Rescue Committee and the Freedom House, they were involved in "Operation Splinter Factor," which in the late 1940s engineered a series of East bloc purges that helped consolidate manipulable factions, and paved the way for the upheavals in Poland and Hungary in 1956, Czechoslovakia in 1968, and Poland in 1970 and 1976.

Beyond the Arts Council is the Oxford University connection, currently maintained by Trinity College's Anthony Quinton. Trinity houses émigré KOR dissidents Leszek Kolakowski and Andrei Brus, who helped Jacek Kuron orchestrate last month's Polish strike activities.

International unions fund the dissidents

by Lonnie Wolfe

Edmond Maire, director of the French trade union confederation CFDT, responded to news of the agreement between the Polish government and striking shipyard workers with fervor. "Nothing is definite in Poland," he said on French radio, "and the struggle should continue to fight against the centralized bureaucratic functioning of power and against the obligation of the independent unions to recognize the leading role of the party."

Maire belongs to a network of international trade-union figures and their political operatives who have been meddling in Polish affairs for some time. When Maire's personal representative, M. Sardai, arrived at the Lenin Shipyard in Gdansk Aug. 26 and handed over a check for 11,000 French francs to strike leader Lech Walesa, it was the culmination of months of preparation. Maire and others, including American trade union leadership, had been backing the self-styled "free trade union" movement in Poland and sent representatives to consult with Lech Walesa's mentors in the dissident group "Workers' Defense Committee" (KOR) months before the strikes broke out.

Now that the settlement achieved in Gdansk has given some breathing room to cool out the Polish crisis, Walesa has openly called on Western trade unions to send money for his movement. Escalation of this intervention, however, practically guarantees a harsh Soviet response that could boomerang against Polish workers—the very people whom the transferred funds are ostensibly to assist.

There are two overlapping networks involved. One centers on the international affairs department of the American trade union federation, the AFL-CIO. This department, run until recently and for over 30 years by former Communist Party U.S.A. "Right Opposition" leader Jay Lovestone, coordinates with other national European trade union federations through its Paris office, headed by Irving Brown. Under the direction of Trilateral Commissioner and AFL-CIO president Lane Kirkland, this operation has extensive contacts within the East bloc and has admitted to funding dissident Polish trade unionists through covert channels.

A second network operates from the American United Autoworkers Union through the International

Metalworkers Federation. Historically, the IMF is run by the UAW and is presently controlled by former UAW International Affairs director Herman Rehban. The UAW-linked network has ties to the more radical dissident organizations but otherwise works in total congruence with Lovestone's AFL-CIO operation. UAW president Douglas Fraser last week on U.S. TV openly admitted conduiting funds and other assistance to the Polish strike leadership through the Geneva-based International Metalworkers Federation. Maire's CFDT is linked to the UAW since the days of its late president, Walter Reuther.

The AFL-CIO and the UAW operations also work through the Geneva-based International Labor Organization, which has "been monitoring the developments in Poland" and talking to Polish strike leaders, according to its officials.

AFL-CIO officials have boasted privately that the recent strikes would not have been possible without their financial and political support, organized through these networks. This assertion is supportable. In May, the ILO, under prompting from the AFL-CIO and UAW, dispatched a special fact-finding mission to Poland to discuss "grievances" with Polish workers. Contact was made with individuals who became strike leaders.

For nearly the entire month of June, Lane Kirkland, Irving Brown and other top AFL-CIO leaders were in Europe for the ILO meeting, where, sources report, the "Polish situation" was one of the topics under discussion and decisions were made to send additional monies to Poland through "discreet" channels.

Herman Rehban, whose IMF has direct contact with the metalworkers in the Gdansk shipyard, stepped up communication and "support" operations in consultation with UAW headquarters in Detroit, Michigan. Jay Lovestone, who now operates out of an office in the International Ladies Garment Workers Union in New York City, was reported to be in constant communication with his extensive international network and was "fully aware" that a strike action was imminent.

When the Gdansk strike finally broke out, these networks intensified their activities. The AFL-CIO Executive Board discussed the situation extensively at its Aug. 20-21 meeting in Chicago. A public statement of support was drafted and additional funds were dispatched through the Lovestone-Brown operation. Doug Fraser, in consultation with Rehban in Geneva, drafted a similar support statement. Lane Kirkland bid European unions to intervene directly to promote disruption of Poland's economy by adopting a boycott of shipments to and from Poland. A similar action was put into effect in the U.S. through the International Longshoreman's Association and the International Association of Machinists, both member unions of the AFL-CIO.

Poland: a Trotskyite insurrection?

by Lyndon H. LaRouche, Jr., Contributing Editor

Every sane official in the United States and Western Europe supports the gist of the expressed views of Poland's Cardinal Wyszynski. The present general strike in that country must not escalate into the potential "1905" Trotskyist insurrection which brings Warsaw Pact troops into brutal confrontation with the bloodied shirt of Polish nationalism. In other words, Poland must not become a "Balkan Trigger" for the "August 1914-like" circumstance to which Chancellor Helmut Schmidt referred publicly, and most accurately, this past spring.

The frustration of the Polish population is real. If there were not very real, very embittered frustrations, British secret intelligence could not have enjoyed its current success in orchestrating this general strike, or in placing its agents in leading positions of spokespersonship for the strikers. For that, none of us can rightly blame the Polish strikers.

One would hope that the Polish authorities could keep the whole affair truly an internal affair of that nation, and that the Polish people might sort the matter out among themselves. Unfortunately, so far, British secret intelligence has been determined to provoke Moscow's fresh application of the "Brezhnev Doctrine." As long as that sort of London-centered meddling in Polish internal affairs continues, the current course of the general strike constitutes a grave danger to the already fragile state of peace between the nuclear alliances.

Apart from exposing the hand of British secret intelligence in the affair and pressuring London to cease its meddling, the hope for a successful and peaceful outcome for the general strike depends upon Warsaw's and Moscow's use of qualities of sophistication and patience not formerly conspicuous in those quarters.

Moscow, in particular, has a potentially fatal proclivity for priding itself on its "objectivity" to the point that its strategic military thinking is excellent, but its comprehension of the "subjective" side of politics is almost childishly inept. A military solution to the British intelligence-led destabilization of a Warsaw Pact nation is not the objective solution desired at this perilous juncture in global strategic affairs.

Although I have no agents on the ground in Poland itself, some of the principal British secret intelligence string-pullers playing with Polish internal affairs happen to be operating under my direct observation. They happen to be sections of British intelligence which are rather longstanding pledged adversaries of mine, and they enjoy my ongoing surveillance for that reason. Some of them also happen to be connected to the Armand Hammer-associated circles prominent in the "Billygate" scandal, and are currently being investigated for reason of those soiled Libyan and Italian connections. So, in the midst of surveillance of these British secret intelligence circles on such accounts, my associates and I discovered them also to be active string-pullers in the current Polish situation.

Who is behind the strike?

The element of British secret intelligence, most conspicuously involved in the Polish matter is the London Tavistock Institute. Tavistock, the base of the British psychological warfare executive during the last war, is the controlling agency for such United Nations Organization entities as UNESCO, UNITAR and UNCTAD, and also runs most of the international psychological, sociological and anthropological academic and related professional community, as well as meddling heavily in "the Arts." Tavistock also runs the Anglo-American Eastern Europe intelligence network. Zbigniew Brzezinski was developed directly as an operative of Tavistock. Henry Kissinger was trained by Tavistock after a stint with Wilton Park, the British intelligence "reeducation center" for German nationals in the post-World War II period during the 1950s. Tavistock created and runs such U.S. "think tanks" as Rand Corporation, Stanford Research Institute, the Trist-Gomberg "think tank" based at Pennsylvania's Wharton School, and such elements of U.S. intelligence as Naval counterintelligence, the counterespionage division of the FBI, Air Force intelligence, and the National Security Agency.

The virtual destruction of the Central Intelligence



Nikolai Bukharin

Agency at the direction of Vice President Walter F. Mondale during 1977, had the effect of neutralizing elements of the U.S. intelligence community which Tavistock considered too patriotic to be trustworthy.

The command structure through which British secret intelligence controls much of the U.S. intelligence community, as well as most of the policy making conducted through the New York Council on Foreign Relations, is the carry-over of the wartime Anglo-Canadian special operations executive into the post-war period.

Although SOE was nominally closed down at the end of the 1950s, it was merely under corporate covers. Rio Tinto Zinc, ITT, the Argus Corporation and Permindex are but a few examples of the way in which SOE has continued enlarged operations for British secret intelligence under, predominantly, supranational corporate covers.

In the beginning, the postwar corporate covers for this aspect of British secret intelligence were simply a continuation of the wartime corporate forms SOE employed for financial and economic warfare against Germany and Japan during the war. Rio Tinto Zinc's economic warfare capabilities and operations illustrate the point. The role of Permindex (Permanent Industrial Expositions) in complicity with repeated attempted assassinations against President Charles de Gaulle, and its indictment in connection with the deployment of the accused assassin of President John F. Kennedy, illustrate the use of old SOE-spawned corporate covers for very dirty sorts of British secret intelligence operations.

One of the entities spawned under the same auspices is the New York City based entity known as Freedom House. This entity features Leo Cherne and Jay Lovestone of the old Bukharinite "Communist Right Opposition" spinoff, The International Rescue Committee, and also the current U.S. Ambassador to Italy, Richard Gardner. The complementary nest of old Bukharinites in New York City is the headquarters of the International Ladies Garment Workers Union (ILGWU), the most important conduit of intelligence community influence over the national trade union association, the AFL-CIO.

This network of old Bukharinites overlaps prominently the current "Billygate" scandal in the U.S.A., together with Libya-Italy centered financial operations involving the prominent visitor to Moscow, Armand Hammer of the Bertrand Russell Pugwash operation. The same network also controls one leading faction of Israeli intelligence. The latter is the faction of Israeli intelligence still exerting control over the elements of the old Iranian SAVAK now running the Khomeini Savama. The Savama was assigned to have Khomeini die of heart failure in preparation for the mooted U.S. military intervention into Iran.

Although this Bukharinite linked aspect of British secret intelligence is nominally viewed as variously "left" to "right" social-democratic, it directly interfaces and co-deploys with an intelligence front known sometimes as the Tolstoy Foundation. This is but one element of the international, feudal "solidarist" network interfacing the old overlap of Austro-Hungarian secret intelligence services with elements of the Wittelsbach intelligence service, (e.g., Major General Professor Karl Haushofer). Naturally, the old Vlasov networks and the Italian Black nobility's traditional allies among the old anti-Semitic, fascist elements of the Polish aristocracy are part of the same package.

Some things appear not to change much. Both the Trotsky and Bukharin elements within the old Bolshevik leadership were spawn of a London-coordinated nest of projects featuring the notorious Alexander Helphand (Parvus). Parvus, a spawn of the Vienna-centered intelligence networks extended to as far as Odessa, operated in Vienna and the Balkans, as well as being laundered into the World War I German intelligence service with his British-designed "Parvus Plan." The infrastructure of Eastern Europe into which Parvus was inserted in 1905 and 1917 has never been eradicated. In fact, the possibility of the present destabilization in Poland has depended principally on the maintenance and reconstruction of elements of that old infrastructure.

Hence, the echo of 1905 in the present Polish situation; the same basic sort of infrastructure, the same basic anarchosyndicalist doctrine employed, and the same sort of potential intelligence operations caper created.

Like all well-designed operations, the full range of the forces developed for deployment is seldom brought into direct collaboration openly until the prepared operation surfaces. What astonishes naive onlookers in such a development as this is the integration of left-anarchosyndicalists of the KOR sort with networks of old Eastern European fascists earlier associated with Admiral Horthy's Hungarian regime.

The interesting, complicating feature of the situation is the degree to which Moscow's credulous stubborn adherence to their official Marxist-Leninist mythologies, including official mythologies concerning the 1905

and 1917 revolutions, blinds them repeatedly to the development of sophisticated capabilities right under their noses. The dismal record of Soviet intelligence in the Near East is roughly analogous.

The involvement of Jay Lovestone, the former U.S. protégé of N. Bukharin, in the present Polish situation ironically underlines the way in which Parvusite connections to Eastern European feudalist cultists has been sustained over the intervening decades.

Whoever has failed to master history from a Neoplatonic standpoint, is as a child in attempting to understand any of the truly important intelligence network operations deployed during the present time.

Next to the hideous, dissoluble mess which Yugoslavia has become today, the Polish economy is the worst case of aggravated economic mismanagement in Eastern Europe.

The heart of the Polish problem is the inability of the government to overcome the hideous, feudal legacy of Polish agriculture. Poland has developed excellent industrial potentials, but the high ratio of the agricultural labor force in the total population means a social cost of food which is always a running ulcer in relations between the Polish urban population and the government.

British secret intelligence has played upon this embittered conflict between city and countryside over decades. The most devilish and persistent indoctrination used to exploit and misdirect the frustration is the anarchosyndicalist lunatic doctrine associated with the

semi-Trotskyist circle around Jacek Kuron and Karol Modzelewski, an overt asset of the British secret intelligence's Bertrand Russell-linked "workers control" network.

What the Russellite agents in Poland have done is to focus the rage caused by high social cost of food against Poland's capital budget. In other words, they have attempted to aggravate the very economic backwardness of Poland which is the true cause for the economic grievances of Polish urban households.

The only solution to the problems is to reorganize Poland's agricultural technology. This change might be effected brutally, or by aid of economic incentives, to attempt to wean low-productivity Polish farmers away from their habituated, feudalist ideologies concerning land usage. Otherwise, it is simply impossible to provide Polish urban households with Western European levels of real wages as long as the productivity of agriculture is not freed from its feudal ideological heritage. So, the anarchosyndicalist agents of British secret intelligence play upon the misperception that the Polish capital budget represents "exploitation of wages."

Do we not hear the same idiotic attacks on industrial capital in capitalist nations, and from the same British intelligence linked elements in our trade union and socialist organizations? Only a Maoist fanatic, or some lumpenized youth suffering from effects of marijuana or LSD will actually propose neo-Malthusian sorts of machine-breaking Luddism within labor organizations. Honest working people are too sane to become environ-

Cardinal Wyszyński calls for work and order

Stefan Cardinal Wyszyński, the primate of Poland, celebrated mass at the Roman Catholic shrine in Czeszochowa on Aug. 26. For the first time ever, parts of his sermon were taped and broadcast on official Polish television. Speaking at the height of the Baltic seacoast strikes, Wyszyński appealed for "work" and "order," in these passages translated by the Foreign Broadcast Information Service.

I would like to start, first of all, from a duty . . . the duty which rests on the shoulders of the whole nation and on the authorities which have assumed responsibility at this stage for the development of national life and for the proper use of the hard-won freedom in the interests of our country. This is one element which, for

the sake of public peace, prosperity and normal development of our life as a nation and state, should not be infringed. . . .

We know that when there is not good work, then the best economic system will be unsuccessful and we will only multiply debts and borrowing. And all this will be eaten up straight away because there is no prosperity without work. And even though man has the right to leisure, and even though sometimes, when there is no other means, man has the right to make his stance known—even if this is by refusing to work—we nevertheless know that this is a very expensive argument, an argument so expensive that they burden the whole national economy and affect the life of the nation, family and every person in some negative way or other.

We know that in the great toil of the reconstruction of Poland much has been done in the fatherland, but much more still remains to be done, and we must multiply the efforts of work, deepen its moral level and sense of professional responsibility in order to bring about proper order.

mentalists—at least, until marijuana or other mind-destroying drugs impair their moral qualities of judgment. However, on the historical record, it has not been difficult to brainwash less skilled strata of industrial labor into viewing state and corporate capital budgets as a “looting of wages.”

In Poland, the longstanding effects of overall mismanagement of the agricultural problem have been compounded by a practice of postponing the problem through mortgaging-out the national economy through external indebtedness.

Now, the debt-service component of the state budget exerts a noticeably depressive influence on household real incomes. This is aggravated by the importance of Poland’s dependency compounded by the U.S. and British Commonwealth practice of depressing the world market prices of foodstuffs, thus lowering the rates of capital accumulations for technological improvements in agriculture worldwide.

Poland’s workers, like most citizens of most nations, become susceptible to covert intelligence-conducted false propaganda, because most citizens of most nations behave like sheep most of the time in matters of national interest. That is crucial to understanding the stubborn wrongheadedness displayed by the honest majority of the striking Polish workers.

Each of us is born, and must die sooner or later. We can respond to that basic fact of mortal life in one of two general ways.

If we are wise, we guide our choice of careers and personal self-development to the purpose and effect of making the one mortal span of life given to us of some general and durable account. We seek to live and develop ourselves to such effect that our forebears need not be ashamed of us, and that our posterity will benefit from the fruitfulness of our existence.

If we are foolish, we live as existentialists, as the Heideggers, Sartres and post-war school of Polish existentialists propose. If we are fools, we live from existentialist moment to existentialist moment, obsessed with our biological impulses of appetite and zig-zagging pursuits of new momentary pleasures, seeking thus to relieve the boredom of jaded appetites and of the life lived without dedication to true purpose.

Only immoral wretches of the sort Dante Alighieri depicts in the “Inferno” canticle of his *Commedia* become environmentalists, or other forms of commitment to degraded existentialism. Most citizens are relatively moral, but inadequately so. They wish to live moral lives to a true purpose, but they are at the same time enslaved to the sensual “here and now,” in pursuit of that combination of career, pension, and fleeting peer group prestige which they have chosen to become their portion of “Earthly Paradise.”

In brief, even most of our moral fellow citizens live out their lives in that morally ambivalent, tortured condition Dante attributes to “Purgatory.” In a word, even most moral citizens live out most of their lives as political sheep. Even when they are moral, they move, like sheep, from one appetite to the next.

As it is with sheep generally, Judas goats appear often to lead political sheep to fresh slaughter, such as general wars. So the Polish strikers—the honest, lovable strikers to whom we extend our compassion—are marching to slaughter behind British intelligence’s KOR-centered Judas goats.

Their frustration is real. The associated sense of unending oppressiveness of life is real. Their patience with bureaucrats is at an end, and rightly so.

A bureaucrat “does not rock the boat,” even when his failure to press for overdue solutions to problems means extended suffering for people. The bureaucrat plays by the rules of bureaucracy, always fixed upon enhancing his chances for promotion, for a better, secure pension. Such bureaucrats are the same sort of wretched moral weaklings on both sides of Europe and the United States. A bureaucrat desires to serve the interests of the state, the firm, the people as long as the indicated form of action does not incur unpleasantness from his superiors or peers.

Frankly, most of the bureaucrats and elected politicians I have known are pitiable, cowardly wretches. I sympathize with the Polish strikers on that account.

The proper issue is the economic management of Poland. How is Poland to overcome its wretched agricultural problem? How is Poland to increase productivity to end the population’s longstanding frustration over the real wages issue?

What course of action the citizens of Poland choose—general strike or any other—to seek a remedy for the causes of their frustration, is their business as far as I am concerned. However, foolish demands pressed to the stated purpose of overthrowing the Polish state in willful challenge of the “Brezhnev Doctrine,” is in fact a direct threat to all of my posterity. That, my Polish friends, is no longer an internal affair of Poland. That is very much my business.

This is especially so, when I observe that the orchestration of the present internal conflict in Poland is in the hands of elements of the British secret intelligence service.

Our best hope

In the future, under the new conditions implicit in the efforts of President Giscard and Chancellor Schmidt, a Gaullist “Europe from the Atlantic to the Urals” can and must become a reality.

Under those future circumstances, each nation of

Europe will have an undiminished sovereignty, including the sovereign right to make an unwholesome mess of its internal affairs. The latter, unfortunately, is not the present privilege of Poland.

As long as a military adversary potential between nuclear powers exists to divide Europe, Europe will continue to be divided between the allies of the United States and the allies of the Soviet Union. As long as Western Europe remains within the Atlantic Alliance, under such potential adversary conditions, Poland, in particular, suffers limited sovereignty, a sovereignty conditional upon its efficient participation in the Warsaw Pact.

Those who toy with a "Europe of the Regions," or propose, specifically a "Yugoslav Option" for Romania or Poland, are toying with nuclear war.

Is this an unwholesome arrangement? An arrangement which offends strongly the principle of true national sovereignty to which some of us adhere? Absolutely. Unfortunately, this is reality, not to be wished away, nor to be challenged without incurring the consequences of each such challenge.

Therefore, the question of Poland must be resolved within the premises of the Comecon and Warsaw Pact. We of the West can contribute to the environment of a solution to this question, and can, in particular, propose actions on our part which make possible better solutions than might occur under Warsaw Pact auspices alone. Yet, only a fool will overlook the reality that the principal responsibility for producing a solution lies with the Polish government and its Moscow ally.

What we can propose, generally speaking, is capital assistance to Poland. That, under proper conditions, will help both Poland and ourselves.

The central concern before us, properly speaking, is our wish that both the government of Poland and Moscow will be patient and sophisticated in dealing with this crisis situation.

To put the same point the other way around, in my encounters with the Soviet KGB I found it consistently crude, clumsy, and often brutish. I refer to such follies as Soviet policy toward economic development of the emerging nations, in which Soviet agencies have often been the best assets of British colonialist mentalities around the World Bank, UNCTAD, and so forth. I refer also to the dominant current of unremitting idiocy running through Soviet operations in Islamic countries. At best, the KGB seems an inexhaustible font of epistemological cretinism in every facet of its manifest activities bearing on the decisive subjective aspect of policy and intelligence operations.

In general, the current Soviet leadership has publicly prided itself frequently on its "objectivity," professing abhorrence of the quality which distinguishes Cherny-

chevskian "voluntarist" V.I. Lenin. In the subjective side of politics, they are inept and crude, generally speaking.

A recent foolish article in the East German magazine *Einheit*, deprecating the practical importance of the "Aquarian Conspiracy," is exemplary, as is a factually sound but analytically nonsensical recent treatment of the Muslim Brotherhood in Soviet publications. The Kremlin's credulous display of stupidity concerning "systems philosophy" is typical of the same sort of flaw in judgment and behavior.

The KGB behaved as credulous fools in the Pugwash operations of British intelligence. They are similarly credulous dupes in the matter of Armand Hammer, as well as, frequently, errand boys for British intelligence in the Islamic world.

It is in objective matters, such as military matters, that Moscow displays superiority. Hence, their lack of sophistication in real politics and social processes, their tendency toward British empiricist forms of epistemological cretinism, impels them to rely frequently on objective methods such as military capabilities. It is precisely that indicated flaw in Moscow's command on which British intelligence is playing in the current Polish situation. British agents inside and outside Poland are pushing every button to the effect of provoking a military solution according to the "Brezhnev Doctrine." The British motive for the provocation is strategic lunacy, but its purpose is clear all the same.

Were I Gierek

The best way to communicate the ABC's of a sophisticated approach to the crisis in Poland is to report the policy I would follow were I in Mr. Gierek's shoes.

My approach to the general strike would be analogous to my response to the ghetto riot in some major U.S. city.

Such riots over the past fifteen years have all been orchestrated by an element of the Anglo-American intelligence community intersecting figures inclusive of former U.S. Attorney General Ramsey Clark. The use of the division of the U.S. Department of Justice known as the Community Relations Service to orchestrate recent and impending riots in the U.S., including the Miami, Florida riots, is adequately proved by documentation.

However, the use of the snipers and youth gang assets of Chicago's Alinsky-connected intelligence apparatus to create ghetto riots depends upon exploiting an existing riot potential of accumulated grievances within the affected communities.

New York City is controlled by major real-estate interests linked to such figures as David Rockefeller

and the financial networks of the offshore-based Anglo-Canadian SOE organization. Since clearing away large tracts for development by legal means is complicated and tiresome, these financial interests have copied a page from the Emperor Nero's methods of clearing a presently inhabited site for real estate development projects—arson.

Arson is far cheaper and a much less time-consuming way of removing tenants from a prospective development site than the regular legal approaches. If a very large portion of the city is involved, isolated arson performed by youthful drug addicts is deemed to be inadequate. For large-scale efforts, the arson and related destruction occurring in the course of an urban ghetto riot proves a more effective form of tenant removal.

It works this way

Currently, the new series of ghetto riots being run with cooperation of the U.S. Department of Justice is intended, according to documented proof, to eliminate the last vestiges of intelligence capability by local law enforcement agencies. The current series of ghetto riots is being launched to the purpose of discrediting local law enforcement agencies, including the Los Angeles Police Department. However, real estate interests' desire for arson is not being overlooked. Both are orchestrated by branches of British secret intelligence. The ability of such intelligence operations to direct strikes in Poland or a ghetto riot in the United States also depends upon exploiting very real, very heated existing grievances within the population being manipulated.

Exemplary of the method I have adopted is the case of the 1977 "Blackout Riots" in New York City. In this instance, my associates provided intelligence and related assistance to the city's law enforcement agencies. The mayor and the New York City Police Department performed with memorable excellence.

Under very mysterious circumstances, the city's power grid went down. Immediately, known operatives deployed a series of lootings of stores around the city, using the slogan "God Gave Us This Day" (to steal from stores under cover of darkness), while certain dubious characters "above suspicion" demanded that the mayor call in the National Guard to control the rioters.

Putting the military up against a rioting ghetto population is the worst possible initial approach to an eruption of such forms of rioting: Local law enforcement officers, experienced in distinguishing between a menacing appearance of things and an actual shooting combat situation, are trained not to shoot into crowds at the mere appearance of a provocation. In a similar situation, military units operating under martial law, most military commanders will panic and order fire

where law enforcement professionals will use more effective means.

If a crowd is looting a store, the military commander will tend to shoot under license of martial law. The law enforcement professional will tend to avoid firing, or even drawing his weapon. The store is doomed anyway. Shooting into a crowd of temporarily crazed looters will transform a riot into virtual insurrection.

Law enforcement will concentrate, as did the New York officials in 1977, on pre-identifying and surveilling the known provocateurs, taking them out of the situation by arrest and detention. Without the provocateurs, the ordinary citizens whipped up temporarily into an orgy of looting will tire themselves out, and the situation thus be brought under control. Our concern in that situation was to identify the agents to be selectively detained in the situation.

In general, in such a riot, use force to contain and separate groups of rioters from one another and from uninvolved areas of the population. Isolate and neutralize the agents-provocateurs as inconspicuously and quickly as possible, and let the dupes tire themselves back into a normal state of mind.

The slogans for law enforcement in such a situation are "sophistication" and "patience."

This approach demands remedies for those legitimate grievances which created popular susceptibility to manipulation by the provocateurs. This willingness to acknowledge legitimate grievances helps to soothe the innocents drawn into the riot, and reinforces support of law enforcement agencies by non-involved portions of the population. Popular hostility to the effects of the continued riot (or general strike) not only brings popular support for the actions of law enforcement agencies, but that mood of popular support from non-involved portions of the population affects the honest citizens involved in the action.

There is no more effective balm for the rage of a frustrated population than that population's perception that it is being offered true justice. The receipt of justice from a hand reacting to riotous action with resolute firmness and compassionate patience is the policy which enrages, because it frustrates, the agents-provocateurs.

When the provocateurs begin to declaim noisily against the "danger of selling out the struggle," law enforcement knows it has begun to win.

Let us hope that the Polish government and Moscow both know how to apply sophistication and patience, tempered with justice, to the present situation in Poland. If that course of action prevails, Poland will not only save its national sovereignty, but will secure the foundation for a more secure nation and greater independence over the period just ahead.

That, if Moscow understands it properly, is very much to the benefit of us all. ■

The blueprint for dismembering India

Roots of the Northeast Crisis

The following article is reprinted courtesy of the influential Indian newsweekly New Wave. This is the first part of a series written by New Wave investigators examining the roots of the trouble in India's northeast region. New Wave has played a prominent role in exposing the years-long efforts to destabilize India.

From time to time, India, a former British colony, is treated to predictions about its future viability as a nation-state by Anglo-American soothsayers. Sometimes, as was the case this June, Indian politicians and intellectuals are invited to London to serve as sounding boards for imperial patrons.

The most explicit prediction on India came last year in a portion of General Sir John Hackett's book on a scenario for World War III. Hackett unabashedly states that by 1984, the Indian nation as we know it today will have totally disintegrated. Secessionism, tribalism, ethnic chauvinism will overtake the region. "Rival factions and states in the Indian Union may start appealing to the Soviet Union and China. There might be *civil war* again in this whole area of India-Pakistan-Bangladesh."

Hackett's view is not mere futurology. It is based on policy options worked out by financial-political interests behind the NATO alliance, of which Hackett was up to recently a commanding member, for a long-term political strategic shift toward a "post-industrial society." For the developing countries, the NATO plan has meant blocking in-depth industrial development and a gradual destruction of the concept of the sovereign nation-state.

It has been accomplished already on a large scale in the starving continent of Africa through outright genocide policies that were set into motion through the manipulation of tribal conflicts and economic policies prescribed by the World Bank. In Asia, two versions—the Pol Pot Peking-sponsored extermination policies and the Islamic fundamentalism variety—have been activated to

destroy countries. The main targets now are any countries which for particular historical reasons have a strong identity as nation-states. India is close to the top of this hit list.

Today the northeastern part of the country has been picked as the most vulnerable flank of India. To the extent inroads are made here, the precedent will be set for secessionism, large-scale upheaval and communal strife on the subcontinent.

There are several layers to the destabilization in motion in the northeast. Here we present the ideological underpinnings to the northeast operation—that is, who thought it up and why.

The decision to totally paralyze and ultimately destabilize the central government was taken at the highest levels of government in London-Washington and Peking. The data-base on which this article concentrates was provided by the army of sociologists and anthropologists who have profiled India with the idea of using weak links to exacerbate social tension. As an added wing of the intellectual bank are the church organizations, primarily the Baptist Church, the Jesuit liberation theologians and the World Council of Churches.

For historical reasons, the church in the Northeast provides an ideal institution to launder funds as well as side with what it calls the oppressed sections of society, on the pretext that it is "protecting their identity" against the overwhelming strength and power of the "foreign" (Indian) nation.

In India, where the church is active, other communal organizations are not far behind. In the Northeast, the work on the ground to ripen the region for secessionist movements is being largely done by RSS [Hindu extremist—ed.] storm troopers and, from the Bangladesh haven, the Muslim League-linked operations in the guise of "protecting the Muslim minority."

India's northeast troubles are part and parcel of a

reinforced U.S.-China alliance. Last December, following the visit of top Peking leaders to Washington, high-level sources confirmed that a decision had been made by London and Washington to surrender "hegemony" of South and Southeast Asia to China. India was put into China's sphere of influence. Subsequent moves by Peking to activate its Bangladesh operations as a surrogate tension point vis-à-vis India follow this general policy line.

The design to destabilize the Indira Gandhi government is the implementation of revenge reiterated in China Card policy architect Henry Kissinger's famous post-1972 statement: "The inevitable emergence of Bangladesh ... presented India with fierce long-term problems. Whether it turned nationalist or radical, Bangladesh would over time accentuate India's centrifugal tendencies ... Bangladesh might set a precedent for the creation of smaller states, this time carved out of India."

The old British plan

The current scenario for this project is not new. It is a plan taken out of deep freeze from the old British India Office and delivered for implementation at this time to Britain's most faithful stooge, the U.S.A. Two years ago, following the Afghan revolution in April 1978, the plan for southern Asia of Olaf Caroe, the former British governor of India's northwest frontier province, was dusted off the shelves and put in motion. It involved activating through the British intelligence operation called the Muslim Brotherhood a chain of Islamic fundamentalist fanatical movements across the southern border of the Soviet Union.

An updated version of Caroe's strategy now involves a pincer movement on India to incorporate this area into the anti-Soviet front.

Mrs. Gandhi's independent policy of safeguarding India's national interest and making friends and enemies solely on that basis is considered by the old and new imperial powers an unwanted obstruction.

To break the Indira Gandhi government, Anglo-American policymaking circles have revived another Colonial Office plan, the Coupland Plan, focusing it first on the fragile fabric of the northeastern states, then spreading it inward into the rest of the country. In the Coupland strategy, northeastern India would never have joined the Indian Union. It would have remained under British stewardship, a weak but pliable independent member of the Commonwealth.

Like General Sir John Hackett, today a professor of classics at King's College, England, and Caroe yesterday, Coupland was a member of the prized British school of anthropologists and historians who profiled the natives, sought out their weaknesses, made recommendations and then distanced themselves from the "dirty work" done by others. In the waning days of the

British Empire, Sir Reginald Coupland was drawn on to sort out the problems linked with a potential transfer of power. In 1942, he left his job as fellow at the All Souls College, to undertake the in-depth survey of Indian conditions that would be the basis for future imperial action.

Coupland had more to do with how partition was undertaken than the cartographer who drew the lines without full knowledge of the country, as reported in Viceroy Mountbatten's account of the partition. For three years he traveled extensively in British India, surveying different areas and talking to the population at large. He gave special attention to three areas—Punjab, Sind, and Assam. But his primary interest was to see if James Mill's tested thesis that Indian history and culture could be divided communally was valid; and two, what would be the form of government in the subcontinent that would not eclipse the British masters totally.

In 1944, Coupland put his research into the form of a three-volume study of British Indian history, where, after presenting two volumes of primary materials, he provides certain fundamental recommendations. It is well worth our while to study his prescription.

"The scheme of partition contemplates two Moslem states in the Moslem majority areas—'Pakistan' and 'Northeast India.' The first difficulty in realizing Pakistan is the problem of the Sikhs. The second and greater difficulty is the cost of defending the northwest frontier," he stated, echoing Caroe on the last point. "In other respects Pakistan could finance itself from its existing or potential resources but it could not maintain defense at its present level nor even at the necessary minimum without cutting down expenditure on social advancement." In these words were the clear pointers that should an entity like Pakistan come into being, some outside force would have to be its midwife for stability. "The financial viability of Northeast India would be no more than a weak appendage of Pakistan. But all such material considerations are likely to be overridden and partition adopted at all cost."

Coupland also gave the reasons why India had to be partitioned so as to prevent it from becoming a world power: "India is a geographical unity: it is not divided by such physical barriers as have fostered the growth of separate nations in Europe. Its unification under British rule has not only made all Indians feel themselves to be Indians; it has saved India from the fate which political and economic nationalism has brought on Europe. The Partitionists threaten to throw India back to the condition it was in after the breakup of the Moghul Empire, to make it another Balkans. This would negate the development of democracy in India. *Partition would also prevent a free India from taking her due place in the world as a great Asiatic power; for it would probably*



Viceroy Mountbatten (center) heads an informal staff meeting.

mean disruption into several States ranking with Egypt or Siam. [emphasis added]"

This "impact study" revealed the depth of British and later American and even Chinese understanding that India had within its hands the crucial ingredients to become a trend-setter in post-World War II modernization and industrialization of the newly independent states. Just as "political and economic nationalism in Europe" forced continental industrialization against British colonial wishes, so India could break with its past. To control this potential, Coupland was the first to prescribe certain post-partition measures to the British imperialists so that the latter could use their best agents to make them come true. He told them that the "Hindu-Muslim problem is the center of why democracy Western style will not work in the Indian subcontinent."

Regionalization blueprint

Most damning of Coupland's India-loving advice was his proposal for provincial autonomy. He held out two formulas—a weak center and no partition versus partition and a "wide measure of autonomy for provinces." The powers of the central government would be curtailed in such a way that independent provincial identities would be safeguarded and central power to intervene reduced.

Nowhere in Coupland's mammoth treatise on "protection" of India's minorities is the issue raised of real economic development policy in independent India, much less the dominant role a central government would have to play in such a process. Though he does reference the riches of particular states—Assam for its legacy of British tea plantations and forests for instance—Coupland's plot was to create provincial structures that would safeguard British investment, and by

knowing the weakness of each region and tribe inside out, a controlled environment of policies could be evolved. As a further insurance measure, he proposed rather coyly that everything be done to ensure that the Indian Union remain within the Commonwealth, a cornerstone to postwar British foreign policy.

It was not until 1971, and then, too under conditions of tremendous stress and external manipulation, that the subcontinent saw its maps redrawn. The political geometry changed not just with the birth of Bangladesh, but with the realization of a long sought Anglo-American dream: the U.S.-China alliance, choreographed from the British Foreign Office and executed by its most faithful proponent, Henry Kissinger. Speaking before U.S. AID hearings in 1971, Kissinger blocked food aid to the Bengali refugee camps in India, because, he argued, the refugees would "suck India dry." From the refugee influx, the demise of the Indira Gandhi government was foreseen.

Operation Assam

Even this disaster India managed, although not without enormous costs. But Bangladesh, the new nation struggled for survival. For five years, Mujibur Rahman fought to make Bangladesh a viable nation-state. When he was shot in 1975 with bullets provided by a conspiracy hatched in the Ford Foundation-linked Comilla Rural Reconstruction agency, a process Mrs. Gandhi then identified as a destabilization of the entire subcontinent was set into motion.

Operation Assam is a result of Coupland's "Balkanization of India" model. It is no coincidence that one of the Coupland plan's best fieldmen, Reverend Michael Scott, took up the Bangladesh refugee cause in 1970 from London and became one of the chief British operators befriending Bengali exiles.

In 1970-71, ostensibly to rectify the "Pakistan tilt" policy, the so-called "friends of India" got to work on the same area. What they produced was the "spillover effect" of Bangladesh into India's Northeast.

Chosen to do the Coupland-style primary study was a well known, American India-watcher, Myron Weiner, Ford international professor of political science, Massachusetts Institute of Technology (MIT). The study was commissioned about the same time that MIT produced through its professors Meadows and Forrester the Club of Rome's "Limits to Growth" propaganda and launched full scale the zero growth, environmentalist movement.

Weiner, who is part of the engineering-social demographics crowd that supplemented the Limits to Growth groups, got to work on the following topic: "Sons of the Soil: Migration and Ethnic Conflict in India." In the words of the author himself, the survey was designed to "study the socio-political consequences of interethnic

migrations in India and governmental policies toward ethnic migrations within the country.”

Weiner coined the “sons of the soil” title to study the viability and basis for establishing an “independent” identity of a variety of people—historically, culturally, and ethnically. The Assam-Bengali cultural and ethnic relationship was put under the microscope for future use as the primary and first case study.

Lest any naive soul believing that Weiner, a good researcher, carried out just a scholarly academic survey, one must take some time to describe his financial backers, and operations connections. “Sons of the Soil” was a project that received financial support from the Behavioral Sciences Research Branch of the U.S. National Institute of Mental Health (NIMH). NIMH is part of the post-World War II dispersal of British psychological warfare experts into civilian institutions. It was set up as an adjunct of the World Federation of Mental Health and has been run since the war by psychiatrists trained at Britain’s Tavistock Institute of Human Relations.

Tavistock is, in turn, funded by major British corporations, such as Unilever, to conduct psychological profile studies globally.

Sons of the Soil also received funding from the Rockefeller-Ford Program for Population Research and the National Institute of Child Health and Human Development. The Ford Foundation and Rockefeller Foundation’s interest in population control in the Indian subcontinent is well known. The notable aspect here is the evolution in their research. By and large, according to their own spokesmen, emphasis on India is more “research-oriented,” while their primary base of operations is located in Bangladesh. One of their associated institutions, the Population Council, is pumping money into Bangladesh.

Weiner’s Assam profile

Weiner’s Sons of the Soil study divides Assam’s population into four main groups and proceeds to examine their psychological and current economic makeup: plantation migrants, primarily tribes brought in from Chota Nagpur and southern Bihar by the British as indentured laborers last century; Bengali migrants (Hindu), entrenched in the imperial bureaucratic structure and later in governmental white collar jobs; Bengali Muslims, the spinoff effect on Assam of the “demographic explosion” in East Pakistan and later Bangladesh; an last but not least, the Marwari migrants, controllers of commerce, banking, credit and trade.

The assessment in 1976, after four years of in-depth interviews with all parts of the society, was, not surprisingly, that Assam was ripe for revolt. Weiner did a special study of the 1972 language riots in Gauhati when the All Assam Students Union (AASU) shot to

fame spearheading the movement to get Bengali struck off as an optional second language in university examinations. He predicted that universities, students, and professors would become the backbone of a movement to articulate Assamese cultural chauvinism.

“Bengali cultural imperialism can only be met with linguistic nationalism,” he postulates, noting that once this occurs, there would be no reason why Assam and the entire northeast would not flare up in tribal demands.

In parting shots, Weiner produces the following scenario for civil war. “An unspoken coalition between Assamese and Bengali Muslims against Bengali Hindus will be the core of the problem in the future. It is not a wholly stable coalition, however, since it could be shattered if there were to be a major influx of Bengali Muslims into Assam or if Bengali Hindus and Muslims coalesce.”

The Gandhi Peace Foundation

One of the most evil institutions active in India today is the Gandhi Peace Foundation, which has nothing to do with Gandhi. Under such a misnamed title, it has become the think tank for foreign agents and missionaries, involving itself in every sensitive social situation, under the guise of mediation work. As is well known, it is a mold of the Cold War days, having been created out of Ford Foundation’s India budget in addition to contributions by some Indians of the same type.

Later it Indianized, but kept on its core planning staff, figures linked to the Jesuit church, the Anglican church, the World Council of Churches, Amnesty International, and others.

Is it mere coincidence that the Bharatiya Janata Party leader A. B. Vajpayee has become one of the big promoters of the Gandhi Peace Foundation work?

Is it merely another coincidence that three of the agencies operating in tribal areas on the West Bengal-Assam border are linked to the World Council of Churches under the Indian pseudo-leftist names “Socio-economic Development Agency and Liberation Association of the Movement of the People”?

Both Amnesty International and the WCC have been longtime Anglo-American intelligence tools deployed carefully when a government overthrow is prepared. Sources indicate that GPF has produced marching orders for destabilizing other sensitive areas.

Who is active in Assam? Firstly the Hindu chauvinist, paramilitary RSS. At 6 a.m. on Gauhati’s main roads, clusters of RSS cadre conduct their daily shakhas [paramilitary drills]. Their activities and presence in Assamese Hindu areas are pointed out as good indicators of how communal the Assam situation has become. Their numbers have increased markedly in recent



Photo: Wide World

India's strategic geography: The Assam region in the extreme northeast underwent riots this August between Moslems and Hindus.

months, particularly since Mrs. Gandhi's government came to power. Not long ago, RSS chief Balasaheb Deoras came out with the theory that Hindu migrants in Assam are "migrants" while Muslims are "foreigners." Reenacting Partition days, the RSSers are preparing for a big confrontation with the Muslims.

It is clear that the RSS feels it is on firm enough ground that it need not mask its ties to anti-Muslim forces internationally. It has been promoting Moshe Dayan and Israel as its friend and sees the Assamese turmoil as an opportunity to fight for *Hindu rashtra*. Informed sources indicated that Israeli money, conduit-ed through Nepal by Israeli arms racketeers are helping the RSS activities.

According to one account of a secret strategy session of RSS leaning ideologues the reason for their involvement in Assam is: "We must impress upon people that Assam is in danger of becoming a Muslim majority state. We must raise a few thousands of rupees, set up a committee to monitor comments in the outside press and send emissaries to every corner of India to meet editors, businessmen, policy makers and to convince them about the gravity of the situation "

The rupees are coming into the area in a way similar to that of the 1960s Naga operation. Then, as now, the missionaries, Gandhi Peace Foundation and "minorities" or tribals have joined hands. At that time, the Naga struggle was centered around Reverend Michael Scott, an Anglican priest, who had been very active in African tribal problems on behalf of the British Colonial Office. After arranging several secret trips into East Pakistan for the Naga leader Phizo, Scott secured a Salvadorean passport for Phizo and had him delivered to London, smuggled out via Pakistan and Zurich, Switzerland. In London, Phizo was protected by Scott, a member of Britain's Chatham House instructed to

watch over the former colonies. Scott sheltered him, secured funds through the Bertrand Russell Foundation and put Phizo in touch with Israeli international arms merchants operating out of Europe. Arms came from Israeli sources; while training was provided by the Chinese. China was so attentive that it assured the tribals that it would not make them communists or attack their Christian faith; Mao was only interested in helping them fight for their self determination. Numerous training camps were set up in Tibet as part of Sino-Israeli cooperation to destabilize India.

Many feel the same game is on in Assam now with the added feature that tribal extremists are also operating out of Bangladesh.

Lastly, it is clear that the Gandhi Peace Foundation proposals are less than honest. During the Naga struggle this operation was led by Jayaprakash Narayan, one of Scott's closest collaborators. Together they formed part of another British intelligence front group, the Minority Rights Group, an umbrella organization to fight for minorities everywhere.

One pamphlet put out in 1972 by MRG denouncing the Indian government for atrocities against Nagas was penned by Neville Maxwell, an MI-5 operator. Maxwell is remembered as the author of the wildly distorted *India's China War*, a British intelligence coverup of the 1962 events in collaboration with some British agents in the Indian army. As a London *Times* correspondent he had freedom to be a contact man with many subversives for many years in India and also with honest intellectuals and government officials.

The latest Gandhi Peace Foundation proposals on Assam must be seen in this light. While parading as peaceful mediators, this group has sided with the All Assam Student Union. Perhaps this is the reason for the praise it is receiving from RSS circles lately.

India battles religious fundamentalism

Paul Zykofsky reports from Delhi on the Ramadan provocateurs and the government response.

Sixty million Muslims living in India yearly observe the Eid holy day marking the end of the Ramadan fast. For more than 30 years, India's national press has been able to carry the headline: "Peaceful Eid Celebrations Throughout India." The widespread Hindu-Muslim riots triggered on the occasion had for the most part come to an end after India's independence from the British Empire in 1947.

This year, when the Eid celebrations coincided with Independence Day for the first time in 11 years, the peace was shattered on Aug. 13 by well-planned provocations. For 13 days the riots raged and spread, claiming scores of lives and creating bitterness throughout the main cities of northern India.

Imposition of tight curfews, uncovering of arms caches, and arrests of provocateurs, all conducted in rapid deployment by security forces, have brought the situation under control. Troubling questions about the origins and causes of the riots persist. Prime Minister Indira Gandhi gave an inkling of her suspicions in the course of her Aug. 15 Independence Day address. She warned that "There are some sections, though small in number, who seem to be working against the nation's interest as part of a deep-rooted conspiracy."

Since Mrs. Gandhi's speech, a judicial inquiry has been set up to examine the riots. Analysts in New Delhi expect firm action once the findings are complete.

The outside elements

Over the past few months, Mrs. Gandhi has increasingly referred to the "dangers" which have emerged "all around India from the sea as well as from the land." The Carter administration's covert military arrangements with China, the furor over Soviet presence in Afghanistan, and the subsequent effort to "strengthen" an extremely unpopular General Ziaul Haq in Pakistan caused concern. Now the anti-Indian polemics in the region are being escalated by prodding Bangladesh President Gen. Ziaur Rahman to make his voice heard as well. The Bangladesh President has Chinese

backing. Across the Indian Ocean arc, India has suddenly become an isolated case of stability.

In this regional context, Mrs. Gandhi has been warning for some months that extremist elements in India's northeastern areas have created the precedent for communal strife throughout the country. Since late 1979, the state of Assam has been virtually paralyzed by a student movement demanding the expulsion of non-Assamese from the state.

Trends came together in the August Muslim riots. The first riot was sparked by the entry of a pig, the animal Muslims regard as unclean, into the prayer ground. The result was a confrontation between Muslim worshippers and police, with rumors that spread into numerous other major cities such as Agra, Lucknow, Allahabad, and even the old city of Delhi.

At Moradabad, the epicenter of the riots and now the center of the judicial inquiry, several factors point toward a preconceived strategy:

- A group of people among the attendants at the prayers were armed with knives, daggers and even firearms even though nothing had recently happened in the city to create a sense of insecurity;
- The presence of a large number of firearms, and the town's geographical location, would ensure that the rumors would be heard all over India;
- Numerous snipers played a role;
- Arms with foreign markings were found, particularly Chinese-made rifles smuggled into India.

Made in Iran

These factors led one district magistrate to conclude in one affected city that there was "some mastermind behind an organized and planned conspiracy to create trouble in the city." While bigger play has been given to the Moradabad incident, some observers feel that the government is more concerned about the developments in Kashmir, the state with a large Muslim population bordering Pakistan and China. Here, two months ago, a traveler returning from the area commented that huge

amounts of Libyan money were pouring in. Shortly thereafter the student wing of the Muslim fundamentalist organization, the Jamaati Islami announced that a World Islamic Conference would be held in Kashmir. The youth wing also pledged itself to "Iran-style" revolution in Kashmir to gain "independence." That conference was subsequently banned by the state government.

The Jamaati in Kashmir has strong links with the Pakistani Jamaati, the subcontinental arm of the Muslim Brotherhood and the mainstay of General Ziaul Haq's junta in Pakistan. One knowledgeable Islamic analyst in India has uncovered evidence that implicates not only the Jamaati in fomenting riots but the little-known Muslim secret society, the Tablighi Jamaat. The Tablighi is generally associated with educational activities but is known to be a revivalist trend within Muslim movements. It operates in utter secrecy. One authoritative source on the subject comments: "It is the only organization capable of creating the kind of communal frenzy in which sanity yields place to the irrationalism and madness so necessary for creating destabilizations, by engineering the type of situation in which the Moradabad rioting took place."

Pakistan involved?

There are many curious incidents in the aftermath of the rioting that have fueled suspicion about General Ziaul Haq's involvement.

Shortly after the first communal outbreak on Aug. 13, the Pakistani foreign ministry called in its ambassador from New Delhi to discuss the situation in India, and expressed "serious concern" for the "lives and property of the minority Muslim population." The foreign ministry statement followed widespread attacks on India by Pakistan's government-controlled press. While the police have interrogated Pakistani nationals on involvement in the rioting and its preparations, the *Times of India* put out one plausible analysis of the situation: "Plainly General Ziaul Haq . . . is whipping up anti-India sentiment at home to divert popular attention from his internal troubles, but this is only part of the story."

While Pakistan claims it wants to improve relations with India—and there are recent reports that General Zia is eager to visit New Delhi—evidence continues to accumulate that Zia is involved in an operation to destabilize Mrs. Gandhi's government. Observers quickly point out that Zia abstained from expressing his "serious concern" after worse communal riots began in two major cities in 1978, when the Janata government was in power. Some attribute that silence to a covert agreement between Zia and the Hindu chauvinist RSS elements in the then-ruling Janata Party. Now there is

little love lost between the secular-minded Gandhi government and Gen. Zia.

Reports in the Indian press that General Zia is considering establishing a "people's army" along the lines of the Chinese People's Liberation Army (PLA) is another cause for concern in India. The *Times of India* charged Aug. 21 that: "what he is planning is a straightforward expansion of the armed forces and its requirement in weapons." Rumors that 10,000 Pakistani soldiers will be stationed in Saudi Arabia for a payment of \$1 billion are viewed as part of this package. That money would be recycled into Zia's militarization schemes and directed, as in the past, against India, according to Indian defense analysts.

The new buildup is to attain the long-sought "parity" with India's armed forces. Zia's claim that the buildup is to face the Soviet threat in Afghanistan is dismissed by recalling Zia's own repeated comment that he has no intention of taking on the Red Army. According to Zia a few months before, Pakistan "having been compelled to live in the sea, must learn to live with the whales." ■

Mrs. Gandhi comments on the August riots

Indian Prime Minister Indira Gandhi has charged that Pakistan's policy is "interference in India's internal affairs." Mrs. Gandhi, speaking Aug. 30 on the occasion of Japan's Foreign Minister Masayoshi Ito's visit to India, attacked what she referred to as "a deep-layered conspiracy to undermine the stability of the nation and government and to create division."

Mrs. Gandhi strongly denied the Pakistani analysis that the hostilities took place in India because of the "communal tension existing between the Hindus and Moslems." She asserted that the purpose behind the violence is to destabilize the government and that explains why so many assaults were carried out against the police.

While Mrs. Gandhi was warning Pakistan against instigating violence, Chief Minister of Kashmir Sheikh Abdullah denounced Pakistan and unnamed West Asian countries for interference in the Indian part of Kashmir. Abdullah charged that foreign money is flowing into Kashmir not for "religious purposes" but to create agitation and

'Baucus Caucus' in gear

Mexico faces a retreat of the North American Common Market proposal.

At a meeting in Washington that went largely unreported in U.S. and Mexican news media, a power-packed assemblage of business, labor, and government representatives initiated a new, higher level of organizing for a North American Common Market.

The informal name given to the group is the "Baucus Caucus," after Democratic Senator Max Baucus, the Montana legislator who has taken the lead in coordinating this effort. Last year he kicked off an amendment to the 1979 trade act which mandated a series of studies on U.S.-Mexico-Canada economic integration.

The idea of a common market itself has gone through several permutations, from the "North American Community" in Brzezinski's 1978 production, Presidential Review Memorandum 41, to Ronald Reagan's 1980 campaign for a "North American Accord."

At the July 25 Baucus Caucus, the discussion revolved around a "North American Economic Alliance." The heavyweights from business included the chief executive officers of some of the biggest U.S. multinationals; ARCO, Dow Chemical, Union Carbide, Borg-Warner, Ingersoll Rand, John Deere, GM, DuPont, Memorex, RCA, Eastern Airlines, Southern Pacific, and IBM. Top labor leaders present included William Winpisinger of the International Association of Machinists and Lane Kirkland

of the AFL-CIO. The presiding co-chairmen were Baucus and Sen. Peter Domenici (R-N.M.).

Baucus asked the business representatives to immediately set up a task force to "advise the administration of business views" and "give a push to bring the Mexican and Canadian private sectors in line," according to our sources.

The idea was to set up a "private sector promotional arm" for the trilateral alliance, complementing the control "Baucus Caucus" forces have established over the National Governors' Association and inside the American Congress itself.

The assembled executives fell one step short of this, however. A select group of eight was appointed to look a little harder at what would be the most advantageous way for the private sector to get involved and what kind of more permanent institutions were called for. Joint government-private sector task forces were also set up in three crucial areas of energy, agriculture, and petrochemicals. The eight met in Washington the week before Labor Day and their report is due out in September.

On the labor side, a confidential Congressional Research Service report on labor views on closer U.S.-Mexico-Canada cooperation is now in the mail to the caucus members.

Left glaringly out of the equation, however, is Mexico.

President López Portillo, as we reported in this column in May, delivered a blistering attack on the North American Common Market idea in his late May speech to the Canadian parliament.

Sources in the Baucus Caucus have indicated to us that they are fully aware of what López Portillo said. However they feel the issue of a "formal Common Market structure" is "three or four steps down the road."

Observers here in Mexico have noted that some of the Caucus's current hurry can be explained by a desire to put maximum pressure on López Portillo in the remaining year before his successor is chosen. They are hoping either to get Mexico's private sector to help them make an end-run around López Portillo's veto, or minimally assure that the new Mexican president come December 1982 will reconsider López Portillo's "no."

What these gentlemen seem to ignore is the deeper political environment in Mexico regarding relations with the United States. In the words of one *EIR* source here, "Mexico is not in a mood for playing footsie across the border, no matter what you choose to call it." He went on to explain that American strategic thinking is mistrusted in Mexico as never before, in the wake of the Rapid Deployment Force buildup and the unveiling of PD 59. And the vehemence of the President's veto severely dampens the ability of Mexican business forces to move publicly with the issue.

Expect more than polite demurrings from the Mexican side when the Baucus Caucusers come out of their huddle and try to pass the ball south of the border.

Making the Gulf secure

A regional security pact is in the works against Khomeini-inspired insurrection.

Late last month, Arab interior ministers from the Persian Gulf gathered together in Taif, Saudi Arabia for three days to discuss a common and deeply disturbing concern. The question of Gulf security has become paramount in the minds of Arab leaders in the wake of the revolution in Iran and the upsurge of Islamic fundamentalism throughout the region. The security danger is compounded by Israel's provocations and by the activation of radical students and young Western-educated Arab technocrats who are loudly demanding "reform" and "liberalization" in the Gulf. These demands, at this juncture, are aimed at provoking one thing and one thing only: the destabilization of the strategic Persian Gulf, leading ultimately into a cutoff of oil supplies to the West.

At their conference in Taif, the interior ministers approved Saudi Arabia's proposals for "the creation of an Arab security organism charged with struggling against criminality and assuring the stability of the Arab countries." This new entity, according to Agence France Press, will supervise "the measures taken by the Arab states toward facing the dangers that threaten to disturb the region."

The Khomeini government denounced the interior ministers' conference as "a meeting convened to hatch plots against Iran." The location of the conference reflected

the fact that Saudi Arabia, the linchpin of the Arab world, is pressured from all sides by those who seek to topple the monarchy in the name of "liberalization." The operation is being given a boost by Iran, whose broadcasts into Saudi Arabia are tailored to appeal to the Saudi middle class.

"It is not the tribes so much that the Saudis have to worry about," University of Pittsburgh professor Richard Cottam, one of the architects of the Khomeini takeover, recently stated. "The Saudis have the tribal situation pretty much under control. It is the middle class that is going to turn things upside down in Saudi Arabia."

According to Arab intelligence sources, the immediate goal of the operation is to trigger a major upheaval some time during the height of the yearly September-October *haj*, or pilgrimage, to Mecca, when millions of Muslims flood into Saudi Arabia. "This year's incident," stated one source, "will make last year's Mecca siege look minor."

Whether the Saudis—who are working closely with the Iraqis on security matters—will be able to preempt an operation to destabilize the monarchy depends to a large extent on the nature of the agreements worked out in Taif.

There are other factors. Two disturbing things that bode ill for the future stability of Saudi Arabia are the monarchy's recent rapprochement with Great Britain and

its ongoing friendship with Pakistan's Muslim fundamentalist leader Zia ul-Haq, who has reportedly agreed to send one or two divisions to Saudi Arabia to help with security problems.

The Kuwaiti Foreign Minister, Sheikh Sabah al-Ahmad has warned of ongoing plans to destabilize the region "from within." Alluding to the role of Iran in provoking regional unrest, Sabah al-Ahmad charged "certain embassies" with stirring up trouble in Kuwait. The crown prince of Kuwait was more explicit. "All the states in the region are exposed to a plot aimed at creating disturbances and unrest. Weapons and explosives have been smuggled into Kuwait and used, while leaflets being sent by mail emanate both from inside and outside the country. Infiltrating agents are trying to create panic among the people."

The source of much of the agitation in the Gulf states of Kuwait and Bahrain and in Saudi Arabia are radical students, educated in the U.S. and Europe. The use of Gulf radical students began five years ago when the young Prince Faisal, a nephew of the Saudi king, was transformed during his years of study in the U.S. into a flower-child radical who was eventually deployed to assassinate the king, who had been a formidable obstacle to destabilizing the Gulf.

A security force cannot be wholly effective unless such deployments are dealt with. *EIR* investigations into the Faisal assassination have uncovered the individuals and institutions behind the current activation of student radicals in the Gulf; a report, including a map of universities and professors involved, will appear soon.

National News

Fusion bill gains sponsors

Ten more senators have signed their names to the nuclear fusion development bill sponsored by Sen. Paul Tsongas (D-Mass.), which calls for development of a commercial fusion reactor by 2005. In addition to the six original cosponsors of the bill, Tsongas now has the support of Senators Walter Huddleston (D-Ky.), Paul Laxalt (R-Nev.), Adlai Stevenson (D-Ill.), Daniel Moynihan (D-N.Y.), Spark Matsunaga (D-Hawaii), Dale Bumpers (D-Ark.), Robert Dole (R-Kansas), Barry Goldwater (R-Ariz.), Alan Cranston (D-Calif.), and S.I. Hayakawa (R-Calif.).

The Tsongas bill will have its final markup in the Senate Energy Committee on Sept. 10. Action on the bill in the full Senate is expected by the end of September.

The New York-based Fusion Energy Foundation has notified its thousands of members that the foundation's scientists advocate redrafting the bill in line with the House version, which passed overwhelmingly last month.

The House bill sponsored by Congressman Mike McCormack (D-Wash.) provides for a commercial fusion reactor by 1995 and increases funding for fusion much more rapidly and with a larger final figure than the Senate bill.

Senate report scores Civiletti

A memorandum prepared by the Republican staff of the special Senate subcommittee investigating the Billy Carter affair charges that Attorney General Benjamin Civiletti personally intervened to delay a probe of Billy's Libyan loan.

The document, leaked to the press late last week, says that Civiletti told Justice Department investigator Joel Lisker to delay his investigation of the Billy Carter-Libyan loan for 10 days. Lisker

reportedly told Senate investigators this, while Civiletti denied knowledge of the conversation.

The report charges that the Attorney General wanted the 10-day delay to allow him to talk to President Carter about the matter. Six days after Lisker informed Civiletti about the loan, the Attorney General met with the President and encouraged him to have Billy Carter register as a foreign agent.

Civiletti is expected to be grilled by the select committee on the stalling of the investigation.

The memo also suggested that the Republican committee members question the Attorney General about his reasons for withholding for nearly two months information he received in April that Billy Carter had taken money from the Libyans and was trying to secure oil deals for an American company.

Administration plans for Madrid conference

Max Kampelman, second in command of the U.S. delegation to the upcoming Madrid Conference to review implementation of the 1975 Helsinki accords, told a reporter this week that one of the prime objectives the U.S. has for the Madrid conference, which formally opens Nov. 11, is to prevent Western Europe from accepting a Warsaw Pact proposal for a European disarmament conference. Kampelman said the U.S. "wants to make sure that the French [who have a similar proposal of their own] don't reach a compromise with the Soviets. That would bring the rest of Europe along, leaving us to veto the conference."

Kampelman also characterized as "appropriate" the recent remarks by Chinese Vice-Premier Deng Xiaoping comparing European leaders Giscard and Schmidt to Hitler appeasers Chamberlain and Daladier.

Kampelman, a well-known lawyer in the Washington firm of Fried, Frank, Harris, Shriver and a founding member of the hawkish Committee on the Present Danger, said: "I think Deng is trying to

express what he considers a proper warning regarding Soviet blandishments. I think it is an appropriate warning." Kampelman was referring to an interview with Deng published in the Aug. 31 and Sept. 1 editions of the *Washington Post*, in which Deng also defended Cambodia's Pol Pot.

AIM terrorists map international coordination

A conference to formulate an "international policy of direct action" took place at the Pine Ridge Indian reservation in the Black Hills of South Dakota July 18-27 "to be launched by the spring of 1981." The gathering drew representatives from the radical environmentalist movement, European terrorist support groups, and the American Indian Movement (AIM). It resolved to create a financial and political support apparatus for the radical Indian movement in the United States, and consolidated working relationships between the Indian movement and European terrorists such as Mario Campagna, an associate of Italian Red Brigades controller Toni Negri.

Law enforcement authorities have been concerned with the AIM since the deaths of two FBI agents in a shootout at Wounded Knee in 1973. More recently AIM has worked with Iranian terrorist networks in the United States. Two leading members traveled to Iran with University of Kansas professor Norman Forer, where they met with Ayatollah Khomeini and others. "Direct action" is the code word used by these circles for violent confrontation.

AFL-CIO to enlarge role in Poland

The General Board of the AFL-CIO, meeting in Washington Sept. 4, voted up a proposal to enlarge their involvement with Polish dissidents. The proposal put forward by Trilateral Commission mem-

ber and AFL-CIO President Lane Kirkland calls for the AFL-CIO to relay money from a special fund directly to Poland in order to "sustain the independent unions" agreed to under the recent accord between the Polish government and striking workers. The AFL-CIO will kick in an initial \$25,000, with other unions expected to send contributions to the fund.

Michael Boggs, assistant director of the AFL-CIO International Affairs Department, described the support effort as "a very sensitive issue." The AFL-CIO, he stated, "does not want to see the Russians stomping the Poles because of what they call Western interference."

Kirkland met yesterday with Secretary of State Edmund Muskie to discuss the aid plan. Muskie let it be known through State Department sources that the U.S. government officially opposes the idea.

Maine, Missouri vote on nuclear moratoria

Citizens of both Maine and Missouri this fall face the prospect of a nuclear energy moratorium. On Sept. 23, Maine will vote on the Nuclear Fission Control Act, which would close the state's Wisacasset nuclear plant and forbid any future nuclear construction. The Maine Nuclear Referendum Committee, linked to the non-violent branch of the Clamshell Alliance, claims that Maine has too much electricity and Wisacasset's 26 percent share of total electrical generation is not needed. The Save Maine Yankee Committee fears that the state's same-day registration law will allow sufficient fraud to pass the bill. The state's powerful paper and timber companies have made no visible efforts to defeat the Clamshells.

In Missouri, the Radioactive Waste Policy Committee has collected 157,000 signatures to place Proposition 11 on the November ballot, to prevent operation of Union Electric's Collaway nuclear plant, now 70 percent complete. A call to this committee in Columbia, Missouri asking the group to identify its public

supporters was greeted with a slammed-down phone.

A new pro-nuclear labor-industry group called "No On 11" concedes that the environmentalist campaign is psychologically effective but thus far the committee, in an effort to appear "reasonable," has put dull scientists before the public and argued that \$900 million will go to waste if the plant is blocked. Farmers are a key vote, and most of them live outside the area served by Union Electric's eastern third of the state; the No On 11 committee thinks the vote will be too close to call.

Carter-Iran deal shows results for Iran

The U.S. Department of Justice this week made a series of unusual decisions whose purpose appears to be to keep the door open for a pre-November deal allowing the Carter administration to retrieve the American hostages held in Iran.

On Aug. 29, the DOJ dropped federal charges against Horace Butler, one of the three men allegedly involved in the July assassination of Iran Freedom Foundation head Ali Tabatabai in Washington, D.C. By insisting that Butler could only be tried as an "accomplice to murder" in a local court, the DOJ prevented the convening of a federal grand jury whose subpoena powers could have been used to thoroughly investigate the assassination. *EIR* has presented evidence that Tabatabai was the victim of Ayatollah Khomeini's Savama intelligence agency.

On Aug. 29 the DOJ also made a "suggestion of interest" to American courts requesting that the courts freeze the 250 cases of those American firms formerly operating in Iran that now seek compensation from the pool of assets frozen by the Treasury Department earlier this year. According to a DOJ Civil Division spokesman, the "suggestion of interest" was put forward "on the basis of foreign policy considerations."

Another DOJ initiative was an intervention to prevent a New York court from dismissing Iranian government claims against the former Shah's estate.

Briefly

● **THE STATE DEPARTMENT** is privately putting out the word that Secretary of State Muskie has expressed his willingness to travel to Teheran if a trip would help release the hostages. The department officially denies the report.

● **RAMSEY CLARK**, the former Attorney General, told students at a Sept. 3 American University speech in Washington, D.C. that the "concern for human rights" prompts his support for the Khomeini regime, a concern he said supersedes American law.

● **DAVID SAMUELSON**, a Texas farm leader, kicked off his campaign for the chairmanship of the state's Democratic Party with a three-point program of repealing the windfall profits tax, implementing farm parity, and increasing teacher salaries. The *Austin Citizen* reports that he thinks the party has gone "too far left" at the expense of energy and agriculture.

● **THE WHITE HOUSE** confirmed Aug. 31 that President Carter had once personally tipped off his son Chip about a federal drug sweep involving some of his friends. During a 1977 vacation in Panama City, Florida, Chip fell in with the crew of the *Foxy Lady*, a boat employed in smuggling drugs into the U.S. The boat had been targeted by federal agencies for a raid; President Carter learned of his son's involvement, and alerted him. Chip, who has openly boasted that he smokes marijuana, managed to get away.

● **ROCKEFELLER** Brothers Fund appropriations, according to the Fund's latest report, have set up Zen Buddhist centers over the past decade in Rochester, New York, San Francisco, New York City, and Amherst, Massachusetts. Fund president William Dietel declared that Laurence Rockefeller had seen "the need to find productive and satisfying ways of living that place less stress on our non-renewable resources."

Congress challenges Carter war doctrine

by Barbara Dreyfuss

“Many serious questions and uncertainties arise as a consequence of this shift in strategic policy” to Presidential Directive 59’s military doctrine. “We are deeply distressed that this policy seems based on the assumption that nuclear war is limitable,” stated an Aug. 26 letter to President Carter signed by 27 U.S. Congressmen.

“We believe, however, that since it is extremely unlikely that nuclear war can be limited, this policy has precisely the opposite effect intended: it creates the illusion of flexible response, when in reality any decision to use nuclear weapons would have the same cataclysmic consequences as a total nuclear strike,” the letter states.

“I don’t think we should stick our necks out,” said Republican Congresswoman Millicent Fenwick, one of the letter’s signatories, at the close of a House Foreign Affairs subcommittee hearing on the Carter administration’s decision to establish a U.S. military base in Somalia.

The administration’s buildup in the Horn of Africa and Indian Ocean is widely perceived in Congress as a commitment to stage a regional confrontation with the Soviet Union. In the wake of Defense Secretary Harold Brown’s Aug. 19 declaration that limited nuclear war is now official U.S. policy under Presidential Directive 59, and that Washington is prepared to meet any “conventional aggression” from the U.S.S.R. with a first nuclear strike, Congressmen further perceive that such a confrontation could spin into a world war the United States would lose.

Columnist Jack Anderson’s charges last month that

the administration plans an incursion into Iran to bolster Carter’s electoral support have contributed to the unusual concern expressed by liberals and Democrats on the Hill, as well as conservative Republicans—a concern generating a series of Congressional hearings. Rep. Samuel Stratton this week warned against Carter’s abuse of strategic military information for “political” reasons; this, he said, motivated his call for Defense Secretary Brown to testify on both military “leakage” and the rumored Iranian raid plan.

Foreign affairs hearings

Preliminary action has come from the House Foreign Affairs Committee. On Aug. 26 its subcommittee on African affairs, chaired by New York Democrat Rep. Stephen Solarz, held hearings on the Brzezinski commitment to establish a military base in Somalia. Testimony came from former State Department official Leslie Gelb, an opponent of the PD 59 doctrine who asserted that such bases would lead to a potential U.S. conflict with the Soviets. Also testifying was a CIA representative who warned that the Somalians still have troops in Ethiopia, whose government is Soviet-allied, and the U.S. could rapidly be drawn into a future conflict between the two. A subcommittee staffer commented: “Indirectly, through proxy forces, the U.S. and U.S.S.R. could become engaged. Seven of the eight members of our subcommittee are opposed to a base there for that reason. They will send a letter to Muskie. They will also try to block funding for the base in the

appropriations committee.” Congresswoman Millicent Fenwick commented afterward to *EIR* that, pending a convincing demonstration that a base is vital to U.S. defense, the Somalian move would be “like putting your hand into a nest of red ants.”

At the same time, the Foreign Affairs subcommittee on Asian and Pacific Affairs chaired by Rep. Lester Wolff (D-N.Y.) opened hearings on the ramifications of a U.S. alliance with China. The subcommittee heard from former Ambassador to the Soviet Union Malcolm Toon, who warned of dangerous Soviet responses to such an alliance. At the hearings Banning Garrett, formerly of the Institute for International Studies at the University of California, detailed the activities of a small group of policymakers intent on forging a U.S.-China military alliance, and what he characterized as the dangers of such a global alliance.

Leslie Gelb followed his Aug. 26 testimony to the House Foreign Affairs subcommittee with a strong warning that PD 59 could be triggered over Chinese actions. In an Aug. 31 article in the *Miami Herald*, Gelb declared, “To plan on making a nuclear attack against Soviet armies after they have moved into Western Europe or China, allied or friendly countries, is bizarre.”

The Iran question

The likelihood that a U.S. military move in Iran would go totally out of control has prompted extraordinary Congressional monitoring of the White House and National Security Council. “The House Armed Services Committee is watching Carter very closely in terms of any maneuvers he might pull that could point toward deployment of an expeditionary force,” said a committee staff member this week. Warnings against such action have repeatedly come from congressmen.

Subcommittee chairman Samuel Stratton is demanding to know why top Pentagon officials leaked information about the so-called Stealth technology that would allow aircraft to fly undetected by Soviet radar. Stratton has stated that he intends to see “if the Defense Department does take seriously the question of safeguarding its most secret documents.” He warned that the leaks about the new technology were “designed to make the Pentagon look good.” Last week Senator John Tower, a Texas Republican, went further, charging that the President is “jeopardizing national security to advance his reelection prospects.”

Stratton will also question Brown about leaks to columnist Jack Anderson on secret Carter-Brzezinski plans for an Iranian invasion. The committee has strongly expressed its opposition to such adventures in the wake of this spring’s invasion scandal, on the grounds of military unpreparedness.

Documentation

‘The illusion of flexible response’

The following letter from members of Congress for Peace Through Law appeared in the Aug. 26 Congressional Record.

Dear Mr. President:

As Members of Congress long interested in and still committed to controlling nuclear arms, we are writing to express our deep concern over recent reports regarding your decision to implement a new strategic policy for the United States, reported as Presidential Directive No. 59. . . .

We are deeply distressed that this policy seems based on the assumption that nuclear war is limitable. As we understand the new doctrine, its purpose is to allow for nuclear options short of a total strike—thereby enhancing our credibility in the use of nuclear weapons. We believe, however, that since it is extremely unlikely that nuclear war can be limited, this policy has precisely the opposite effect intended: it creates the illusion of flexible response, when in reality any decision to use nuclear weapons would have the same cataclysmic consequences as a total nuclear strike.

Moreover, we question whether, by providing ourselves with other, more “palatable” choices than assured destruction, we present a more effective deterrent to Soviet aggression. We can foresee circumstances which, under this doctrine, our nuclear deterrent would in fact be weakened. Suppose the Soviets were preparing an invasion of Western Europe. Fearing that such an invasion might provoke us into an attack upon their nuclear arsenal, they would be forced to fire their missiles in order to avoid losing them. And the mere suspicion that the Soviets might behave in this way would force us into the same “use or lose” syndrome, in which the pressures compelling us to launch our own weapons might well prove irresistible. . . .

We request a full accounting of Presidential Directive #59 at the earliest possible time, and ask that its effective date be deferred until the Congress, the State Department, and the Arms Control and Disarmament Agency have had ample opportunity to consider and debate its implications.

Signators were:

Jonathan Bingham (D-N.Y.), George Brown, Jr.

(D-Calif.), Shirley Chisholm (D-N.Y.), Silvio Conte (R-Mass.), Robert Drinan (D-Mass.), Bob Edgar (D-Pa.), Don Edwards (D-Calif.), Edward Forsyth (R-N.J.), Robert Garcia (D-N.Y.), Benjamin Rosenthal (D-N.Y.), John Seiberling (D-Ohio), Paul Simon (D-Ill.), Louis Stokes (D-Ohio), Fortney Stark (D-Calif.), Bruce Vento (D-Minn.), James Weaver (D-Ore.), Tim Harkin (D-Iowa), Harold Hollenbeck (R-N.J.), Elizabeth Holtzman (D-N.Y.), James Johnson (R-Colo.), Robert Kasstenmeier (D-Wisc.), William Lehman (D-Fla.), Andrew Maguire (D-N.J.), George Miller (D-Calif.), Richard Ottinger (D-N.Y.), Ted Weiss (D-N.Y.), Jerry Studds (D-Mass.)

'Making the Carter administration look good'

EIR's Barbara Dreyfuss interviewed Rep. Samuel Stratton (D-N.Y.), chairman of the House Armed Services Subcommittee on Investigations, on Sept. 3, 1980.

Q: What was your main concern in calling Secretary Brown to testify in regard to the leaks from the Pentagon about the Stealth technology?

A: My concern is what the Defense Department is doing or not doing to protect its secrets.

Q: Do you think that the release of the information about Stealth was politically motivated?

A: As far as the release of the Stealth technology, there seems to be no other explanation than to make the Pentagon look good regardless of what we do vis-à-vis the Soviets. They are not worried that we may have compromised major secrets.

Q: I understand you will look into why the leaks were made about a possible U.S. invasion into Iran, the leaks that Jack Anderson made public.

A: This is the same problem. The question is why all this information is able to get out so easily. Why are we so sloppy with major secrets?

Q: What do you plan to do once the reasons become clear, what actions do you plan to take?

A: We will see whether some major changes in the Pentagon structure are necessary. I have the impression from Admiral Murphy's testimony last week that they are very casual about it, that in a democracy, they feel, there will be leaks anyway. With the Stealth question it was not until we decided to hold hearings that they looked into the leaks. We're going to find out why we are failing—if reorganization is necessary or additional legislation.

From an EIR interview with Congressman Millicent Fenwick (R-N.J.), member of the House Foreign Affairs Subcommittee on African Affairs:

Q: You signed a letter to Secretary Muskie about your concern over the U.S. building bases in Somalia and were at the House Foreign Affairs subcommittee hearings on this last week. What is your concern over this?

A: I think that it is like putting your hand into a nest of red ants. There would be a tremendous buildup of arms. . . . If the Defense Department says that it is essential for the defense of the country, but if it is not that necessary, if it is just another cozy spot, then I don't think we should stick our necks out.

Q: There is a lot of fear, I understand, that a U.S. base in Somalia could lead to a U.S.-Soviet confrontation by proxy.

A: What happens if we build something and then leave a skeleton crew? They will be military men, and then MIG-15s come piloted by Cubans or Ethiopians. I don't like it and until I am told that the country's defense depends on it

Q: I thought it was important that there was a bipartisan agreement on the letter and concern over the bases.

A: It is a relief that somebody is thinking of the country and not political gains. I don't think we should placate powerful politicians. There is not room for games. I am not interested in games to impress somebody or to placate somebody.

'An embrace at any price with the PRC'

Paul McCloskey (R-Cal.) inserted the following statement into the Congressional Record, Aug. 21:

Jack Anderson does a public service in these articles even should he be overly pessimistic or even dead wrong . . . someone in the Carter administration obviously feels that the President might take overly aggressive action or the contingency plan information would never have reached Jack Anderson. President Carter [should] consider the fact that many Americans consider him capable of putting political interests ahead of the national security. . . .

Rep. Thomas Tauke (R-Ia.) said Aug. 22 in the House:

It is quite clear that the President reacted to Soviet adventurism throughout the world by rushing pell mell into an embrace at any price with the People's Republic of China. That certainly did nothing to improve the image of the United States in the world or to demonstrate the stability of our foreign policy.

The men behind the China card

On Aug. 26 the Subcommittee on Asian and Pacific Affairs of the House Committee on Foreign Affairs carried out the second of a series of hearings on the U.S.-China relationship under the direction of subcommittee chairman Rep. Lester Wolff. We excerpt here the most important testimony at the hearing, given by Banning Garrett, a researcher at the Institute of International Studies at the University of California (Berkeley). Garrett is completing a book—The “China Card” and its Origins.

Within the government, . . . the strategic relationship with China has been the subject of intense debates for the last seven years, including a vehement struggle over whether to go public with the issue of establishing military ties with China. Emerging from the struggle has been a series of detailed plans for establishing such a defense relationship with China—a policy perceived by both its proponents and its opponents as having potentially profound repercussions on our relations with the Soviet Union. In spite of the known risks, however, the Carter administration has nevertheless come to embrace this policy. The Republican Party platform speaks of transferring to China technology with “offensive military applications” and Ronald Reagan four years ago termed U.S. arms sales to China a “natural development.”

In short, we are developing a military relationship with China which is acknowledged to have far-reaching global implications for the United States, and this relationship is likely to be continued regardless of who occupies the White House next January. Yet, there has been little public discussion of this strategic realignment. . . . Probably no other issue has been more sensitive or more closely held. . . .

Before going any farther, I would like to note that the term “military ties” covers a very broad spectrum of developments, ranging from selling China computers with potential military applications or exchanging military attachés, to a full NATO-like alliance relationship. . . . Just which type of military ties should be implemented has usually been the focus of debate. . . . Finally, the notion of establishing some sort of military ties with China has been the essence of the “China card” as commonly referred to. . . .

As I have implied, the plan for developing a military relationship with China was not the invention of Presi-

dent Carter or his National Security Adviser, Zbigniew Brzezinski. Although one may question the wisdom of the policy or the way it has been implemented, the emerging military relationship with China cannot be explained as simply a knee-jerk reaction to Afghanistan or the Soviet combat brigade in Cuba. My study shows that the plan . . . dates back seven years and has been addressed in hundreds of classified studies and plans in the years since 1973. And cautious, halting steps toward military ties with China have been taken since 1975, with many of the same actors pushing the policy then who are behind it in the Carter administration.

. . . These people, although a small group, by no means form a clique. There are many sharp differences and personal animosities among them. Many of them will be familiar to this committee, and you will see that they are not confined to one political party or one administration, and that they include career consultants and political appointees. Remarkably, not only is the number of participants small, but the number of key positions in the government is even smaller and these people often have replaced each other in the key jobs.

One of the most mysterious and secretive players in this drama, Michael Pillsbury, who is now a defense policy adviser to Ronald Reagan, testified before at your last hearing held in July. From reading his testimony, Mr. Chairman, I would say he told you far less than he knows about the policy issues behind the speech by Assistant Secretary of State Richard Holbrooke, which he analyzed for this committee. This is an indication of the obstacles you are up against. . . .

Pillsbury, whose name recurs again and again in this story as a tireless lobbyist for military ties with China in the 1973-76 period, is not the only Reagan campaign name involved. Former CIA analyst Roger Glenn Brown and former CIA National Intelligence Officer for China, James R. Lilley, were involved in the earlier years of this debate. They are currently Bush campaign advisers, and Lilley, who worked for George Bush in Beijing in 1974-75, spent last week in China with the Republican Vice-Presidential nominee.

On the Democratic side, one key figure, who published the most important articles on the subject before he joined the Carter administration, is Richard Holbrooke. Another Carter appointee who left the administration a year ago but before that had drafted a key section of the only interdepartmental study on military ties with China, Presidential Review Memorandum 24 (PRM 24), is Leslie Gelb. And Michel Oksenberg, who was not involved until he joined Brzezinski's NSC staff in 1977, wrote important implementing documents before he returned to his teaching post at the University of Michigan last year.

The permanent bureaucracy also has been important, with GS-15 and GS-16 officials involved from the Office

of the Secretary of Defense, including Frank Tapparo, Lynn Rylander, and the current Deputy Assistant Secretary of the Air Force, Willard Mitchell. Another participant who is well-known to this committee is our current ambassador to Thailand, Morris Abramowitz, who sponsored several key studies when he served as Deputy Assistant Secretary of Defense for International Security Affairs, East Asia, and the Pacific. Also involved have been Gelb's replacement at the State Department, Reginald Bartholomew, who worked for Abramowitz in the Pentagon at one point and later at the NSC, and Richard Holbrooke's current deputy, Michael Armacost. Armacost began following the issue of military ties with China in 1974 for Winston Lord, who was then head of policy planning in the State Department. Armacost later served on the NSC, then took Abramowitz's job at the Pentagon when the latter went to Thailand, and finally returned to the State Department.

Another crucial factor in the drama is Richard Solomon, a leading academic specialist on China who served on Kissinger's NSC staff from 1971 to 1976 and then replaced Pillsbury as Rand's chief China expert. And, finally, a latecomer to the game who nevertheless has become a key player in the last year, is the Undersecretary of Defense for Policy, Robert Komer. . . .

The basic plan and rationale for establishing a military relationship with China was completed in March 1974 and was called "L-32." It was written by Michael Pillsbury, then a Rand analyst. These sources agree that Pillsbury had proposed the idea six months earlier in a short memo that had attracted enough interest in the Pentagon to get funding for L-32. But they disagreed about the contents of L-32, some saying it was similar to an article by Pillsbury published later, and others saying that the Rand study included significant and "explosive" material never published.

It is highly significant to note that Pillsbury's plan was proposed at a time when he was holding secret monthly meetings with senior Chinese military officials at the United Nations. Pillsbury sent memorandums about those meetings to about 20 key officials at the Pentagon, CIA, NSC, and State Department. These quasi-official meetings with the Chinese representatives of the People's Liberation Army General Staff, including the equivalent of two generals and an admiral, apparently demonstrated serious Chinese interest in military intelligence sharing with the United States, and in purchasing sophisticated military equipment and technology from the United States—this in 1973! . . .

Although we thus remain largely in the dark about this mysterious L-32, an article that sources agree was based on L-32 was published in September 1975 by Richard Holbrooke, then editor of *Foreign Policy* magazine. . . .

. . . Unknown to key middle-level officials at the State Department, the CIA and NSC, publication of the article in *Foreign Policy* was encouraged, perhaps for different reasons, by both Secretary of State Kissinger and Secretary of Defense Schlesinger.

When L-32 was first distributed in the spring of 1974, it provoked considerable interest and controversy within the government and led to quiet Pentagon sponsorship of a number of other studies on the subject over the next several years. . . .

The L-32 plan

I was told by several sources that Consolidated Guidance Number 8 . . . was a rehash of these earlier studies, especially the Rylander studies. CG 8 was done last year and excerpts of it were leaked to the *New York Times* last October 4, shortly after it was leaked that Secretary of Defense Brown would be going to China. According to the *Times* and my interviews, CG 8 explored the possibilities of U.S. wartime aid to China, joint contingency planning with the Chinese, including the possibility of stationing U.S. warplanes, naval vessels or even ground forces in China during a crisis. Among the details addressed in CG 8 were pre-positioning of munitions and equipment and plans for supporting base structures for U.S. forces in China. The type of potential military cooperation with China described in CG 8 is remarkably similar to U.S. military agreements with NATO allies.

Administration officials were quick to publicly dismiss CG 8 as a "think piece" when it was revealed. But I hope subsequent events—and my testimony—will convince the committee that CG 8 and other documents I have mentioned should be taken very seriously. The record shows that many of the specified moves outlined in the earlier studies have already been implemented, including: approval of allied arms sales to China, approval of transfer of selected items of U.S. high technology with potential military applications; approval of sales of selected items of nonlethal military equipment; exchange of military academy delegations and exchange of visits of defense ministers. As far as I know, such steps as joint contingency planning or stationing of U.S. forces in China are very far from immediate options, but the logic of the past suggests that they are steps that may be taken farther down the road we currently are on.

The U.S.-China military relationship has momentum and a structure. It is developing so far in a direction which has specified, preplanned steps that lead eventually to an alliance-like security relationship, whether it is called such or not. My study also suggests that focusing solely on the issue of U.S. arms sales to China as the litmus test of how far we have gone with the Chinese may miss the point of what is already going on or may not be too far down the road. ■

Democratic policy committee launched

by Anita Gallagher

A National Democratic Policy Committee has been formed whose advisory committee will be headed by Lyndon H. LaRouche, Jr., former candidate for the 1980 Democratic presidential nomination and founder of *EIR*. LaRouche described the committee's purpose as assisting selected candidates for congressional and state offices in November. LaRouche said: "I will remain highly active in the Democratic Party, putting together an alliance based on the major constituencies of the party. I have initiated a National Democratic Policy Committee to assist in local races."

The National Democratic Policy Committee will function as a multi-candidate political action committee, headquartered in New York City. LaRouche will head the advisory committee of scientific, agricultural, business, labor and minority leaders which will soon be announced. Warren Hamerman of New York City will serve as the committee's chairman, and Kenneth Dalto of Michigan will serve as executive director. Both were officials of Citizens for LaRouche, the former candidate's principal campaign committee.

The National Democratic Policy Committee, LaRouche says, will be an alternative think tank to the Rand Corporation, Brookings, and other bodies which have traditionally shaped Democratic Party policies.

The National Democratic Policy Committee's tax program has already been put before both the Michigan and West Virginia Democratic Conventions and found significant support at both. The tax policy is part of an overall economic recovery program whose elements are a gold-backed monetary system, reorganization of credit, and a new tax policy.

The individual component of the tax policy would incrementally reduce the taxes on households, starting with a \$2,500 exemption per dependent. For productive industries, the policy would increase amortization and tax depreciation allowances. This, said LaRouche, allows

the use of tax policy as a means of discouraging non-productive investment.

The effects of both measures would be to increase both the tax base for local communities and the savings in local banking institutions available as credit. LaRouche said that action around such an economic program was necessary because delegates to the Democratic National Convention in August voted 2,500-800 in support of platform planks which compel its representatives to oppose the policy of inducing recession.

In foreign policy, LaRouche noted: "We are the most poorly informed of any literate nation in the world. Compared to the citizen of Mexico, or New Delhi, the U.S. citizen is abysmally informed." Therefore the National Democratic Policy Committee will outline foreign policy alternatives, and also provide information that is otherwise lacking.

Warren Hamerman, the committee's chairman, added that another area in which the committee will be very active is the effort to enact Rep. Mike McCormack's (D-Wash.) bill, which calls for \$20 billion to be spent over the next 20 years to demonstrate fusion commercially by the year 2000. The Democratic Party's 1980 platform states: "The Democratic Party vigorously supports substantial funding for the construction of an engineering test facility for fusion technology. Fusion energy is a safe, clean, alternative source of energy which can be used to generate energy efficiently."

The Policy Committee will also issue emergency agriculture measures, including debt moratoria and low cost credit to keep farmers in business. LaRouche proposed a resolution for 90 percent parity for farmers at the Texas Democratic Convention in June which passed overwhelmingly. The President of the U.S. is empowered to declare 90 percent parity without any approval by Congress.

LaRouche says: "I am determined to rebuild the Democratic Party. Under Franklin Delano Roosevelt, the party underwent a period of transformation that made the Democratic Party much closer to the Republican Party of Lincoln. The Democratic Party was an alliance of entrepreneurial businessmen with farmers and labor, and beginning with the Al Smith campaign for President in 1928, there was a crossover of black minorities to the Democratic Party. Because of our constituencies, we in the Democratic Party are forced to adopt policies that are simultaneously in the interest of all groups. Therefore, we object to the depression austerity proposed by Paul Volcker, which will not benefit labor or minorities or farmers."

The National Democratic Policy Committee has requested 30-minute spots from all three television networks in September and again in October, and will soon announce support of specific candidates.

States' rights and the Aspen strategy

The New York Master Plan is a cautionary example of enforced conservation.

Some well-meaning conservatives I know have taken to flying the banner of "states' rights" as an alternative to the incredible federal restrictions on energy and industrial growth. This is no real solution to a serious national problem, but it is understandable how someone from Texas or Louisiana could think so. It is not the state that is right or wrong; it is the policy and economic philosophy.

Take New York State, for example. On March 20, 1980, the state legislature made into law a State Energy Master Plan which had been drawn up by the Governor's State Energy Commissioner's Office and a new five-member State Energy Planning Board. This new plan is filled with nice-sounding phrases such as "expedite and finance projects to reduce regional energy costs and increase energy supplies." Knowing New York, we took a closer look. If implemented, the plan will use energy control to collapse one of the nation's vital trade and industrial regions.

One of the architects of the plan told me that the plan is "unique" because its forecast of electricity and natural gas requirements for the state through 1994 is "binding. No other forecast can be used to decide if a power facility is needed." One little flaw: if your forecast "trend line" is taken from the period of economic stagnation and recession, you enforce a regime

which will guarantee further self-aggravating collapse of industrial growth.

The binding total for state energy growth through 1994 is proposed to be "essentially zero growth"! Instead of pursuing one of the nation's most vigorous nuclear programs, which would ensure ample supplies of cheap, safe nuclear power as a magnet to attract future industry to this world port region, the plan imposes a strategy of moratorium on new nuclear plants. It calls for reducing petroleum from 66 percent of total energy supply down to 47 percent. With the freeze on nuclear power, this means that coal is being viewed as the key. The plan calls for a massive coal conversion and addition of six new coal-fired generators, despite the fact that New York has no indigenous coal. Given current utility finances, it will simply mean closing down a number of oil-fired generators because of inability to finance retrofitting.

There is wide play in the plan of the development of "renewable" resources. This means such things as burning garbage for energy, or in one example given me by an enthusiastic state official, buying 3 billion lbs. of cheese-whey waste to make alcohol for gasohol!

Massachusetts, Pennsylvania and California all have similar models in various stages of advancement. I found that this con-

vergence stems not from a bunch of fuzzy-headed state bureaucrats but from a seminar series held by the Aspen Institute, the zero-growth think-tank financed by Robert O. Anderson of Atlantic Richfield. The basic strategy was shaped a couple of years ago in its second annual Energy R&D Priorities Workshop. That report pushes "decentralized energy production." The study was financed by ARCO and Exxon, as well as GE, Westinghouse, Rockwell International and other "high technology" firms which should know better. It is a blueprint for balkanizing the nation into separate energy enclaves which would then be at each others' throat for scarce resources.

So, before you put that bumper sticker that says "Let 'Em Freeze in the North" on your Cadillac, and talk of reviving the Republic of Texas, you would do well to look at moles such as Walt Rostow at the University of Texas. Rostow is trying to create a series of energy regions with bond-floating capacity, in collusion with his old friend, New York investment banker Felix Rohatyn of Lazard Frères. And this year's liberal assault on the sacrosanct Texas Railroad Commission is further cause for reflection. We have a national disease we need to eradicate: Aspen's carefully cultivated anti-growth philosophy. No, "states' rights" is no more the answer now than it was 200 years ago when Hamilton and the other founding fathers fought it in the Constitutional debates. A rereading of the *Federalist Papers* is very timely.

Mary Gilbertson of the Fusion Energy Foundation originated the research for this column.



Is Reagan breaking out of Trilateral control?

That's what some observers think may lie underneath the sudden spurt of vitriolic East Coast media attacks on Reagan.

Over the last two weeks, Reagan has embarked on a head-on offensive against two Carter administration policies—its relations to communist China and its abysmal handling of the U.S. economy. This not only hits Carter on his weakest flanks, but sets him against the Trilateral Commission faction in his own campaign apparatus.

If the trends continue, Reagan could soon be back on the track that gave him a landslide cross-party victory in the New Hampshire primary. There, by directly taking on his chief rival George Bush's close links to the Trilateral Commission, Reagan tapped the sentiment among the voting electorate that does not believe American economic decline and foreign policy debacles are inevitable.

Shortly thereafter, though, Reagan began to backtrack until by the Republican convention he was embracing Henry Kissinger, running on a platform that embodied the worst of the Trilateral Com-

mission's policies, and had named George Bush as his running mate.

Signs have mounted that traditional Republican constituencies he represents are embroiled in a fight with the so-called "Gang of Four"—Henry Kissinger, Richard Allen, William Casey and William Van Cleave.

In a speech to 400 Ohio Teamsters Aug. 27, Reagan blasted Carter for having "created a severe depression in our nation." He also attacked Carter for blaming Middle East Arabs for American industrial decline. "OPEC didn't delay the Alaska pipeline for years. OPEC hasn't delayed for years the completion of the nuclear power plant in Seabrook, N.H. . . ."

It seems that Reagan had ripped up the text prepared for him by economic adviser Alan Greenspan, an old Kissinger crony, on the advice of Midwestern Republican governors and congressmen, and instead went after "Carter's depression." Afterwards, a nearly apoplectic Greenspan publicly asserted that Reagan was wrong. "It's more of a severe recession." Reagan issued his own clarification, which essentially repudiated Greenspan: "As far as I am concerned," he stated, "A recession is when your neighbor is out of work; a depression is when you're out of work; and a recovery is when Carter's out of work."

Despite media attempts to depict the Reagan-Greenspan split as typical Reagan "confusion," at his official campaign kick-off Sept. 1, he again targeted Carter's "depression economics." Reagan's Ohio campaign chief, Congressman Sam Devine, told *EIR* last week that Reagan "will continue to focus on Carter's economic debacle."

At the same time, Reagan's old guard, such as press spokesman Lyn Nofziger and chief of staff Ed

Meese, appears to be strengthening its position in the campaign, evidenced in part by the decision to have Reagan's long-time friend, Senator Paul Laxalt, travel with Reagan for the duration of the campaign. Laxalt stormed out of the Republican convention when George Bush was named as Reagan's running mate.

Anderson targets PD 59, China Card

Independent candidate John Anderson is making the Carter administration's new limited war strategy, Presidential Directive 59, a campaign issue along with its commitment to the China card. In his campaign platform, released over the Labor Day weekend, Anderson comments: "Concerning China, we believe that those who blithely talk of playing the fabled 'China Card' do not understand the nature of the relationship. It is not in our interest to give China an 'American card' for use in her relations with other East Asian countries or with the Soviet Union. . . . The Anderson-Lucey administration would work to discourage antagonism between Russia and China. . . . We should not become an arms supplier to China."

Anderson, meanwhile, took up the issue of the Carter administration's new military strategy in his official campaign kickoff speech Sept. 1. Anderson declared: "The clear implication of that presidential directive is," that "President Carter believes a nuclear war can be fought and won. . . . we'll lob a few at them . . . and back and forth and somebody's going to win and we'll sign a treaty. Don't you believe it. We aren't going to fight that kind of war unless we want to destroy life on this planet as we know it."

Congress, Defense Sec'y clash on Stealth program

"Mr. Secretary, do you think the relationship between this committee and the Department of Defense should be closer than the relationship between the Defense Department and the news media?" House Armed Services Committee member Larry Hopkins (R-Ky.) asked Defense Secretary Harold Brown at Sept. 4 hearings of the committee's Investigations Subcommittee. When Brown replied yes, Hopkins shot back, "Then why did you give information to a magazine editor on the declassification of the Stealth Program prior to coming to this committee?"

That was one of the more pointed exchanges that occurred during a raucous subcommittee hearing on Defense Department activities surrounding leaks to the press and the subsequent declassification of the Stealth research and development program. The Committee is looking into why leaks on this new technology, which allows aircraft to fly undetected by radar, have surfaced in the press, and why the Defense Department chose to declassify the existence of the project rather than simply issue its standard denials.

The ranking subcommittee Republican, Robin Beard (R-Tenn.) virtually charged that the leaks were orchestrated by the administration to coincide with the Democratic convention to show the administration's concern about a strong defense. He pressed Secretary Brown to elaborate on his discussions with the White House over this matter. Brown would only say that his orders were to keep the existence of the Stealth program secret as long as possible. He then

refused to say who gave that order, and said: "I will not discuss any discussions I had with the White House."

Despite angry exchanges between subcommittee members and Brown, sources close to the investigation indicated that "unless something else comes up to hang this on, like evidence of a direct leak by Brown to George Wilson of the *Post*, we may have trouble proving political motivation."

Fight brewing for Armed Services chairmanship?

The retirement of House Armed Services Committee chairman Price (D-Ill.) may provoke a battle within the committee next January over his successor. Sources close to the committee report that committee members may not automatically accept Rep. Charles Bennett (D-Fla.), who is next in line on the basis of seniority. They report that Bennett would continue what they consider Price's "rubber stamp" tradition of accepting administration strategic and military policies.

There is extreme concern that a continuation of current strategic trends would leave the United States irreversibly inferior to the Soviet Union. The sources noted that some committee members are looking for a committee chairman who would have a strong commitment to restoring aggressive advanced research and development programs for the military.

House Speaker worried about his loss of control

House Speaker Tip O'Neill, obviously concerned that his secret files on members are no longer

enough to keep them in line, sent a sharp note to 44 House Democrats who deserted him on an important procedural vote last month.

Rep. John Ashbrook (R-Ohio) had offered an amendment to the Treasury Department appropriation bill forbidding the Internal Revenue Service from withdrawing tax-exempt status from private schools found to have discriminated against minorities. The presiding officer ruled Ashbrook's amendment out of order as legislation on an appropriations bill. But Ashbrook appealed the ruling and forced it to a full House vote. Although the ruling was upheld, there was a large defection of Democrats, almost unheard of in the House.

O'Neill warned the Congressmen not to go against the administration. He stated that in a parliamentary system, if a vote to sustain the chair had failed, the government would have fallen. He admitted that at a recent meeting of the Democratic whips and the House Steering Committee there was considerable discussion about what to do with Congressmen who seek to make policy on their own. One member even called for taking away committee chairmanships if a Congressman tries to implement his Constitutional duties.

Senator calls for hearings on Bolivian cocaine coup

Sen. Dennis DeConcini (D-Ariz.) charged on Aug. 12 that the ruling junta in Bolivia maintains intricate involvement in that nation's extensive cocaine trafficking, and asked for a Senate Appropriations subcommittee investigation. Sen. Daniel Inouye (D-Hawaii), chairman of

the Foreign Operations Subcommittee has agreed to a closed door hearing with State Department officials on Sept. 4.

DeConcini said that he had information, largely substantiated press accounts, that the Bolivian coup of July 17 was a cocaine coup. He called the junta's activity in cocaine trafficking "a threat to all nations concerned with the drug problem." DeConcini called on Inouye to "join me in the hope that other governments will see the wisdom of withholding recognition of the García Meza regime until its reputed involvement with international drug conspiracies can be properly assessed."

Farm Export Credit Bill advances

By a unanimous vote of 42 to 0 the House Agriculture Committee reported out the Federal Conservation and Farm Credit Act amendments (H.R. 7548) on Aug. 26. The legislation upgrades the ability of Farm Credit System (FCS) institutions to finance agricultural activities on several fronts. But the one provision which has thrown the American Bankers Association, and behind it the major grain companies, into frenzied opposition, is the one that allows the FCS to engage in export financing.

The Farm Credit System, composed of the Federal Land Bank, the Bank for Cooperatives and the Production Credit Association, operates on the basis of private capital. With an annual loan volume of about \$50 billion the System is the largest lender to agriculture.

The legislation, spearheaded by Agriculture Credit subcommittee

chairman Ed Jones (D-Tenn.), allows the System to finance cooperative activities in food processing; it allows the Production Credit Association to finance aquaculture, and reaffirms the System's exemption from state usury laws. Exemption from state usury laws is essential to the System's ability to provide stable credit sources to the farm sector.

Perhaps most important, the amendments allow the System to finance agricultural exports for the first time, which has provoked strong opposition from the ABA. Currently grain exporting has been almost totally monopolized by major grain companies who receive their financing from major banks. Small banks and small producers have not had the credit base to engage in direct export activities. This new amendment could very well break the domination of the export market by the grain companies.

Similar legislation has already passed the Senate, but whether the House bill makes it to the floor depends on whether the ABA's hard lobbying against the bill succeeds in convincing the House Rules Committee to keep it bottled up.

Senate backs export trading companies

The Senate unanimously passed a bill Sept. 3 to promote U.S. exports by allowing banks to invest in export trading companies. It also instructs the Commerce Department to facilitate the creation of such trading companies. The bill puts some limitations on activity, requiring that banks invest no more than 5 percent of their capital in the operations, and that bank-controlled companies engage exclu-

sively in international trade.

Sen. Adlai Stevenson (D-Ill.), sponsor of the bill who managed it on the floor, declared that the U.S. trade deficit was mounting with no end in sight "while 20,000 American companies which could export do not" because they are not able to handle the costs and risks.

Sen. William Proxmire (D-Wisc.), chairman of the Senate Banking Committee, threatened to filibuster the bill, claiming that "the country is not in an export-import crisis." Proxmire feared that bank financing for exports could get out of control of the small group of Eastern Establishment policymakers that Proxmire represents. He introduced an amendment to the bill which would have restricted banks to 20 percent ownership in the trading companies unless the banks met certain restrictions and gained prior approval by the Federal Reserve Board. Proxmire described his amendment as: "The so-called Federal Reserve amendment recommended by the Federal Reserve and they feel strongly about this because of the profound effect this bill can have on banking." Opponents of the amendment charged that it would have "effectively foreclosed most banks from participation in trading companies." It was defeated by voice vote.

The bill now goes to the House, where the Ways and Means Committee, the Banking Committee and the Judiciary Committee all have to pass on it. Henry Reuss (D-Wisc.), chairman of the House Banking Committee, has promised to have his committee review the bill as soon as the Senate passes it. House staff members backing the bill hope to have it moved before the October recess.

Verdict and prospects for the EMS

The International Monetary Fund (IMF), in its soon-to-be-released annual report, has finally and begrudgingly told the truth about the European Monetary System (EMS). On the eve of its annual meeting, the IMF, which previously had hardly even acknowledged the existence of the EMS, states that the creation of the new monetary system "represents a major modification of exchange arrangements and international policy coordination."

The truth, as the IMF now tells it, is that through its effective policies of coordinated massive central bank intervention into the currency markets, the EMS has brought an end to the IMF's preferred anarchy, the "floating rates" system. The establishment of the EMS over the past two years has brought fixed rates back into the international monetary system and brought relative stability after the mess of IMF floating rates.

The *Executive Intelligence Review* is always happy, of course, to see the IMF tell the truth—even more so on this subject. For more than two years the existence and importance of the establishment of the EMS has been a virtual secret in the U.S. press and in large parts of the world. A blackout has been imposed by the interests who rightfully see the EMS as the greatest threat to the continued domination of world monetary and financial affairs by the IMF and its controllers in the New York-London banking houses.

The *EIR*, on the other hand, is known as one of the foremost proponents of the success of the EMS and, as our longtime subscribers know well, we have been the only publication in this country to consistently provide the real news about what the EMS was doing and what it meant. We have told our readers about the impact of the EMS on gold, on stable currency rates, on the creation of new sources of liquidity in the international credit markets, and on its future in the so-called second phase, the creation of the European Monetary Fund as the kernel of a new international monetary system.

The opposition of the IMF and the interests it

represents to the success of the EMS is no secret. The control by the IMF and the allied banks of the Eurodollar market over the international monetary system has been the principal source of instability in the system and the principal obstacle to worldwide economic growth. The IMF policy, particularly toward the indebted nations of the developing sector, has been characterized by the infamous "conditionalities" imposed on those who have been forced to go to them for financing. Those "conditionalities" have meant restriction of high-technology industrial and agricultural production, severe austerity even under the low living standards prevailing in most developing countries, and in some cases such severe looting of those economies that the result, as in Africa today, is outright murder.

The promise of the EMS is to mobilize new sources of liquidity, including surplus petrodollars, in a new stable monetary system backed by gold reserves and the channeling of that credit into long-term industrial, agricultural and infrastructural projects, particularly in the developing sector. Where the policies of the IMF produce political instability, those of the EMS and the IMF would produce stability and vast new markets for the capital goods and technology of this country and other industrial nations.

The IMF in its annual report even admits the existence of the second phase, the EMF, a fact that has been blacked out to an even greater extent than the news of the EMS itself. The anti-gold policies of the IMF make it particularly loath to see the emergence of this new gold-backed fund.

The belated recognition given its rival by the IMF is obviously not a sign of acceptance. The fight for the creation of a new gold-based international monetary system will continue with unabated opposition from the IMF and its backers. The *EIR* will continue to both inform and educate its readers on the importance of this issue—as well as the business opportunities that are defined by these developments.