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IN THIS WEEK'S ISSUE —

Cruise missile... neutron bomb... new SALT swindle... as the **Carter Administration** plunges insanely ahead with preparations for **"limited nuclear war"**... even the U.S. press acknowledges **U.S.-Soviet relations** are in a grave crisis. A battery of statements by **the USSR leadership** leaves no doubt **how the Soviets will respond** to continued war provocations... see **International Report**.

* * *

West German Chancellor **Helmut Schmidt** will **talk tough** to **Carter** when he visits the U.S. on behalf of Europe next week... Schmidt is backing a **"Rapallo"** transfer ruble **solution** to **increase** East-West-Third World trade... according to European press reports and confirmed by a noted U.S. economist. Details in the **International Report**.

* * *

Global **monetary collapse** is **imminent** and every informed banker knows it... but **Lazard Freres, Lehman Bros.** and other Rothschild-linked New York financial circles have their own **incompetent** solution... scrap **Rockefeller** and the **IMF**, and put the world through a banking reorganization in the tradition of Hitler's Finance Minister **Hjalmar Schacht**... see **International Report**.

The same **"Our Crowd"** banking circles are pushing **"the Mondale option"** in Washington, D.C. Our **National Report** itemizes the ingredients of the Mondale **power-play**... includes press excerpts from the **wave of attacks** on Carter policy...highlights the **Carter** campaign financing **scandal** in Detroit. Plus a **piece-by-piece evaluation** of the **Carter no-energy program's** passage through Congress...and our exclusive **Washington Week** column on activity behind the scenes...

* * *

U.S. Labor Party Chairman **Lyndon H. LaRouche, Jr.** unveils **Middle East energy development program**... see **Economics**. For a report on a **new technology** which could speed power production there... **the floating nuclear plant**... see **Energy**.

* * *

The U.S. **dollar** is **dropping** against every major European currency... **Productivity swindle** in the works to shore it up at the expense of the U.S. population...U.S. Agriculture Secretary proposes **food production cut-backs**... the economics behind the **copper strike settlement**... Carter's **"protection"** racket run on **shipping** industry... see **Economics**.

Breaking his own **moratorium** on **Mideast** policy statements, **Jimmy Carter** has declared the U.S. **will not allow** the formation of a **Palestinian state**... and the genocidal drive to **crush the PLO** is on in Lebanon. Our **Middle East** report reprints **Izvestia's scathing attack** on the 'plot to give the U.S. neocolonialist hegemony' ... and details the Administration's **headlong rush** toward Arab-Israeli **war**. Also featured are **unprecedented statements** by the EEC, Italy and the PLO itself, which indicate the potential for **Euro-Arab-Israeli cooperation** for regional peace and economic development...

* * *

The **fall of** the newly formed **Ecevit** government in Turkey could be the prelude to a renewed **Greek-Turkish crisis** over Cyprus... earnestly sought by the Carter Administration and its "inside man," **Alparslan Turkes**... See **Middle East** for news analysis...

* * *

Vance throws caution to the winds... **begs China** for a **second front** against the USSR. EIR bureau chief Dan Sneider reviews the Administration's **Asia** policy at length... finds **Korean troop withdrawals**, arms sales to **Peking** part of the same mad gallop toward U.S.-Soviet "**superpower conflict**," the professed **goal of China's** foreign policy. Also featured: first reports on the **coup** which deposed Bhutto in **Pakistan**.

* * *

Last week's **Organization for African Unity** meeting unequivocally backed the pro-socialist **Patriotic Front** against the outlaw Smith regime in Rhodesia... **cutting off** the opportunity for a replay of the Angola **civil war** scenario which pitted CIA-backed "liberation" countergangs against the MPLA. This week's **Africa** report supplements the news with an

EIR **exclusive** on the background of the abortive coup in **Angola**... tracing the origins of the professed "pro-Soviet" conspirators to similar **Anglo-American intelligence operations**.

* * *

Police have occupied **Mexico's** largest **university**... and the **Monterrey Group** is rapidly pushing its "left"- "right" warfare toward a full **IMF takeover** of Mexico. For a **dossier** on the conspirators, a **chronology** of events, **news analysis** and statements by President **Lopez Portillo** and former president **Echeverria**... see **Latin America**. Plus a news break on **Peru's rejection of IMF** austerity demands...

* * *

A **French government split** on the issue of **nuclear power**... (Giscard's "**ecology movement**" wants it killed)... highlights the week's news from **Europe**. Our **special economic survey** investigates **Yugoslavia**... assessing the pressure of global economic crisis... and the weakness of decentralized planning...

* * *

Exclusive in this week's **Counterintelligence** report... the fifty-year **subversion** of American institutions by the Fabian **Russell Sage Foundation**... the "mother" of monetarist policymaking and special operations networks including **Carter's "plumbers' helpers"** at the 20th Century Fund... Plus a report on the **Institute for Policy Studies'** franchise in **Canada**...

* * *

How the U.S. **State Department** teaches reporters to **lie**... an insider's account of a "**background briefing**" by Carter Administration officials... see **Press**.

INTER-NATIONAL
NATIONAL
ECONOMICS
ENERGY
COUNTER INTELLIGENCE
EUROPE
MIDDLE EAST
AFRICA
ASIA
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PRESS

Carter Is Pushing USSR To The Brink

The rash of U.S. armaments and strategic posture decisions announced or leaked after President Carter scotched the B-1 bomber in favor of the cruise missile has drawn the heaviest denunciations and warnings of war from Moscow since Carter took office.

At each development — the cruise missile, the July 7 report that a “neutron bomb” has already been tested, and revived talk of accelerating the MX mobile missile program — the Soviets snapped back a new charge that Washington is hell-bent on an arms race which puts a new SALT agreement out of the question.

Privately, Soviet officials indicate that it is not merely the pile-up of this hardware that alarms them, but the strategic posture it implies.

The cruise missile and the neutron bomb, both of which Secretary of Defense Harold Brown wants to deploy with NATO forces in Europe, are in the Soviet view weapons intended for theater nuclear confrontation. Their priority in Administration plans signals to Moscow that the U.S. is going full swing into “local nuclear war” scenarios on several fronts. Brown’s efforts to sell Europe the cruise and neutron bomb and Secretary of State Vance’s proclamation of a one-China policy, intended to win Peking’s firm alliance on a “second front” against the USSR, are bolstering this Soviet perception. At the point where the perception becomes an intelligence estimate that a “limited”

nuclear strike on the USSR or one of its allies is immediately imminent, then the most reliable defensive move under Soviet military doctrine is to launch a combined counterforce and countervalue first strike against the United States.

Red Star, the USSR Defense Ministry daily, published twin articles on July 3 to reveal just where Moscow is looking on the map. One of them reported how Brown, at the recent NATO Nuclear Planning Group meeting in Ottawa, bludgeoned the Europeans to accept the cruise missile. The second detailed Carter’s northern Asia policy of pressuring Japan to arm, take up the regional slack when U.S. forces in South Korea are reduced (to be shifted to the NATO front), and strike a formal alliance with China. The same day the government daily *Izvestia* warned that present U.S. policies could easily touch off a world war in the Middle East or Africa. As Henry Trehwitt of the *Baltimore Sun* commented this week that Soviet-American relations are at a 10-year low, Horst Sindermann, formerly Prime Minister of East Germany, told a Leningrad meeting of Warsaw Pact nation parliamentarians that if the “enemies of detente” are not stopped, the world is headed for nuclear catastrophe.

“Dangerous Undertakings”

The rapid succession of Moscow’s statements in the past week is a grave record of how the Soviets are being

Soviet Delegate: U.S. Forces Step Backwards At Belgrade

Yulii Vorontsov, head of the Soviet delegation at the present agenda talks for this fall’s Belgrade session of the Conference on Security and Cooperation in Europe (CSCE), told a plenary meeting of the talks July 6 that “certain Western countries” had forced a step backwards in the deliberation. That afternoon, Vorontsov’s deputy Sharkov convened a press conference to single out the United States, not the Western European delegations, as the guilty party. A revised Soviet agenda proposal had been rejected, as the U.S. team insisted on its plan to provide for a full review of purported “human rights” violations in the past two years.

According to reports in the West German press, members of the U.S. group exploded in fury at the West Europeans — especially Bonn’s representatives — for not going along with Washington’s insistence on jeopardizing the CSCE with the “human rights” ploy. Bonn is “too susceptible to

Soviet arguments,” a Carter envoy reportedly complained.

On July 7, a meeting in Leningrad of parliamentarians from Warsaw Pact member nations concluded with an open call to the parliaments of all CSCE signatories. It urged struggle for disarmament, for preventing a new world war, and for broad economic and scientific cooperation. All of these tasks are vitally necessary for every nation, said the statement.

More than one speaker in Leningrad urged that the Belgrade agenda talks get the show on the road, since dickering there is delaying discussion on these priority topics. The *Financial Times* of London, however, has reported rumors among delegates at Belgrade that the meeting may be adjourned for the summer without agreement on an agenda for the autumn foreign ministers’ conference.

pushed to the brink.

Sunday, July 3: In *Pravda's* authoritative weekly review column, Oleg Skalkin reported Carter's decision on the B-1 bomber as a go-ahead for the cruise missile and a mere suspension of the bomber. Since the cruise had already been a major block in SALT, Skalkin asked, "Is the United States not deliberately trying to aggravate the difficulties in reaching a new Soviet-American strategic offensive arms limitation agreement?" Skalkin dispensed with every phony claim that Moscow has entered a negotiating process based on Carter's SALT proposals: "The course of events since Secretary of State Cyrus Vance's visit to Moscow (in March) has unfortunately only deepened doubts as to the sincerity of the American administration on this cardinal question."

Tuesday, July 5: When U.S. Ambassador to Moscow Malcom Toon requested a meeting after he was barred from making a Fourth of July "human rights" speech on Soviet TV, he was received for nearly two hours by President Brezhnev. Brezhnev handed Toon a letter for Jimmy Carter, the gist of which was released — in the style of open diplomacy — by the Soviet press agency TASS. Brezhnev blamed Carter for persistently seeking unilateral advantages under a SALT accord, citing the cruise missile decision.

Thursday, July 7: News media in the U.S. cited Congressional sources in confirmation of reports that the "neutron bomb," a warhead designed to kill people by radiation with little damage to buildings, has already been tested in Nevada. In the late afternoon, TASS charged that every arms decision taken by the U.S. government has obstructed SALT. With reference to the neutron bomb, the cruise, the Trident submarine, and the B-1 bomber, TASS commented that the U.S. is apparently seeking some "illusory military advantage" over the Soviet Union — "a tremendous undertaking."

Friday, July 8: An East German radio broadcast quoted "political observers" of the opinion that the U.S. will deploy the MX mobile missile for a first strike on the USSR. (Committee on the Present Danger leader Paul Nitze is urging that the MX is preferable to Carter's too light-handed cruise and Trident submarine programs.)

Strategic Pandemonium

With the initial shock of Carter's B-1 and cruise missile announcement, pandemonium broke loose in the U.S. Exchanges on op-ed pages around the country bore some resemblance to a debate on nuclear strategy, yet since the diverse monetarist factions here converge on a war confrontation course despite their brawling (see National Report), the question would seem to be only how soon we stumble into war. The *Washington Post* published a wild-eyed refutation by Stephen Rosenfeld of

Harvard Professor Richard Pipes' June *Commentary* feature on the Soviet war-fighting posture. Pipes, though professing himself an opponent of "utopian" military thinking and adducing the irrefutable testimony of Soviet generals that *they* are Clausewitzians, advocates a purely utopian program for this country: an arms buildup, more accurate missiles, civil defense construction, etc. Even General Keegan, the retired Air Force officer with a superior appreciation of Soviet technological advances and their military implications, appeared on the pages of the *New York Times*, only to lament that the cruise missile will not be carried by the B-1 bomber.

Carter and members of his immediate entourage, such as press secretary Jody Powell and SALT negotiator Paul Warnke, shredded their threadbare credibility with the astounding prediction that deploying the cruise and the neutron bomb will not effect SALT! Defying the unequivocal wires from Moscow, Warnke then told the *Boston Globe* July 7 that the B-1 bomber was dropped in order to bargain "reciprocal" reductions from the Soviets.

Warnke's bluff was exceeded only by the incredible Presidential Review Memo No. 10 (PRM-10), an "optimistic" strategic posture weeded out of a stack of 200 so-called posture packages by a taskforce of Brown, Vance, National Security Council head Zbigniew Brzezinski, Vice President Walter Mondale, and CIA director Stansfield Turner, with inspiration from Brzezinski's protege Samuel Huntington of Harvard. PRM-10, announced July 8, proclaims the dawn of "Era Two," a new age in which the Cold War and detente will proceed in imagined complementarity.

On Day One of Era Two, however, columnists Evans and Novak reported quiet Carter moves towards fighting a nuclear war in Europe, which will tend to bring curtains down on the new age very soon. Carter has appointed former Vietnam pacification director Robert Komer to assist Harold Brown in strong-arming Western Europe into accepting a NATO build-up and standardization of weapons. Komer's job is to "surmount Western European inertia" — the staunch opposition to these measures from the NATO allies.

West German Chancellor Helmut Schmidt, arriving this week in Washington as the spokesman for European opposition to Carter across the board, will reportedly have a plan for advancing the Central European troop cut talks (MBFR). If European "inertia" (sanity) is surmounted by Harold Brown's new team, and NATO acquiesces to the cruise, the neutron bomb, etc., then the MBFR will go the way of SALT.

—Rachel Berthoff

Schmidt-Carter Showdown Predicted

West German Chancellor Schmidt, arriving in Washington on July 13 as official spokesman of the European Economic Community, is expected to engage in a full-scale showdown with President Carter over the U.S. Administration's belligerent and provocative policies toward the Soviet Union. According to all reports Europe has given detente number one priority as an international issue. Not only do the "West Europeans in general favor a more quiet approach" to the Soviets, as the *New York Times* chose to put it on July 7, but presently Schmidt and Italian Premier Andreotti are embarked on an unprecedented wave of bold East-West-Third World economic cooperation deals in opposition to Carter's drive for war.

A broad series of Soviet proposals are now under discussion for West European participation, centering around nuclear and fossil fuel energy development, as well as industrialization of the raw-materials rich Siberian region. Scant news trickling into U.S. political quarters about these proposed arrangements which also include European efforts to attract Arab petrodollar financing, has provoked hysteria and disbelief, especially in lower Manhattan financial circles. Earlier this week, a Wall Street spokesman frantically insisted in an interview that the West Germans didn't have the financial muscle, nor the arctic technology to pull these

arrangements off, at the same time that he conceded that West German industrialists were thirsting to get them underway.

On July 2, Schmidt openly threw his weight behind these efforts in a groundbreaking interview with the Hungarian newspaper *Nepszabadsag*. Asserting that for Europe, the course "is set for detente," the Chancellor called upon the Soviet Bloc's economic alliance, the CMEA, to create "a new common currency system with overall convertibility" to enable "an expansion in East-West trade." Although West German accounts of the interview do not clarify what Schmidt meant by "convertibility," Professor Robert Triffin, a leading international economist, insisted in an interview last week that Schmidt meant a transferable ruble, and not a ruble convertible with the U.S. dollar.

Additional evidence that Schmidt is indeed throwing his weight behind an anti-dollar T-Ruble came during two days of talks between the Chancellor and Hungarian party chief Janos Kadar in Bonn July 5-6. At a dinner for Kadar on July 5, Schmidt reiterated a standing West German offer to the Soviet Union to become a full participant in the North-South dialogue between industrialized and developing countries. Significantly, he added that the best forum for achieving this participation would be the European-wide conference on energy and environmental

Economist Triffin Sees 'Europa' As Basis For European Use Of Transfer Ruble

The following is an excerpt of an interview with Yale economist Robert Triffin by the EIR on July 5. Triffin participated in drafting the genocidal RIO report by the Club of Rome.

Q: West German Chancellor Schmidt has recently called for implementation of the Soviet transfer ruble as a basis for increased East-West trade. It is curious that Schmidt referred to "convertible" ruble, although the Soviets have been quite explicit that they are not proposing convertibility at all. In other words, the Soviet proposal is for use of the transfer ruble to be tied to real development projects and will not permit it to be used for speculation.

A: Actually, Mr. Schmidt is well aware of the difference between a transfer ruble and convertibility and could not possibly have had the latter in mind. Mr. Schmidt knows the Soviets would never accept it. There is a great deal of interest in transferability especially among the Hungarians and the Poles. The Germans do want a transfer ruble and Schmidt's statement is an indication of an opening very beneficial to everyone concerned.

Q: *Corriere della Sera* recently indicated that the Europeans are again discussing the "Europa". Are you aware of this?

A: Yes, they see the "Europa" as the way to set up arrangements with the Soviets, to trade on a more balanced and rational basis. There was a meeting in Rome June 17-18 where (Italian Treasury Minister) Stamatii, (French President) Giscard and Magnifico of the Bank of Italy endorsed the idea. It would have a gold backing; the Italians in particular are insisting that their gold reserves be used. Indications now are that as part of the deal, Eurodollar deposits would be outlawed in favor of "Europa" deposits. The "Europa" is seen, especially by the Germans, as the way to get a joint European currency which would remove Europe's dependence on the dollar.

Q: Who in Europe is working out the details of the "Europa?"

A: I support the transfer ruble (sic), Lord Cromer certainly does, Baron Lambert my good friend is in favor of it. Tindemans, Magnifico, yes. I suppose Hambros and Jeremy Morse at Lloyds do too.

problems, proposed by Soviet President Brezhnev.

In his *Nepszabadsag* interview, Schmidt also praised Kadar as "one of the most gifted politicians in Europe (who) is looking into the future." The Soviets reciprocated Schmidt's overtures in an interview by Polish Party chairman Edward Gierek in West Germany's Social Democratic Party weekly, *Vorwaerts*. Here, Gierek emphasized the standing offer of the CMEA for the convening of "bloc-to-bloc" negotiations on economic cooperation with the EEC.

Finance and Energy

The confrontation between Western Europe and Washington is peaking around two related economic problems. Expanding East-West trade and related triangular deals with developing countries immediately poses the urgent problem of creating new international financial institutions not under U.S. dollar control. Secondly, as a key component to its growing commitment to long-term industrialization, Europe is formulating plans for new energy resources. In their totality, the energy plans being implemented by both East and West constitute an integrated program for Europe from the Atlantic to the Urals, and entail definite efforts to bust up Washington's international uranium and nuclear fuels cartel.

On July 5, Schmidt and French President Giscard signed a treaty creating a joint nuclear energy corporation for manufacturing and exporting fast breeder reactors. Italy, Belgium and Holland will participate in the agreement as junior partners. *Le Matin de Paris* reports that the Soviet Union "looks favorably upon" the contract. During the recent summit meeting between Giscard and Soviet leader Brezhnev, detailed discussions were held between energy specialists from both countries on technical collaboration on fast breeder development. French media reported the talks as striving for the creation of "an atomic Europe."

On July 8, a team of Soviet nuclear experts arrived in Bonn for discussions with nuclear energy related corporations. Moreover, intense disputes are presently occurring within the EEC energy commission to persuade Britain to give its backing to an EEC thermonuclear fusion program.

The total of Soviet energy cooperation offers to Western Europe was detailed on July 6 by West Germany's industrial daily *Handelsblatt*. At the Belgrade European Security and Cooperation consultations, according to this journal, the Soviets have been pressuring the EEC countries to approve the convocation of a "bloc-to-bloc" conference which would deliberate on plans for Western European participation in the internal Soviet bloc 1981-90 energy expansion program, which encompasses the Soviets' commitment to rapid development of internal fossil fuel resources. As *Handelsblatt* indicated, the effect of the program would be to order European energy supplies and facilities, down to regional and sub-regional levels of consumption, under

one growth plan.

The energy projects underline the necessity for a quick resolution of Europe's financial ills. An informed New York investment bank source has reported rumors that Kuwaiti financial interests are seeking to funnel between \$1 and 2 billion into Siberian agriculture and industry, in deals with West German participation.

Political analysts in New York and Washington last week admitted they had received reports the West Germans may soon give the Soviet Union a "grace period" or "even a debt moratorium" on its outstanding debt to West German banks.

These rumors were substantiated by an unusual article which appeared July 2 in the West German daily *Frankfurter Rundschau*. Across a full page, the *Rundschau* sang praises to the Siberian development project, highlighting an interview with Walter Hesselbach, executive of the trade union owned Bank fuer Gemeinwirtschaft. Hesselbach asserted, "The fears of banks that the Soviets would ruin our capital markets are completely unjustified...the interest of the Soviets is to get technological know-how." An economic depression in the west, he added, is not in the Soviets' interests because it injures detente.

An additional feature of the deliberations on creating new financial institutions is discussion within the EEC of reorganizing domestic finances and dollar-denominated debt structures. This discussion is being conducted publicly in Italy, where the leading financial daily *Il Fiorino* called for a moratorium last week on debts of small-sized industries. Reporting on a conference of small industrialists in Rome, *Il Fiorino* challenged the Italian Communist Party platform for "debt consolidation," and demanded: "We must speak clearly. Debt consolidation does not mean anything. We must say whether or not we want to pay our debts. After that, we will know where we stand."

Importantly, Italy's Andreotti has firmly rejected the possibility open to European financial quarters of breaking with the dollar only to implement a European-controlled, "independent" austerity regimen on the continent. Andreotti's firm rejection of this approach was voiced in an interview in Italy's *Il Giornale* with Cassa di Risparmio chief Dell 'Amore, an unofficial spokesman for the Premier. Dell 'Amore denounced the suggestion, put forward by London Rothschild-based interests and supported by Italian Central Bank director Magnifico, that Europe break from the dollar by creating a new currency, the "Europa." Dell 'Amore answered that creation of a new currency *pese* is "neither necessary nor sufficient." What is needed instead is a European central bankers' bank which would pool European gold and hard currency reserves. In contrast to the "Europa" austerity scheme, this bank — through treaties linking it to a Comecon currency as proposed by Schmidt — could finance trade expansion and internal economic development.

— Renée Sigerson

International Monetary Collapse Fuels Rockefeller-Rothschild Warfare

A consensus has emerged among all informed Washington circles within the last few weeks that the collapse of David Rockefeller's financial holdings, led by the notoriously mismanaged Chase Manhattan Bank, is not only inevitable, but is now also *imminent*. This realization has precipitated one of the most ruthless — and most important — factional battles yet seen over the crucial questions of how, when, and by whom the international monetary system will be reconstructed.

At this point, there are basically three principal contending options up for consideration in the USA.

One is the U.S. Labor Party's proposal for establishing a Hamiltonian Third National Bank of the United States. Only this option — in conjunction with the Labor Party's broader International Development Bank perspective — offers a competent means for extricating the world economy from its current mess and putting it on the road toward rapid economic recovery and expansion.

The second proposal is the so-called FINE (Financial Institutions and the National Economy) proposal developed by Fabian fascist Congressman Henry Reuss. This "banking reorganization" alternative has a global counterpart that specifies replacing the International Monetary Fund with a beefed-up World Bank as the financial enforcer of labor-intensive "development" programs for the Third World. Both plans are favored by Rothschild-linked "Our Crowd" New York investment banking firms of Kuhn Loeb, Lazard Freres, Lehman Bros. and their networks. That gang wants Rockefeller out of the picture to save their own financial hides — so they can impose their own, equally incompetent brand of monetarist austerity.

A third option is represented by the so-called Unified Bill being pushed by Congressional conservatives. This proposal seeks the benefits of large capital investment and high technology economic growth secured by the Labor Party's Third National Bank plan. But because it would operate within the overall framework of the monetarists' debt structure, it too would lead to massive austerity — and leave the monetarists in control.

Get David Rockefeller

While the "Our Crowd" bankers have been contemplating dumping the Rockefellers for some time, the looming collapse of Chase Manhattan has spurred them into a major campaign to finish David off for good. Using the scandals of the Rockefellers' involvement in the New York City financial crisis and their huge amount of bad loans to the Third World as a pretext, the "Our Crowd" gang is stumping for Reuss's sweeping reorganization of the U.S. banking system and international lending institutions.

This "anti-Rockefeller" operation broke out into the open June 25, when Lazard Freres' friends at the *Washington Post* gave prominent coverage to a report

"exposing" the already widely known fact that many Third World countries are on the verge of defaulting on their debts to New York commercial banks. The report was authored by Harvey Wachtel of the Transnational Institute, an offshoot of the notorious "New Left" Washington think tank, the Institute for Policy Studies, the prime controllers of international terrorism.

In an interview with this news service, Wachtel indicated that the aim of his report was to get the Reuss FINE banking reorganization scheme off the ground. Volunteering that "Reuss has a profound understanding" of the measures that need to be taken to maintain non-Rockefeller, monetarist control over the international monetary system, Wachtel said that the Congressman's "FINE ... is what has to be done. What the FINE study goes into is the tremendous underregulation of the New York banks. Look at their Caribbean off-shore operations. Nobody regulates it, nobody knows what's going on down there...."

Paralleling Wachtel's attack, a House Banking Subcommittee staffer explained plans for forcing the International Monetary Fund to borrow money on the open money markets — a maneuver that would force the New York banks to perform their own bailout operation. When the New York banks failed to generate the necessary credit, the Eurodollar market would collapse: supporters of this scheme reportedly include John Kervisher of the Bank of England, Kennedy Administration economist Peter Kennan (now at Princeton) and former Brookings Institution staff member Robert Soloman, presently in the Monetary Affairs Division of the U.S. Treasury Department.

An aide to Congressman Michael Harrington (D-Mass) took this scheme a step further. Since the IMF's role is exclusively that of a bail-out mechanism, he said, "with no credits for development," provided, its operations should "be transferred to the World Bank." Robert McNamara would then resume his role as chief overseer of slave labor in the underdeveloped sector. The aide singled out the recent appointment of former Secretary of State Henry Kissinger to advise Chase Manhattan's International Operations Divisions as a particularly "scandalous" aspect of the New York bank's dealings, and promised that congressional hearings will be held within the next month to "raise consciousness" of the Rockefeller family operations.

The barrage of attacks on Rockefeller continued with a laudatory review in the *New York Times* by neo-Keynesian economist John Kenneth Galbraith of a newly published book: *The Abuse of Power: The Permanent Government and the Fall of New York*. Coauthored by *Village Voice* "new left" reporter Jack Newfield and Paul Du Brul, the book, which Galbraith says "could be the best piece of urban journalism since Lincoln Steffens," attacks the "permanent government" of bankers (led by David Rockefeller) and "big real estate owners"

Transnational Institute Proposes 'Austerity' And 'Human Rights'

Harvey Wachtel, economics advisor for the Institute for Policy Studies-linked Transnational Institute, recently published a study on the state of Third World debt. Wachtel stressed that the Third World nations are unable now to meet their debt obligations and are supposedly calling for commodity indexation to help meet that demand. Wachtel, whose study warned that repressive measures were needed to force debt repayment, was concerned that this be done without "having an impact on human rights," which would be opposed by what he calls "isolationist" or conservative opponents to such a plan.

Q: I heard about your new study and am wondering if the situation you describe will result in defaults...

A: Probably not default...yes, there's a threat of default, but it won't be default....I think that the threat will probably provoke more lending by the International Monetary Fund to these countries. Of course, that lending will have strict conditions. Those conditions will demand austerity and will have an enormous effect on your internal political structures. You know, like increasing repression, lack of human rights. The U.S. government will give the increased funding to the International Monetary Fund and that money will be paid by the Third World countries right back to the New York banks. It won't be a direct bail-out...the administration will launder the money, to use a Watergate term, through the IMF...

Q: That's an interesting use of the term Watergate, especially in light of the well-known composition of the Carter Administration...you know, the Trilateral Commission, David Rockefeller...

A: Oh, yes, yes, I know what you mean.

Q: Who is beginning to understand these ideas in Congress?

A: Oh, well. (Rep.) Tom Harkins (D-Iowa)...(Rep. Toby) Moffett (D-Mass)...(Rep. Michael) Harrington's (D-Mass) beginning to figure this out... (Senators) Abourezk and McGovern (D-S:D:... and (Sen.) Frank Church (D-Idaho) and his aide Jerry Levinson. Oh yes, and (Rep.) Henry Reuss (D-Cal). Reuss has a profound understanding of this. Are you familiar with his Financial Institutions and the National Economy study (FINE)?

Q: Yes...is that what you think should be done?

A: Yes. What the FINE study goes into is the tremendous underregulation of the New York banks (Wachtel gives description of off-shore banking in the Caribbean)...Nobody regulates it, nobody knows what's going on out there.

Q: What if the Third World actually defaults...aren't the FINE recommendations too late then?

A: They're not going to default...if it ever came close to that the New York banks would be able to pressure the necessary re-financing through the IMF.

Q: Do you really think they can get that through Congress?

A: Well, it's true there's a lot of isolationist sentiment growing, but I still think they'll be able to push it through...I think you should read my study...There's a chapter in there where I compare what the banks have done to Peru to what they've done in New York City...It's important to realize that what we want to do is fight very hard to make sure that these lending conditions do not lead to repression or have an impact on human rights...

which has taken over New York City and implemented massive budget cuts to ensure that the city does not default on its loans.

The biggest public bombshell so far though, is a brutal attack on David Rockefeller's incompetent management of Chase Manhattan, appearing in the July issue of *Fortune* magazine. Noting that Chase's "operating problems have at times been terrible, the quality of its loan portfolio exceptionally weak, and its financial performance ... inferior," the article threatens to precipitate a full scale run on Chase Manhattan or at the least a move to dump David Rockefeller, whom the article charges has "flunked" as Chairman of the Board.

Government Investigations

Even more direct moves against the Rockefeller interests are already afoot. Parallel investigations into the New York banks' dumping of city securities in 1974-75 are

being conducted by the Securities and Exchange Commission and the New York State Legislature's Legislative Oversight Committee. Last week, the officers of four lower Manhattan banks — Chase Manhattan, Citibank, Bankers Trust, and Morgan Guarantee — opened themselves up to possible contempt citations, court action and jailing by refusing to comply with a subpoena requiring them to submit documents concerning the securities dumping investigation. The SEC will issue a comprehensive report on the "financial improprieties" of the New York city crisis which is expected to provide further momentum to the "Get Rockefeller" drive.

On the other conservative side of the fence, where sentiment against bailing out the bankrupt Rockefellers is far stronger, a counter to the Fabian FINE proposal has surfaced in the form of three bills going under the joint title, "A Unified Bill to Declare a National Policy on

Investment in the Private Sector.” Though superficially more rational than the “Our Crowd” proposals, because it contains a heavy emphasis on increasing private sector investment in capital development and high technology, the “Unified Bill” betrays the fact that it is operating within the framework of maintaining the overall monetarist debt structure when it goes into the question of how this development program is to be financed: “Improvement in plant and equipment and the financial resources for working capital are affordable only from savings. Namely that part of income which citizens and their private enterprise decide to put to work for future benefits rather than their being directly presently consumed.” In this context “savings” means workers’ pension funds and bank accounts and points the way toward the kind of looting typified by Hitler’s “People’s Car” swindle — though such plans are not spelled out in the Unified Bill itself.

The Rothschild forces’ “solution” to the monetary crisis is even more oriented toward austerity. Galbraith, the great defender of New York City against the depredations of David Rockefeller and his fellow bankers, is an outspoken proponent of wage controls. In the same spirit, Wachtel told a reporter that while a federal bailout of the New York banks in the face of a

Third World default was inevitable, repressive measures would have to be instituted in these countries to enforce debt repayment. “What we want to do,” Wachtel commented, “is to see that these lending conditions don’t have an impact on human rights.”

The FINE proposal, meanwhile, consolidates control over the economy into the hands of the “Our Crowd” investment bankers, wiping out the regional banks — the main source of credit for agriculture and industry — in the process.

The real danger in this situation is that the basically anti-monetarist Whig forces in the U.S. will continue to allow themselves to be bound by the monetarist rules of the game. While dead set against a taxpayers’ bailout of Wall Street, as the recent House vote judoing “human rights” to prevent U.S. funds from going to the IMF and World Bank indicates, conservative forces have not yet fully accepted the immediate need for junking the entire monetarist debt structure, and going with the “American System” perspective embodied in the USLP’s Third National Bank proposal. Though the Labor Party’s program is being widely and intensively discussed in Washington and other power centers, Whig layers are still vulnerable to being suckered by such schemes as the “Unified Bill.”

Carter Under Fire; Mondale Grabs For Power

This week Washington witnessed a sharp escalation of the see-saw battle between the Rockefeller and Rothschild financial empires for control over the White House policy making apparatus. While Jimmy Carter and his Rockefeller-Trilateral Commission patrons came under increasing attack for "not taking the steps necessary to avert disaster" at home or abroad, Vice President "Fritz" Mondale, backed by Hubert Humphrey's congressional clique and "Our Crowd" Jewish investment houses in New York, engaged in a major power play to judo a sweeping White House reorganization plan to his own advantage. The plan, released July 6, recommends cutting the President's White House staff by 30 percent while leaving the Vice-President's staff intact.

Other significant features of the reorganization proposal include depriving former Trilateral Commission executive director and National Security Advisor Zbigniew Brzezinski of control over domestic National Security Council operations. Instead, White House domestic policy counselor Stu Eizenstadt, a former aide to both Mondale and Humphrey, would head up a parallel NSC for domestic affairs, euphemistically called a "policy staff management system." This would emulate the functioning of the NSC, including preparing "Presidential Review Memos" to influence Presidential policy making.

Although both monetarist factions generally agree on a short-term war perspective, at stake in their fight is tens of billions of dollars in the next Federal government budget deficit, a slew of slave labor and workfare programs concocted by Mondale and Humphrey, and hundreds of billions of dollars in pension funds. As a result of this falling out among thieves, the New York banking factions are ripping each other apart.

Beginning July 4 the Rothschilds declared their independence from their one-time alliance with the Rockefellers in a syndicated column by Jack Anderson, which warned that Carter's policies were leading to "social upheaval and revolution."irate over David Rockefeller's demands to be bailed out first at the expense of other financial factions, Anderson targeted "the new decision-makers in the White House, influenced as they have been by the Rockefeller-sponsored Trilateral Commission, (which) are bailing out the banks. One of the biggest, of course, is the Rockefeller-controlled Chase Manhattan Bank." Subsequent attacks emanating from the same circles blasted Carter for wrecking East-West detente, promoting regional conflict, and repaying old campaign debts with Presidential favors.

Mondale quickly took advantage of the building Cartergate climate to make his move. The effects of his

proposed White House reorganization, ostensibly the work of Office of Management and Budget director Bert Lance according to the *New York Times* and *Washington Post*, are already being evidenced by a sharp Administration shift in course over the last few days toward endorsement of the entire array of New Deal social fascist policies favored by Mondale, Humphrey, and the Rothschilds. This week, the Administration officially announced that it will not keep the lid on welfare spending costs, and that it will give big tax breaks to low and middle income families, both policy reversals credited to the inside lobbying of the Vice President. In a speech in Minneapolis this week, Mondale personally defended Congressional appropriations for Health, Education and Welfare which exceed levels that Carter, on the advice of Lance, has threatened to veto. Mondale has also publicly announced that the Administration would go along with an increase of \$1.5 billion in federal education spending, a full half-billion over the level which Carter heretofore favored.

Rothschild press conduits are grinding out copy on Mondale designed to give him a high profile and win public acceptance for his stepping in to fill Carter's Presidential shoes. The July 7 *Christian Science Monitor* carried an exclusive interview with White House legal counsel Robert Lipshutz stating that Carter has delegated to Mondale "the final sign-off in three or four" substantive policy areas. Headlined "Mondale Wins More Leeway," the interview also quoted Lipshutz emphasizing Carter increasingly is "leaning on" his number two man, that Mondale "relieves him (Carter) in a number of substantive ways." The interviewer concluded: "The Lipshutz disclosures show how important the Vice-President has become not only in advising Mr. Carter on the whole range of domestic and foreign policy issues — and also in easing his executive load..."

Further evidence of the Mondale faction's tightened hold over the Administration emerged this week with the appointments of several former Humphrey and Kennedy aides to important ambassadorial posts: Bill Vanden Heuvel as U.S. Ambassador to the United Nations in Geneva; Lewis Lerner as Ambassador to Norway; Leon Kaiser as Ambassador to Hungary; and Adrian Fisher, an "Our Crowd" insider, as Ambassador to the Disarmament Conference. The Mondale-Humphrey power play asserted itself even more daringly with the appointment of Charles Ruff as Deputy Inspector General of Health, Education and Welfare (HEW). Ruff was named several weeks ago as a member of the "Mondale gang of four" conspiracy to usurp power by one-time Nixon ally William Safire.

Mondale's shameless grab for power has sparked the most intense factional warfare inside the Carter Administration to date, as the Rothschild and Rockefeller factions struggle to come out on top of the accelerating U.S. monetary collapse. Humphrey protégés Reps. Henry Reuss (D-Wis) and Parren Mitchell (D-Md) launched broadsides against fiscal conservative Federal Reserve Chairman Arthur Burns, an ally of big New York commercial banks, in July 7 Congressional hearings where the two Representatives demanded Burns' immediate retirement. To no one's surprise, Reuss, Chairman of the House Banking Committee, has offered to replace Burns himself. Reuss, Mondale, and Humphrey are all faulting Burns' unwillingness to approve a hyperinflationary Congressional spending orgy on the way to a 1978 fiscal deficit of \$65 billion. The New York investment banks behind the Mondale coup are angling to gain the inside track on managing the marketing of the huge volume of government debt created to finance the deficits and are hoping thereby to make sufficient profits to cover their large trading losses elsewhere.

"Counterattack"

At the same time, the targets of the Rothschild offensive, both in and out of the Administration, are attempting to strike back. A fuming Arthur Burns counterattacked at the hearings and blasted his opponents for wanting to turn control of the nation's monetary affairs to a political "hack in the basement of the White House." The Rockefeller-allied *New York Times* in a lead editorial the same day fulminated that inflation was out of control and that the Administration's various initiatives were proving unsuccessful in corralling it.

Bert Lance, a local yokel of the Atlanta banking Mafia, caught in the middle of this brawl, may be bounced out of the Administration altogether. Agreeing with Burns that "fiscal restraint" and a balanced budget are necessary on the one hand, Lance also is an advocate of low interest rates and easy money. Most observers agree Lance is caught in this schizophrenic bind because of personal worries over his near-bankrupt National Bank of Georgia, the fourth largest bank in the state. One moment Lance is arguing with Burns, the next denouncing Reuss' Senate counterpart William Proxmire (D-Wis) for his unsound banking proposals. In between, Lance is fighting furiously to maintain his leverage in the Administration via the White House reorganization plan. Despite the fact that his office is alleged to have drafted the proposal, Lance stands to lose 80 staffers from his OMB. Knowledgeable Washington observers speculate that Lance is being set up for a fall by being given credit for the White House reorganization plan. Such high profile publicity makes him a highly visible target for both financial factions to vent their spleen on.

An *EIR* interview with one of Humphrey's chief aides this week bears out such speculation. Queried about reports that Lance's powers might be augmented by the White House reorganization, Humphrey's spokesman laughingly dismissed Lance as an unsophisticated "rube" struggling to keep both his head and his bank above water. In sharp contrast, there was enthusiastic applause from this quarter on Eizenstadt's increased influence at the expense of NSC head Brzezinski. "That's tremendous. He (Eizenstadt) already has an incredible influence as it is. I'd be for increasing it. You know, he used to work for Humphrey," the aide said. He was equally frank about what Humphrey expected from Mondale's successful consolidation of power in the White House: "The Humphrey-Hawkins bill is our number one priority. We're negotiating with the Administration about this now. (Labor Secretary) Ray Marshall is a strong advocate, and, of course, Mondale definitely favors it...It's conceivable that Mondale will help Humphrey lobby with Carter for the bill, but Humphrey carries his own water."

The U.S. Labor Party is the wild card in this Rockefeller-Rothschild slugfest. In a three-minute segment aired on NBC-TV's Nightly News July 5, NBC peeked into the "NCLC File" to watergate the FBI for its Cointelpro operations against the USLP's parent organization, the National Caucus of Labor Committees, and to target the Rockefellers and their one-time Attorney General Levi's guidelines.

David Brinkley introduced the segment, saying: "Among the sensations in Washington in the last year or two was the discovery that the FBI, CIA, and IRS had been snooping and spying on people in great numbers, often illegally and without reason. There were promises that it would stop, that Congress would stay on top of it. Carl Stern reports in at least one case, neither has happened." The segment opened with visuals of Levi and his guidelines, followed by the statement that NBC news had uncovered evidence that illegal COINTELPRO operations were still going on, accompanied by a picture of the NCLC's Washington headquarters. After an interview with NCLC National Committeeman Richard Cohen, NBC presented testimony from local police refuting FBI charges that the "NCLC is violence-prone." NBC reported, "Local police in cities where the FBI has charged violence, and where this could not be substantiated said the NCLC is not violent, just a nuisance."

While both Rothschild and Rockefeller monetarist factions will increasingly be tempted to use each other's dirty tricks against the NCLC and the Labor Party as a club against the other in the factional warfare, the danger for both is that their "exposés" will get out of control and sweep them out of power along with their opponents, as the potential for an American Whig alliance of business and labor behind the USLP Third National Bank program continues to increase.

Carter Policy Assailed In U.S.

Following are excerpts from articles and interviews with columnists in leading national press, as well as remarks by Sen. Barry Goldwater (R-Ariz.), attacking the Carter Administration on aspects of both foreign and economic policy. Leading the flurry of sometimes veiled, but nevertheless obvious attacks, was a July 4 Jack Anderson column which named the Trilateral Commission headed by David Rockefeller as responsible for Administration policy.

Washington Post, "Carter Responsible for 'Deterioration of Détente' ", July 7, page 1:

(Reporting on Soviet President Brezhnev's two hour meeting with U.S. Ambassador Malcom Toon): ... dealing with the human rights issue and other controversies that have brought an unprecedented air of crisis to the relations between the Soviet Union and the Carter Administration.

Washington Post, July 6, page 1:

Carter came to office proclaiming that the Cold War had ended, one participating official noted, but Huntington (The Presidential Review memo's author —ed.) latest draft says instead that we are now in "Era Two" of the cold war. The document treats the Soviet-American relationship as the overriding issue of American diplomacy and military strategy, and makes few if any concessions to the vision of a new international order that Carter evoked in his presidential campaign and in rhetoric since Jan. 20.

New York Times, July 6, editorial page feature by General George Keegan, Jr., former Chief of Air Force Intelligence:

By its decision to cancel production of the B-1 bomber, the Carter Administration has resolved all doubt about its perception of the Russian threat, and the character of its approach to peace and security.

The decision leaves little room for confidence and... we are observing a repetition of the ignoble military unpreparedness of the 1930s... Jimmy Carter is the last President of the United States who has time to assure that his successor Presidents will not have had all of their options for peace mortgaged by the failures of one man to make the capital investments necessary to assure adequate safeguards against the ever-escalating propensities of dictatorships to make war.

EIR interview with Eugene Rostow, founder of the Committee on the President Danger, July 6:

(Discussing his findings after a two month stay in Turkey, he describes Carter's policy): Our policy, U.S. policy is insane. It only makes matters worse, this embargo and whatnot... If you want to know what I really think about the situation, I think it stinks. Carter is terrified, absolutely terrified about what is going on in Turkey. He's terrified by the drift: the drift! Turkey is drifting away, and he knows it and he won't do anything about it. It's an impotent government... even more than Ford's! There isn't a damn thing they've done right since

they came in. Look at the Middle East, Africa, the Aegean. But even worse is Asia... I've told Washington to shape up. I've talked to Brzezinski but he defends Carter. The whole Administration should be locked up and put away on the 7th floor of the State department with Habib. I'm disgusted.

Washington Post, July 6, "The Cool White House" by columnist David Broder:

There are plenty of challenges lying just ahead. This month brings Menahem Begin to Washington. There is no guarantee that American hopes for a broad Middle Eastern peace settlement will still be intact after his visit... As this is written (knock on wood), Carter has been spared the sort of early-in-the-term crisis that has become almost a standard part of presidential experience... In time... President Carter and his associates will face such a moment of crisis themselves...

New York Times, July 7, William Safire:

The Atlanta -based Coca-Cola Company's long-term investment in Jimmy Carter has begun to pay off.

Campaign contributions from Coca Cola executives swelled the Carter coffers when he was Governor... Coca-Cola chairman J. Paul Austin hosted a luncheon in New York's "21" to raise a major bundle for the Carter Presidential campaign.

That was the investment: here is the return: (1) *Proposed windfall payments benefiting sugar processors...* (2) *Using the Carter connection.* (emphasis added —ed.) On June 4, Coke's J. Paul Austin went to Havana to meet with Fidel Castro. Upon his return... Austin met in the White House with his friend, recent Coca-Cola stockholder Jimmy Carter... The White House insists that Mr. Austin was not sent as an emissary... If this is an open Administration, let's get some answers: What non-business matters did he discuss with Mr. Castro? What business-related matters did he discuss with Mr. Carter? Should a President send a campaign contributor with "personal greetings" to another chief of state when he knows it is a gambit for a business deal?

The Carter-Coke-Castro sugar diplomacy is not merely a potential conflict of interest. It's the real thing.

Washington Post, July 7, Jack Anderson's column:

President Carter has not taken the steps necessary to avert disaster... Thus the new decision-makers in the White House, influenced as they have been by the Rockefeller-sponsored Trilateral Commission, are bailing out the banks. One of the biggest, of course, is the Rockefeller-controlled Chase Manhattan Bank.

Christian Science Monitor, July 7:

In his inaugural address, President Carter said: "We will move this year toward our ultimate goal — the elimination of all nuclear weapons from this earth." Six months later the administration is readying the cruise missile, considering further development of the neutron bomb; and has been disappointed in its hope for a summit meeting with Soviet President Leonid Brezhnev... This

near-deadlock, if not crisis, in Soviet-American efforts... unexpectedly followed a hopeful legacy from outgoing President Gerald Ford. Former Secretary of State Henry Kissinger had initiated negotiations... which seemed promising...

(The article continues to outline how the Administra-

tion has failed in each of its efforts to carry on since Carter took office.)

Baltimore Sun, July 7:

(Quoting Soviet President Leonid Brezhnev saying Carter is "personally an obstacle to peace" and calls for a return to Kissinger-Ford policy.)

Detroit Free Press Exposes Illegal Funding Of Carter's Michigan Primary

An article appearing in the Detroit Free Press July 4 has provided full documentation of how embezzled monies were funneled into Jimmy Carter's primary campaign effort in Michigan state. Although not stated in the article, it appears that the illegal money was recorded in Carter financial reports filed with the Federal Elections Commission.

The story has now been picked up by the Detroit News. According to reporters for the Free Press, their investigation is still ongoing.

Named in the article as principle conduits for funds used to bolster Carter in the 1976 Michigan primary, which he then won by less than 2,000 votes over Udall, were lawyer Louis Lee, who was functioning at the time as political-fund treasurer to Detroit Mayor Coleman Young, and James Ellsberry, then director for minority communities for Carter's campaign. Ellsberry has been linked to similar operations in California and in New York City where he is now working for Manhattan Borough President and mayoral candidate Percy Sutton. Lee, now disbarred, appeared yesterday in Records Court here to be officially charged with two counts of embezzlement concerning the charges in the Free Press article.

According to the reports today, Lee tried to have the charges reduced to "attempted embezzlement," to which he said he would plead guilty. The court has not ruled on the request.

As is widely known, a thorough-going investigation of Carter campaign financial practice in the primaries and in the November 1976 general election, not only in Michigan but in any number of other key states, would not only disclose major financial irregularities which the Administration-linked FEC has refused to investigate, but would inevitably converge on other domains of evidence that Jimmy Carter is not the lawfully elected President of the United States today. The Michigan suit implies the need for a careful examination of all Carter financial reports, where it will be found that the largest amount of questionable and unaccounted for funds disbursed at city, state and national campaign levels is in correspondence with the broad evidence of November 1976 vote-fraud: such funds were filed with the FEC under the notorious "Get Out The Vote" category. All the circumstantial evidence cited in the Free Press article points to just such a use for the em-

bezzled monies in question there.

The following are excerpts from the July 4 investigative story by Free Press reporters William Mitchell and Remer Tyson, headlined, "Mayor's Former Fund Chief Gave Illegal Aid to Carter":

One of Mayor Young's chief fund raisers, using a money order scheme, illegally switched money from the Mayor's political account to Jimmy Carter's campaign on the day before Michigan's 1976 presidential primary, the *Free Press* has established.

This is the first evidence that the Carter campaign got any of the \$113,467 that disbarred lawyer Louis R. Lee took from the Mayor's political fund and a private trust Lee administered.

Records show that Lee converted at least \$5,400 from the Mayor's fund to the Carter campaign by buying money orders in the names of persons who say they neither made those contributions nor authorized Lee to use their names.

... of the money taken from the funds by Lee, some \$70,000 is still unaccounted for. There are indications that part of that money was illegally funneled into the Carter campaign.

Managers of Carter's Michigan primary campaign said they were unaware of any illegal contributions and opened their financial records to *Free Press* reporters...

The young democratic lawyer expected to get a high position at the Democratic National Committee or even an appointment as a special counsel to the President after Carter won in November.

... because he was authorized to sign checks on the Mayor's political account, Lee was able to withdraw \$38,000 between May 11 and Aug. 27, 1976, with no questions asked.

Lee withdrew \$72,667 from the private trust of Detroit bar owner Bobbie Joe Hudgins, which Lee administered, from January to Oct. 27, 1976.

In an attempt to cover the withdrawals from the Mayor's fund, Lee deposited \$33,500 of Hudgins' money into the Mayor's account in October 1976.

By the time Lee began making his withdrawals from Young's fund in May 1976, a huge Carter lead over liberal democratic Presidential candidate Morris Udall in Michigan had dwindled to almost nothing.

... on May 18, Carter won the Michigan primary by

1,820 out of a total of 703,702 votes cast.

Lee's legal and political career appeared to be on a steep rise. After Carter received the Democratic presidential nomination, Lee went to work for the Democratic National Committee in Washington.

But back home in Detroit, the Michigan State Bar

Grievance Board was conducting hearings that showed Lee mishandled two simple divorce cases that paid him only \$250. He was disbarred Jan. 25, 1977, five days after Carter was inaugurated, and the disbarment was followed by disclosure that the other money was missing.

* * *

Where Carter's Energy Program Now Stands In Congress

Nearly three months after President Carter first outlined his "comprehensive energy program" on April 20, the Administration's National Energy Act is slowly winding its way through Congress. Despite the militant statements of many Congressmen denouncing the program, Congress has thus far endorsed it in practice, with only minor modifications and compromises. At a slow but steady pace the Carter energy program is moving towards enactment.

Both major aspects of the Administration's program are still intact: the elimination of an advanced nuclear energy option — particularly thermonuclear fusion power; and the establishment of a high energy price policy. If Congress indeed passes the Administration's "sky is falling" energy program, the result will be the destruction of the U.S. economy. As in Hitler's Germany, where the economic policies of Nazi Finance Minister Hjalmar Schacht reigned, the U.S. will move into an economy where labor-intensive industry will replace energy-intensive industry.

Syndicated columnist Joseph Kraft, writing in the July 7 *Washington Post*, emphasizes that "Carter's energy program is still remarkably intact.... Most of the reporting has featured day-to-day blows struck against the program by Congress. But in the perspective afforded by the current congressional recess, the truly impressive fact is how much of the program has passed intact through the early tests."

Kraft continues: "Once an energy program is under way, it generates a logic of enormous force. Thus, if a good part of the program gets through now, which seems likely, the missing parts could easily be supplied in one-shot pieces of legislation during the years to come."

A factual comparison between the energy goals outlined by Jimmy Carter in his April 20 address and the Congressional action taken to date is presented in chart form below. It should be noted that Congressional action at the time of this writing has been limited to House committee action, except for the Energy Research and Development Agency's nuclear budget which will be voted on separately in both houses this month. Aides to the House Ad Hoc Committee on Energy — a special committee with final House jurisdiction over the National Energy Act — predict a vote on the Act will not occur until fall. Since the Senate has taken no committee action, these same committee sources predict that the entire package will not be passed until a new session of Congress convenes next January.

The attached chart gives a clearcut demonstration of where the energy battle now stands. The information presented in this chart provides not only the "facts" in terms of congressional action vis-a-vis Carter's intended goals, it also establishes the program necessary to be enacted if real energy growth and development is to occur — the program developed by the U.S. Labor Party. The political background to this energy battle is summarized below.

Nuclear Energy

Nuclear energy is the main parameter of any policy purporting to solve the energy crisis. Nuclear fission power — particularly the fast breeder reactor — is necessary as a transitional source of energy. Only thermonuclear fusion power can provide the nearly unlimited amounts of energy needed if rapid worldwide industrialization is to occur.

FUSION: As the chart demonstrates, Congress has gone along with Carter's phaseout of funding levels for fusion power. While the House Science and Technology Committee has recommended a token increase in funding, the Senate Energy and Natural Resources Committee has upheld Carter in toto. Most congressional sources predict that both the full House and Senate will endorse the committee recommendations with only a limited floor fight. This, coupled with a further 8 percent reduction being pushed by Carter for next year's budget, will reduce the combined overall fusion budget for both magnetic and inertial confinement from \$430 million to \$316 million by 1979. It will put the magnetic confinement portion of the budget at \$190 million in 1979, or exactly at the ERDA "Logic I" level which by their own program projection *will never achieve commercial fusion power*.

FISSION: The outcome of the Clinch River breeder reactor — a technologically advanced form of fission power capable of "breeding" its own plutonium for use as a nuclear fuel — is less certain. While the \$150 million figure agreed upon in both the House and the Senate are considerably lower than the amount needed to fully commercialize the breeder on schedule, it is nearly five times the \$33 million budgeted by President Carter.

Carter's opposition — primarily conservative Congressmen joined by a number of liberals — see the breeder as a key issue in which to express their disagreement with the Administration's energy policies. However, many are willing to "sacrifice" other programs — like fusion — and are fighting the breeder

battle on already compromised terms. This has weakened their political clout considerably to the point that a movement led by Fabian liberal Senators like Senate Energy subcommittee chairman Sen. Frank Church (D-Id.) for further compromise has gained a definite foothold amongst both House and Senate conservatives. Church has been pushing a \$75 million "compromise" that would effectively kill the breeder program.

REPROCESSING: Both the Senate and House committees have essentially supported the Carter Administration's decision to junk the Allied General Nuclear Services Reprocessing plant in Barnwell, South Carolina. The House Science and Technology Committee completely supported Carter. The Senate Energy Committee voted 11-5 to support the President's non-proliferation goals but to authorize \$13 million to fund the Barnwell plant's staff for one year to complete a study to determine alternate use for the plant. The plant is currently used to separate plutonium and uranium from spent fuel rods obtained from conventional uranium fueled nuclear plants.

In budget deliberations for reprocessing technologies in general, the House added \$3 million to Carter's \$32 million designated for "alternative fuel cycles" and the Senate added \$31 million to Carter's proposed budget. President Ford had proposed \$85.1 million for reprocessing design and alternative fuel cycle research and development.

In summary, even if Congress successfully battles Carter on its already compromised commitment to the breeder reactor, the nuclear energy program now proposed by Congress will be more of a victory for the Carter Administration than for its opposition. Without a commitment to fusion on at least the still grossly inadequate level proposed by President Ford, any solution to the energy crisis — even in the short term — is impossible.

The National Energy Act

While it will likely take months before any final vote is taken on the Administration's National Energy Act — essentially legislation determining pricing policy and fuel usage—the legislation now being shaped in various House Committees is a further endorsement of the Carter Administration's no-growth energy program.

The National Energy Act is key because it determines government policy for both pricing and fuel allocation and conversion. Thus far, action taken by various House committees endorses the Administration's goal of a high energy price as well as limiting the industrial use of oil and gas.

PRICING: The Carter Administration's proposal for taxes on oil produced domestically to bring its price to world levels was accepted almost without modification by the House Ways and Means Committee. The main modification on this well-head tax on crude oil was to exempt users of home heating oil from the tax. A similar tax was imposed on natural gas liquids used for nonresidential and nonagricultural purposes. At the same time, the committee passed a modified version of the Administration's gas-guzzler tax, dropping the rebate for consumers. The outcome of the fight for deregulation of natural gas is still up in the air with the

proponents of deregulation, largely conservatives who mistakenly equate deregulation with "free enterprise," gaining the edge. While Carter has maintained a verbal opposition to total deregulation, many critics view this as a purely upfront political stance, and that he would very much like to see Congress enact deregulation so that the legislators, rather than the President, can take the inevitable political flak. The only committee vote that Carter has entirely lost thus far on pricing is his gasoline tax. But the Ways and Means Committee has voted to repeal the Federal tax deduction for state and local gasoline taxes.

CONVERSION: Carter's policy of forcing industry and utilities to convert from oil and natural gas to coal has been accepted by the House committee with modifications. Punitive taxes will be imposed on the industrial sector. The committee's main modification is to exempt certain industries from immediate conversion. No funds have been allocated to assist industries in this costly conversion.

Overall Energy Policy

Congress has not only accepted most of the specific points advocated by the Carter Administration, it has also accepted the basic premise upon which its program is based: negative growth implemented through conservation. Even the most pro-growth Congressmen have — with only a handful of exceptions — accepted conservation as a primary solution to the energy crisis. From the acceptance of this scientifically fraudulent policy, a softness towards anti-nuclear energy policies flows. Solar energy, geothermal energy and other "soft" alternatives advocated in the Rockefeller Brothers Fund's *Unfinished Agenda* become "realistic" options.

The very fact that Congress has not yet committed itself to fighting the Administration's policy as a whole has forced it to settle for point-by-point discussion — the very strategy that Carter had hoped Congress would fall for. Consequently, Congress has never linked the energy policy question to broad economic and labor policy. In going along with Carter's energy policies, Congress is also buying Schachtian economic policy — whether or not it is conscious of that fact.

The Outcome

If the current general drift continues in Congress, Carter will win an important battle. However, this outcome is far from inevitable.

The first test in Congress comes the week of July 11, when the Senate will vote on ERDA's nuclear energy budget: the fusion budget, the Clinch River breeder reactor, and the Barnwell reprocessing plant. Even if the Senate essentially endorses the Administration's anti-nuclear energy policies, as many Capitol Hill observers predict, this vote can be reversed in the House. A number of Congressmen, including Rep. Gary Meyer (R-Pa.) have committed themselves to waging a floor fight to increase the fusion budget. Aides to the House Science and Technology Committee predict that the House will uphold its recommendation to fund the Clinch River Breeder Reactor at \$150 million — an amount that Carter has repeatedly threatened to veto.

The Administration is preparing itself for this option by stepping up its campaign of armtwisting and

harassment. Carter's latest tactic is the unveiling of a gasoline rationing proposal aimed at granting the Administration dictatorial rationing powers in the event of a disruption of sea lanes vital to U.S. interest, another oil embargo, and-or a new Mideast war. Carter hopes to use this to intimidate Congress into quickly passing his energy program.

Congressional spokesmen, including Senate Energy Committee Chairman Henry Jackson (D-Wa.) immediately denounced the rationing plan and Rep. Robert Young (D-Mo.) warned that the plan gives "too much power for any one person." Yet as similar criticisms of the now enacted Energy Department demonstrate, simple denunciations are not enough. The only viable

option that Congress faces is to link this rationing plan to Carter's overall energy and economic policies and counterpose a comprehensive program for economic growth.

Defeating Carter's energy program will not come as a result of internal pressure on Congress per se. Washington observers view the role of the labor movement as particularly critical. The political strength shown by trade unions at the recent pro-nuclear energy demonstration around the Seabrook nuclear plant in New Hampshire and a similar demonstration planned for Seattle, Washington can be decisive, these observers emphasize, in stopping Carter's energy program.

* * *

Carter Energy Program Vs. U.S. Labor Party's

<u>CARTER's PROGRAM</u>	<u>USLP's PROGRAM</u>
FUSION POWER	
Maintain funding at ERDA's Logic I level which insures that commercial fusion power will never be developed.	Fund a brute force fusion R & D program which would insure commercialized fusion power by 1990. Funding should be multi-faceted with funds for all viable approaches.
Proposed Budget \$342 m	(Ford: \$422 m) \$6 b
BREEDER REACTOR (Clinch River Program)	
Eliminate all funds for commercialization maintaining only token R & D funds.	Commercialize the breeder reactor as quickly as possible.
Proposed Budget \$33 m	(Ford: \$237 m) \$237 m
PLUTONIUM REPROCESSING (Barnwell, N.C. Plant)	
Eliminates all funds for Barnwell Reprocessing Plants. Includes funds for alternative fuel cycles.	Expanded funding to set up additional plants.
Proposed Budget: \$32 million for alternative fuel cycle R&D. \$0.00 for Barnwell	(Ford: \$85.1 m) \$120 m
GASOLINE TAX	
Reduce gas consumption 10% by 1985; Proposed a standby gasoline tax of up to 50 cents a gallon by 1985.	No increase in gasoline tax.
GAS-GUZZLER TAX	
By 1985 a purchaser of a car getting less than 12.5 miles per gallon would pay a tax of \$2,488. A rebate would be given to customers buying fuel-efficient cars.	No gas-guzzler tax. Automobiles should be made more fuel-efficient through improved technology such as the diesel engine. At the same time, vastly increased funding should be available for mass transit R&D and mass transit development.

CARTER's PROGRAMUSLP's PROGRAMNATURAL GAS PRICING

Raise the price of natural gas to \$1.75 per thousand cubic feet for both interstate and intra-state natural gas beginning 1978

Long-term goal of lowering prices to increase supply.

WELL-HEAD TAX

Phase in well-head tax equal to price of imported oil over three years.

No increase in tax. Encourage full exploitation of existing wells and further exploration.

Proposed Budget N.A.

N.A.

REBATE

Proposed rebates to everyone for full amount of money collected from the crude oil tax which is estimated to amount to \$47 per person.

No position since USLP does not favor well-head tax.

Proposed Budget N.A.

N.A.

COAL CONVERSION

Punitive tax on all utilities and industries using oil and natural gas thereby forcing conversion.

Opposes conversion because oil and gas are more efficient than coal.

Proposed Budget N.A.

N.A.

RENEWABLE RESOURCES (Solar energy, geothermal, wind power, etc.)

Full support for increased funding of solar and other forms of renewable energy. Sees solar power as "most promising" and will encourage solar home conversion through tax credits.

Does not support funding for solar and related "soft" energy forms since the energy through-put is so low that there costs are prohibitive.

Proposed Budget N.A.

N.A.

FOSSIL FUEL EXPLOITATION

Sees oil and gas as our "national treasure" and should remain in the ground.

Advocates full exploitation of existing oil and gas reserves and simultaneous increase in exploration. This is possible because of the imminence of fusion power.

Proposed Budget N.A.

N.A.

Congressional Action On Carter Energy Program

<u>CONGRESSIONAL ACTION TO DATE</u>	<u>PREDICTED OUTCOME</u>
<i>FUSION POWER</i>	
<p><u>House</u>: Committees voted a token increase.</p> <p><u>Senate</u>: Committees voted to uphold Carter's budget request.*</p>	<p>Most congressional sources predict that Carter's budget request or a slightly increased figure will hold despite a number of amendments expected to be raised from the floor.</p>
<i>BREEDER REACTOR (Clinch River Program)</i>	
<p><u>House</u>: Committees voted up a \$150 million compromise. Pres. Ford threatens to veto this figure.</p> <p><u>Senate</u>: Same as House.*</p>	<p>Uncertain. Both the breeder's opponents and proponents predict a close vote. A further compromised \$75 million figure is now being pushed by Sen. Frank Church and other Fabians.</p>
<i>PLUTONIUM REPROCESSING (Barnwell, N.C. Plant)</i>	
<p><u>House</u>: Sci & Tech Cttee supported Carter, adding only \$3m to his budget request. <u>Senate</u>: added \$31m. Including \$13m for Barnwell, (authorization limited to alternative fuel use). *</p>	<p>Floor fight expected.</p>
<i>GASOLINE TAX</i>	
<p><u>House</u>: Committee rejected standby gasoline but voted to repeal the Federal tax deduction for state and local gasoline taxes.**</p> <p><u>Senate</u>: No action.</p>	<p>Congress will reject gasoline tax.</p>
<i>GAS-GUZZLER TAX</i>	
<p><u>House</u>: The committee made Carter's proposal even harsher by increasing the 1985 tax to \$3,836. At the same time it eliminated the rebate to consumers for fuel-efficient cars.**</p> <p><u>Senate</u>: No action.</p>	<p>Uncertain</p>

NOTE: * Senate vote scheduled for July 11 for both Authorization and Appropriations. House vote to follow.

** Will go to House Ad Hoc Committee on Energy and to House for floor vote. Senate will follow after House completes vote.

**CONGRESSIONAL ACTION
TO DATE**

PREDICTED OUTCOME

NATURAL GAS PRICING

House: Subcommittee voted to deregulate the price of newly produced natural gas. This was reversed by full Commerce Committee and as it now stands the price for newly discovered gas will be raised to \$1.75 per thous. cubic feet from \$1.45. Price controls extended to intra-state market.**

Senate: No action.

Good chance that full Congress will vote to deregulate the price of newly produced natural gas.

WELL-HEAD TAX

House: Carter's proposal was accepted in the committee almost without modification. It was extended by proposing that a similar tax be imposed on natural gas liquids used for non-residential and non-agricultural purposes.**

Senate: No action.

Uncertain outcome although opposition is expected from oil industry in general.

REBATE

House: Committee limited rebate to \$22 per qualifying person but reserved final judgment until tax reform proposal is clearer.**

Senate: No action.

Full floor vote is expected to increase the amount of rebate.

COAL CONVERSION

House: Main thrust of Carter's position was accepted but taxes were scaled down and certain companies were exempted. Rebates for businesses that install energy conservation equipment were scaled back.**

Senate: No action.

Uncertain

RENEWABLE RESOURCES (Solar Energy, geothermal, wind power, etc.)

House: No action.

Senate: No action.

N.A.

FOSSIL FUEL EXPLOITATION

House: No action.

Senate: No action.

N.A.

Watergate Knives Sharpened In D.C. Back Rooms

Knives were being sharpened in the hot Washington sun this week. Liberal Democratic Congresswoman Elizabeth Holtzman, the darling of the New York "Our Crowd" investment houses, demanded that the Special Prosecutor just established by the Senate reopen the Watergate investigation to look into the affairs of Nixon associates Bebe Rebozo, Howard Hughes, and Nixon Himself. Sources close to Holtzman did not rule out pressure on the Special Prosecutor to investigate charges that Henry Kissinger "overlooked" Korean CIA operations in Congress.

Congressman Bruce Caputo (R-NY) announced July 7 that he would ask the House Ethics Committee to seek access to White House tapes on the Korean bribery scandal. Caputo declared his belief that Kissinger knew about the Korean operations but "for a variety of reasons did not choose to act on that knowledge..."

Arthur Schlesinger, Jr., a close friend of the Kennedy family, has strongly attacked CBS newsman Bill Moyers, former aide to LBJ, for impugning the reputation of the Kennedys. Moyers put a documentary titled "The CIA's Secret Army," on the air this spring which implied that John F. Kennedy was behind CIA attempts to kill Castro...

The *Chicago Tribune* this week uncovered a scandal involving Republican Senate Minority Leader Howard Baker and conflict of interest charges relating to his landholdings and sales of coal from his lands. The article notes that Baker is being dogged by these charges as he begins a serious quest for the Republican presidential nomination in 1980. Conservative circles are abuzz with talk that Baker is being groomed for the presidency by Nelson Rockefeller. How else can you explain his hiring of James Cannon, longtime aide to Nelson,

as his administrative assistant? Conservatives also point to Baker's effusive praise of Nelson at the Republicans' "Salute to Nelson" dinner several weeks ago in New York. So far Baker has said little to disprove these rumors...

The smell of Watergate extends up to the White House, with Rothschild-linked New York investment circles planning a much greater role for Veep Walter

WASHINGTON WEEK

Mondale. Declared Mondale ally White House counsel Robert Lipshutz, "He (the Vice President) is not only acting as an advisor. He does relieve him (Carter) in a number of substantive ways." Lipshutz himself will have a new role in the White House if the just proposed executive reorganization plan is agreed to by Carter -- his role would be "restructured toward servicing immediate Presidential legal needs." Are extraneous matters being taken from Lipshutz' hands so he can handle impeachment problems for Carter?

Capitol Hill sources are reporting that conservatives are mulling over illegal Administration activities and "We have a number of things in the hopper" declared one man in the know...

The hottest thing is Federal Election Commission Cointelpro operations against the U.S. Labor Party. Labor Party charges against the FEC are "very widespread, very well known and very disturbing" one leading Senate source commented last week. Several congressional committees are heatedly debating whether to hold oversight hearings on the FEC, and its connections to the intelligence community and White House...

Watchful congressional eyes have been amazed that the FEC has spent so much time investigating Labor Party campaign funds while ignoring a number of glaring irregularities relating to Carter and his Democratic allies. For instance:

A campaign worker for both Carter and Detroit Mayor Coleman Young embezzled funds from the Young campaign chest to help out Carter in the Michigan primary...

Hubert Humphrey has been allowed to settle 1968 election campaign debts at something like four cents on the dollar...

Jane Fonda's contribution to hubby Tom Hayden's campaign chest was a whopping \$400,000...

Rumors abound in Washington that former UAW president Leonard Woodcock will not remain long as ambassador to China, but will be summoned back to the U.S. to answer charges about the UAW's complicity in an FBI Cointelpro operation against the Labor Party. People are speculating that Woodcock may be the first Administration defector...

Office of Management and Budget Director Bert Lance's financial prowess has come into question. The president of the Atlanta bank Lance headed until January revealed last week that the bank's loan portfolio is in trouble. Speculation is that Lance's "softest" loans were those he gave to presidential candidate Jimmy Carter... Commenting on Lance's economic abilities, one financial expert declared, "I doubt if Lance is sophisticated enough to understand the question you asked. He's heavily in debt himself, therefore he wants low interest rates. On the one hand he shares with Burns fiscal conservatism and concern for a balanced budget. On the other he wants easy money and low interest rates..."

Massive Mideast Nuclear Program Projected

SPECIAL REPORT

The following statement was released on July 6, 1977, by Lyndon H. LaRouche, Jr., U.S. Labor Party Chairman and Presidential Candidate:

The July 10 issue of the West German weekly newspaper *Neue Solidarität* will announce the highlights of a special Fusion Energy Foundation report developed for the joint use of Western European and Middle Eastern governments. The proposal, which projects 200 gigawatts of new energy generation for the Middle East by 1985 emphasizing nuclear installations, is also being presented as an example of the policies to be followed for Third World industrial development generally.

The report was prepared at this writer's request, during the course of continuing discussions with both representatives of the European electrical industry and Arab governments, as well as with other industries and political figures. Given the large probability that the essential recommendations of the report will be followed by a number of governments and industrialists, the implementation of this program for the Middle East and similar programs for other regions means that Western Europe, in particular, is on the verge of the largest and most sustained economic boom in history.

I devote this article to a summary of the conceptions used for developing the project.

The genesis of the report was in ongoing work for establishing a new international central bank modeled upon my party's International Development Bank proposal.

The new bank, which will replace inclusively the nominal functions of the bankrupt World Bank, has three principal divisions: a regular banking division, an economic intelligence and management division, and an engineering division. In addition to providing a regulated market-place for international credit transactions on a gold-reserve, hard-commodity basis, the bank will determine its financial policies through development-oriented economic studies. The third division, the engineering division, will coordinate the nuts and bolts of projects being financed.

In short, it is excellent and necessary to have economic and credit policies through which to get the world out of its present monetary collapse and depression: economic policies can't work in fact until real wheels of industry begin to turn to produce specific products for specific uses.

The problem of managing world development is simplified by the fact that the combined costs of new energy generation and energy-distribution networks

(grids) will most probably run to about 20 to 30 percent of the total industrial long-term capital flow into the developing sector. Since no industrial and little agricultural development can occur without the added energy to move things, the obvious strategic approach to development is to build the entire development project package around the 20 to 30 percent investment represented by the generating stations and grids.

The Western European Economic Community has a natural potential for approaching the problem in this way. On the continent itself, the French electrical and nuclear industries are well integrated and advanced; Italy's electrical and nuclear industries are also well coordinated, as are those of West Germany and the Benelux countries. By coordinating their resources, and by cooperation with Japan and the Comecon, to achieve maximum capability, European nuclear plant and grid export programs can be scaled-up to meet the kinds of requirements indicated, with ample room and interface for the North American industries to utilize their own similarly-expanded potentials.

Our approach is to make the combined electrical and nuclear industries of Europe the "prime contractor" for Third World development projects. That arrangement, by itself, pulls in a large chunk of specialty steel production potential, the shipyard industry, non-ferrous metals and the machine-tool industry, as well as the kind of engineering capabilities exemplified by Italy's Italstat.

Our overall approach might be described as like that of the charm bracelet worn by teenage American girls in the past. Start with the generating plants and grid as the basic unit, and then attach the other industries, as desired, to that grid.

In general, each project will be developed for a multinational customer — several adjoining Third World countries, along the following lines.

In selected locations, we shall construct two adjoining nuclear power-generating facilities, each facility preferably of one gigawatt (billion watt) or higher output capacity. The reasons for such paired installations are obvious to any engineer. Around each of these "binaries" we build a "new city," using an amplified application of the Soviet Union's Caspian Sea pilot project. We install a combination of industries, including types which efficiently use waste heat from the reactor, high energy-density desalination and so forth.

We then tie a string of such binaries together with a very high voltage grid. The several binaries on the same grid provide for balanced load-frequency distribution within the grid, and in that way provide a stable base for exporting power to net-consuming points brought into the same grid.

The principal element of judgment in deciding whether to put in gigawatt-plus or smaller-capacity stations will be weight. Wherever possible, binaries should be located

on coasts or inland along major navigable rivers, and, where feasible, reactors placed off-shore. The principal components are monstrous and heavy; vital major parts represent one of the most monstrous transport and materials handling problems presently confronted. By taking advantage of the possibility of prebuilding in European and other shipyard facilities and delivering to an off-shore, coastal or inland riverway location, we gain very large economic and related advantages. Where it is urgent to place plants further inland, we would probably opt for the smaller-capacity units of the type which French industry has coming on line.

As for "new cities," it is cheaper to build a "new city" from the ground up than to modernize an old one. Salvaging, modernizing old areas is the most inefficient, wasteful undertaking modern construction and production could be compelled to face. In any case, the existing urban areas of the developing sector are in general not "structurally oriented" for the kinds of economy high-energy technology requires.

This is not an arbitrary rule. The case of Mexico City illustrates the point. By developing areas around the present Mexico City along "new city" lines, and tying the whole together with a high-speed urban transit grid and other service grids, we can gain the advantage of an existing concentration of labor force (ten millions population in the area) and the advantages of that "new city" development strategies. India's Ganges River basin readily indicates comparable adaptations of the "new city" principle of Third World development.

This approach has several correlated further advantages.

In the Middle East study, which centers on the developing of Iran and the Arab states of the Gulf area, the base-line is provided by 200 gigawatts of new energy production to be installed by 1985. Nuclear plants along the Gulf coast are the dominant element. However, the combustion of natural gas in turbines, and massive supplementary use of hydroelectric programs, as for example in Turkey and Pakistan, fill out the total projected production. This means more than 100 nuclear units of the Biblis scale.

Ask any trained American industrialist what these orders of magnitude of installation signify for increased efficiency in production of nuclear stations? Add the requirements for the Rio de La Plata's project to the Fusion Energy Foundation's Mideast study, add India and obvious projects for Africa. (Then, also ask him to calculate fuel requirements, and inform you why a crash breeder program is needed.)

A package of nuclear energy and grid-development projects on this scale mean both massive economies of scale in installation and a concentration of all of the many kinds of technologies involved, with maximum opportunity for balancing out work-loads among the different technologies and skills required for each phase of installation.

Moreover, the skills required for installation of generating plants and grids include many of those construction and other skills required for most other sorts of industrial applications in the same regions.

There are three principal advantages gained from this approach: political, financial and industrial

management. The political advantages are that the exporting and importing nations have exactly the kind of package through which to deliver the optimal results in the most visible way to the electorate and major political forces of their respective nations. Financially, a project of the highest quality of long-term credit-worthiness has been put together in a way which simplifies financial management, including the effective averaging-out of included elements of risk. From an industrial management standpoint, it affords maximum opportunity to benefit from economies of scale, for projecting stable requirements over a long-term production and investment period, and built-in margins for flexibility.

American construction workers, in particular, understand the point of flexibility very well from experience. The worst situation, from the standpoint of industrialists, investors, and workers, is to have a single, tightly-phased — bottleneck-prone — project in one area. If something ties up one such project, everyone suffers. Therefore it is urgent to have a broadly based, correlated set of projects, so that tie-ups in one particular project merely signify shifting labor-forces to available other projects under way.

Problems of this type will be much more significant in Third World development than in the typical case inside the United States. A most significant part of the program will be training of the native labor force. There will be many problems on this and other accounts. We must have flexibility within the overall undertaking such that problems in one aspect can be offset by shifting efforts to accelerate another ongoing project-aspect. We must keep the inefficiencies, as much as possible, within the local economy, so that the imported capital and installation services do not become inefficient in their part of the performance because of local problems.

Although part of the development programs will take advantage of existing Third World labor-force potentialities, the general task in the Third World is a generation's work of upgrading the population to the standards of a modern labor-force. Thus, although there will be accelerating growth in output-rates within Third World economies during the next decades, the full ripening of the benefits of what we do now will not be realized during less than a generation — 20 to 25 years. We are making a quarter-century, long-term investment in the developing sector. We have to ensure that the unavoidably poorer performance on the side of the developing economies does not spill over into the quality of economy of the input made by forces of the industrially developed, capital-exporting sector. We require a project-design which conforms to the reality of the problems we face.

Meanwhile, we shall have the biggest and longest boom in world history. As long as we produce sufficient food, clothing, housing, services, and new plant and equipment to keep the industrially developed sector expanding, we shall have no reason for economic difficulty or hardship in maintaining long-term capital flows into the developing sector in the order of \$200 billions 1975 dollars per year indefinitely. These are the numbers of which we are speaking, as we think of the FEF's Middle East study applied on a broader scale.

Dollar Falls Heavily Against All Leading Currencies

FOREIGN EXCHANGE

After about a year of artificial calm on the foreign exchange markets, the U.S. dollar has been heavily falling this week against *all* the leading West European currencies and the Japanese yen. Although the high U.S. current account and trade balance deficits are mentioned as the source for the dollar weakness, this is only a subsumed aspect of a more fundamental issue, the coordinated political moves of the West European Central Banks to hold together the parities of their respective currencies *against* the dollar.

The dollar fell not only in Frankfurt and Tokyo — down to the levels of 2.3048 West German marks (DM) yesterday, its lowest level since late March 1975, and 263-265 yen — but even in Paris the U.S. currency went down from about 4.95-4.99 French francs to 4.85-4.87 French francs, despite France's own balance of payments deficit, indebtedness and unstable political situation. The French Central Bank meanwhile consolidated its reserves: its June 30 balance sheet shows 105,757 billion francs (about \$21.5 billion) in gold and credits against 96,308 billion francs the previous week. This week's account includes the half-yearly accounting change under which the Banque de France evaluates its foreign holdings of gold, foreign currency and special drawing rights — a revaluation made against the dollar.

The "weak" Italian lira and British pound tended also to move upwards, but the Treasuries in both countries braked the movement so as to maintain export competitiveness and build up stronger dollar reserves to discourage future attacks against their respective currencies. British gold and currency reserves jumped again to another all-time record level in June. At the end of the month, the Bank of England held assets worth \$11,572 million compared with \$4,129 million only six months ago. Italian foreign currency reserves went up in a similar way, reaching \$6 billion by the end of June against only \$4 billion at the beginning of that month.

The similarly "weak" Scandinavian currencies continue to be supported by capital flows from West Germany and the Netherlands generated by a deliberate policy of low interest rates in the latter and high interest rates in the former. Besides, Finland and Denmark got \$300 million and \$500 million bank loans, while it is rumored that Sweden would obtain a \$2 billion loan mediated through the Bank for International Settlements (BIS), the clearing house of Europe's Central Banks.

European Coordination

This parallel move of all European currencies against the dollar was the result of a coordinated action of Europe's Central Banks. This was first indicated by

various European bankers in private conversations and then confirmed by such European publications as the London *Financial Times*, the Paris financial daily *Les Echos* and the *Frankfurter Allgemeine Zeitung*. No mystery is made by those sources that the "European front" was built against the dollar. The Banque de France and Bundesbank, for example, intervened on the market to maintain a franc-DM parity of 2.10 francs for a DM, whatever the variations of the dollar. The end result of this coordination is a defacto common European reserves system, working under West German leadership.

European support to Britain and Italy was clear in two particular instances. First, the increase in Italian foreign reserves was mainly due to West German and European Economic Community support through loans estimated to be at over \$650 million. Second, a significant portion of Britain's reserves-increase came from money subscribed by investors on the European Continent who bought sterling to apply for the 53 million shares in British Petroleum sold off in London by the British government. It should be added that a significant number of those European subscribers were acting on the market following Arab orders.

It nonetheless remains clear that such a European coordination could not work for very long under a dollar-dominated monetary market. The European countries understand this point very well and are presently trying to concretize their informal and vulnerable currency agreement into a gold-based European currency reserve system. Italian bankers in particular are very active around such projects, with West German support. Discussions are in parallel development between European Central banks to finance East-West trade, coordinated planning in energy matters and monetary agreements based on a gold-pegged transferable ruble. Sources in Western Europe and in the East Bloc report that those discussions are secret but well-advanced, as proven by the declarations of West German Chancellor Helmut Schmidt in favor of "ruble convertibility" — to be understood as a convertibility with other European currencies on the basis of a common gold-reference and not as convertibility with a floating dollar.

Carter Fiasco

These West-European developments prove that the desperate operation engineered by the Carter Administration on the money markets has failed. After the Paris summit of the Organization for Economic Cooperation and Development (OECD) in June, the plans were to trigger a revaluation of the strong European currencies — DM, Swiss franc, Dutch guilder — and of the Japanese yen, and to send down the weak currencies such as the Swedish krona, the Italian lira and other "Mediterranean" currencies. West Germany and Japan would then have had to import more and export less — losing their foreign markets and ruining their domestic indus-

tries in the process — while the “weak” countries would have had to import less, thus cutting the supplies of their basic industries. The propitiatory attitude of the Europeans at the OECD meeting made the Carter Administration believe that it could go ahead with its project.

The European coordination destroyed those plans, and the dollar collapsed against everything. The London *Financial Times* ironically commented “What is wrong with the dollar?” in a lengthy feature article, while the *London Times* was satisfied to see that “the dollar weakness” helped the European countries to “consolidate their reserves.”

Meanwhile, various U.S. financial circles, which at first had discarded the importance of the dollar fall, started to issue warnings against the U.S. current accounts deficit. Henry Wallich, Governor of the U.S. Federal Reserve stated that “the sight of a large currency deficit in the accounts of a country that is responsible for the world’s principal currency is not a comforting one.” Wallich, close to Rockefeller circles, was echoed by Fabian Congressman Henry Reuss, Chairman of the Banking Committee, who warned “even more damaging

to us could be not the deficits themselves but our living in a fool’s paradise that says the deficits don’t matter.” The official comment of Treasury Secretary Blumenthal was that “there is no belittling the fact that a \$35 billion deficit is too large.” The same official circles are now admitting that the cause of the deficit is not only an increase in the value of U.S. oil imports, but also the actual decrease of U.S. exports in volume. Between the last five months of 1976 and the first five months of 1977, the increase in dollars was only a bare one percent — an actual decrease in real value.

This now open discussion of the U.S. economic crisis furthers in turn the European conviction that the Carter Administration and the New York banks are not competent to solve the problems of the world economy and propose no viable alternative. Otherwise, Blumenthal’s demand that the Japanese government bail out the dollar by selling its reserves and sending the yen up was bluntly rejected by Vice Minister of Finance for International Affairs Matsukawa as detrimental to the Japanese interests.

* * *

Labor Productivity: No Magic Solution

BUSINESS OUTLOOK

Within the last week, a series of think-tank and economists’ reports, official statements, and private meetings indicate that a renewed push for labor productivity as *the* answer to the country’s economic ills is now underway. As the economy sinks into its third quarter of production decline, increased labor productivity — replacing capital investment and higher technology with increased rates of speedup and turnover of the labor force — is being proffered as the magic solution. It is an answer which is not only destructive to the world’s most highly skilled labor force but it is woefully inadequate for the economic crisis at hand.

Harvard professor and former Labor Secretary John Dunlop, and a number of private businessmen, led by General Electric chairman Reginald Jones, held the first meeting last week of a sixteen member private labor-management working group which intends to coax labor leaders to cooperate in a corporatist drive for increased labor productivity.

Mr. Dunlop, widely known as a close friend and associate of the Rockefeller Family interests, was brought into this new group because of his past experience in promoting labor productivity. The new group is similar to the now defunct National Commission on Productivity, where Dunlop last worked with Nelson Rockefeller, and which has established nearly 1,000 plant-wide labor-management committees around the country.

At its first closed door meeting in Washington, D.C. last week, the group’s discussion ranged from food to energy to medical costs but issued no hard and fast

policy recommendations. Instead, Dunlop’s tactic is to involve the labor leadership of the AFL-CIO in determining a national productivity drive.

“Non-cooperation and hostility,” stated Dunlop, “can quickly put stabilization authorities under siege with massive lawsuits, concerted legislative attacks and endless amendments to the statutory authority, and most serious of all, labor disputes that are directed against the Government and its stabilization program.”

One of the participants of the meeting was Barry Bosworth of the Brookings Institution, and the Carter Administration’s choice to head the Council on Wage and Price Stability (COWPS), who told a reporter that, “there has been a large influx of youth into the labor movement, whose productivity tends to lag behind the others. Without major emphasis on productivity, there won’t be the sort of economic expansion the Administration has been speaking about.”

The new productivity working group also included part of the Carter Administration’s “anti-inflation team” including Treasury Secretary Blumenthal, Labor Secretary Marshall, Commerce Secretary Krepps, and CEA head Schultze.

Parallel to the productivity committee came the announcement by Cong. Henry Reuss (D-Wis.) that congressional forces want to establish a national apparatus to firm up private labor-management productivity under government direction. This proposal is now before the House Banking Subcommittee in the form of the “Human Resources Development Act of 1977,” a thread-bare revision of corporatist plans first used by Mussolini.

At the same time, the Brookings Institution released two reports last week, both purporting to establish the macro-economics framework which would necessitate a shift in labor policy. One report by Robert Gordon

charges that the Carter Administration's intention to achieve its GNP growth target, and unemployment rate reduction target, is inconsistent with its claim that it can simultaneously bring down the rate of inflation.

A very similar report, released two weeks ago, was prepared by Trilateral Commission member Paul McCracken for the OECD, which makes similar charges concerning the inability of the OECD nations to both continue economic growth and control monetary aggregates. McCracken recommends that the Western economies adopt wage-busting, speed-up and where possible, reduction or elimination of workers' cost of living clauses.

However, all of this notwithstanding, a competent study of the downshift now occurring in the U.S. economy would quickly show that the changes underway are of a more fundamental nature than are susceptible of a productivity campaign.

The Inventory Build-up Will Soon Be Overripe

On Tuesday, following the July 4 weekend recess, long-term interest rates moved upward, severely marking down prices on corporate and tax-exempt bond-issues, amid market jitters over the run on the dollar.

The pressure on the dollar stabilized somewhat by mid-week, with West German and Japanese central bank purchases of the dollar, but this by itself will not be sufficient in the next few weeks to allay adverse reactions within the nation's money markets.

As Lacey Hunt, vice-president of Fidelity's National Bank put it, "Industrial production could be flat this summer," and predicted a third quarter rise in industrial production of as little as 3 percent.

The fall in June retail sales gains below the level of the five earlier months is a firm indication that this process is already underway.

Many economic forecasters indicate that the build-up of inventories in the second quarter of this year, if continued at the furious pace of the first quarter of \$13.8

billion would lead to a disincentive to build inventories further, and will result in a braking of additional production increases.

Although information is limited, trends earlier in the second quarter partially confirm this point. Gary Shilling, director of economic research at White Weld, reports that the investment of durable manufacturers rose \$765 million in current dollars during April, or nearly twice as much as February or March.

Inventories are expected to be built up in steel, some other primary metals such as copper, and at different levels of the productive process, including at wholesale outlets.

The strong boost of auto and housing materials sales through the first half of the year acted to push the overall GNP inventory to sales ratio downward.

The clear implication of this assumption is that once inventories start reaching first-quarter 1975 levels, then orders for industrial goods will begin to drop, starting a downward spiral in production.

This could be offset by a strong further boost in consumer sales, but the historically high amounts of consumer debt borrowing, concentrated in middle income groups, and the drawing down of savings by this group to post World War II historic lows in the first quarter, indicates that a consumer spending spree is not a lively prospect.

However, one fundamental fact concerning the pattern of the September 1976 through May 1977 economic uptick worries the chief executives of this nation's industry the most: there was no sufficient addition of new industrial capacity. The capital spending lag is almost 18 months old. In short, the economy glided for six to eight months. When sales begin to dry up, business will have even less incentive to invest in new capital equipment.

This is an economic problem not susceptible of correction by a productivity campaign, premised as it is on running down existing capital in favor of replacement.

Copper Settlement: Prelude To U.S. Shutdowns

RAW MATERIALS

While spokesmen for the copper workers division of the United Steelworkers (USW) were congratulating themselves on having won a "generous" settlement from Kennecott and Magma copper companies last week, the New York financial networks which control U.S. copper were making plans to shut down the bulk of the "uncompetitive" U.S. industry in favor of cheaper African and Latin American production.

The companies are already talking about an extended "vacation" this summer, as well as permanent layoffs and mine closings to offset the cost of the contract. The copper industry is entering its "fourth year of poverty," industry analysts say. World industrial demand for copper has been in a slump for that long and world copper stocks are now estimated at around 2 million tons

— rather than the usual 400-450,000 tons. All that has kept the price of copper from falling completely through the floor are the rumors that there would be a long strike by U.S. copper workers.

On the news of the Kennecott settlement minutes before the contract deadline on June 30, the price of copper on the London Metals Exchange — the world market price — plunged below 57 cents a pound. As of July 6 all the U.S. copper producers except Inspiration had lowered their prices three more cents to 68 cents a pound. Analysts expect the producers to cut their prices to between 62 and 65 cents in the months ahead to keep the spread between the IMF price and the U.S. producers' price from becoming too great.

According to one well-informed industry analyst, the continuing price plunge and the Kennecott settlement, which other companies are now under pressure to adopt, mean that 75 percent of U.S. mines will be operating at a loss, 10 percent will be at the breakeven point, and only 15

percent will be in the black.

"Much of the industry won't be competitive with the LDCs — their ore grade is twice as high, their labor costs are a fraction of ours, and they don't have to spend anything on pollution abatement... There's a constant adjustment going on and eventually the U.S. will produce much less of its total copper consumption than today," the expert said.

The Kennecott contract will add 6 to 8 cents a pound to the cost of producing copper in the U.S.

According to the same analyst, the one "consolation" of this inevitable rationalization of the U.S. copper industry is that the foreign exchange earnings of Zaire, Zambia, Peru and other heavy LDC debtors will be bolstered.

As of this writing about 38,000 out of 45,000 copper workers are still on strike — the workers at the six companies which have not settled, as well as Kennecott workers who have a national contract but are still out on strike on local issues such as work rules. The *Wall Street Journal* termed the continuing strike academic, since Kennecott has extended summer vacation closings at three of its four copper divisions. Kennecott, like the other copper companies, is hoping to work off stocks which were accumulated in expectation of a long strike. Reflecting this buildup at all levels of the economy, U.S. fabricators' stocks jumped three percent in May over April levels.

Kennecott's early settlement surprised most industry observers: many copper company officials had admitted that they wanted a long strike to work off the glut of copper stocks. Speculation on Wall Street is that Kennecott settled because the company figured "the situation is hopeless with or without a strike," and a strike in the copper industry would be especially costly — involving

shutting down and then reopening the mines. Kennecott just received \$1.1 billion in cash last week for its sale of Peabody Coal to a consortium headed up by Newmont Mining (the parent company of Magma), and thus was a prime candidate for a takeover bid. Kennecott may have settled early out of fear that it was about to be gobbled up in a merger, as at least three copper companies have been in the last year, and didn't want to be fighting two battles at once.

At the same time there is obviously desperate inter-company warfare going on behind the scenes. The six other copper companies are now under pressure to settle rather than lose business to the companies which are operating. But some of the weaker companies may be even less able to settle than Kennecott and Magma. The chairman of Inspiration Copper told the *Wall Street Journal*, "I'm so mad that when I spit, nothing hits the floor." Another competitor said, "Kennecott's settlement just isn't explainable in terms of copper industry economics. And neither is Newmont's following move. Maybe there is something in the financial arrangements of the Peabody deal that could explain this."

The Kennecott contract itself may be enough to push many U.S. copper mines into the red, but it is hardly a victory for the copper workers. The contract adds up to a three year 12 percent wage increase — far below the contracts won by other trade unionists over the last year. The copper workers will receive 85 cents over three years — ten cents short of the increases won by the steel and aluminum workers earlier in the year, an increase in their pension benefits, and the preservation of the existing cost-of-living and other allowances, which still leaves the copper workers' benefits substantially behind those of the steel and aluminum workers.

Agriculture Secretary Bergland Pushes Cartel, International Wheat Cutbacks

AGRICULTURE

Reports this week indicate that Carter Agriculture Secretary Bergland's months-long diplomatic efforts to organize an international wheat cartel are centering now on specific U.S. demands to reduce the 1978 wheat crop *internationally* by 10-20 percent!

The immediate targets of Carter Administration arm-twisting to this end are Canada, Australia and Argentina — the same countries wooed by Bergland since at least January as prospective founding members of the proposed cartel, and the three countries which, together with the U.S., are responsible for the bulk of the world's grain supplies. According to the July 4 *Montreal Gazette*, international crop reductions were the subject of a two-day meeting of the four producer countries this week in Washington, D.C. hosted by Bergland.

At the same time, hoped-for public support for the

scheme — not only to "set aside" part of the world's crop as a "reserve," but to systematically reduce output itself by "setting aside" cropland — is being laid by such major Wall Street press sources as the *New York Times* and *Washington Post*, which have begun a press campaign asserting that the problem facing U.S. agriculture is the "surplus" — too much production.

With U.S. farmers and agribusiness representatives near desperation as the selling price of wheat to farmers has fallen far below current production costs, the Administration hopes to con the farm community into supporting the scheme by intimating it will boost prices.

Carter's Cartel

As the *Montreal Gazette's* Washington correspondent stressed, the Carter Administration is pressing for an agreement on the crop reduction package by September. Such an agreement would cement the cartel Bergland hopes will act as a unit at the next International Wheat Council meeting to push through plans for an "international grain reserve" and associated production controls.

despite European and Soviet resistance.

Spokesmen for the Overseas Development Council, a Washington, D.C. based think tank allied with the Tri-lateral Commission and long-time proponents of various Rockefeller reserve schemes to add the "food weapon" to the U.S. arsenal, told EIR this week that the "real problem internationally" is the European Common Market and its well-protected agricultural sector. A substantial grains producer in its own right, Europe has been exporting wheat in increasing quantities to Third World countries under Common Market trade and export subsidization agreements.

International Crop Reduction

Secretary Bergland himself has yet to make an official policy statement on his 1978 crop reduction plans, banking instead on the billowing liquidity crisis in the American Midwest to push aside producer resistance to the economically and politically onerous scheme at home. The same press conduits promoting the "wheat surplus" problem, however, also "leak" that the Bergland scheme will be "voluntary" — adding on good authority that non-participants will, of course, be declared ineligible for any of the federal farm price support programs!

The world crop-control scheme is modeled on the 1971 Canadian "Operation LIFT" which implemented a 50 percent reduction in Canadian wheat output, slashing wheat acreage from 28 to 18 million acres in the year. Widely considered a disaster by Canadian wheat-growers the operation seriously disrupted the agricultural sector just a year before foreign crop failures sent demand for wheat soaring.

The Hoax

Current real world food and nutrition requirements far outstrip current American agricultural production levels, high as they are. Existing, much less new, markets are cut off by the burden of debt service obligations of principally developing sector nations to the bankrupt New York banks, whose international collection agency, the International Monetary Fund, has methodically dictated the reduction of Third World imports and ordered available foreign exchange channeled into principle and interest tribute.

On the other hand, given a healthy world monetary system and a rising amount of world trade, it is clear that the U.S. would find no difficulty whatsoever in marketing its 1.1 billion bushel so-called wheat surplus.

U.S. Protectionist Legislation Could Collapse World Shipping

SHIPPING

London's *Financial Times* predicted last week that, after months of stalling, the Carter Administration would endorse a modified version of the oil import shipping preference legislation pending in Congress. As it now stands, the bill calls for 30 percent of U.S. imported oil to be carried by the U.S. flag fleet by 1980 — less than four percent of this oil was shipped by the U.S. in 1976. If the additional tonnage needed is to be new ships built in the U.S., then the shipbuilding industry here could not meet the 1980 deadline. The cargo preference requirements would mean adding 17 million tons to the existing U.S. fleet of 14 million tons providing \$13 billion in new contracts for U.S. shipyards.

Shipbuilders, lobbying heavily for the bill, say they can meet those requirements by 1985. The shipbuilding lobby, calling itself the U.S. Wartime Committee to Turn the Tide, has engaged Gerald Rafshoon Advertising Inc. of Atlanta, Georgia to handle a well-funded publicity campaign that has included prime time television and a double-page ad in *Time Magazine*. The advertising agency's previous large account was Carter's presidential campaign. The lobby's loudest voices in Congress are Rep. John M. Murphy (D-NY) and Sen. Magnuson (R-Wash), both of whom head maritime committees in their respective legislative bodies.

The most vocal opposition to the proposed bill has come from British and Norwegian shipowners who make the following argument:

(1) The additional U.S. tonnage would further collapse the already depressed market leading to more defaults on tanker debts held by European banks and to the dismantling of European shipyards. Norway alone would lose \$1.5 billion a year in revenues;

(2) The bill would not, as argued, increase U.S. war fighting capabilities since the shortage is not in tankers but in naval ships to accompany them;

(3) The cost to the U.S. consumer will be an additional \$38 billion on the U.S. oil import bill equaling 3.7 cents per gallon of oil;

(4) The bill will increase the occurrence of oil spills since it will require the full utilization of the obsolete U.S. fleet. The average U.S. ship is three times as old as the average British ship and costs 30 percent more to operate than a Norwegian ship even though Norway pays 15 percent higher wages.

Opponents of the bill are hoping for an amendment that will allow the chartering of some of the idle tanker tonnage while the market is depressed. However, tanker safety legislation, also about to be passed by Congress, and the absence of deep-water port facilities in the U.S. prohibits 90 percent of the world fleet from docking here.

Proponents of the two proposed deep-water port projects in the Gulf of Mexico including Hugh C. Scott of the Houston-based Seadock, Inc. and Walter Reed, President of the New Orleans-based Loop Inc., are hopeful that con-

struction will begin this summer. The projects are currently stalled because of a Justice Department ruling that the consortium of oil companies sponsoring the project has to be opened to any parties that want to co-sponsor.

U.S. shipping spokesmen have not been totally quiet about the world tanker crisis, but have taken the occasion over the past weeks to deflect criticism onto the Soviet Union. John I. Aslioto of Pacific Far East Lines charged that the USSR is out to "destroy the profitability of American shipping." He explained that the socialists have no stockholders to answer to and can back up their low cargo rates with the strength of their whole economy. Echoing his concern was Karl Bakke of the U.S. Maritime committee who added that the 1976 shipping agreement between the U.S. and the Soviets should be considered void. The agreement allowed the USSR into Western shipping conferences without specifications on rate fixtures.

Soviet Scapegoat

The U.S. is trying to direct European displeasure with its protectionist policies toward the Soviet Union. The USSR represents a convenient target especially with the stated major motivation for U.S. cargo preference being military preparedness. Some Europeans are also retailing this line: a West German shipping company, Deutsche Dampfschiffrohrs Gesellschaft, issued a report blaming reduced company dividends on cutthroat competition with the USSR; a *London Times* article on June 13 labeled the growing Soviet share of the tanker market as imperialism.

Soviet Shipping Minister Timofei Guzhenko went to Britain last week to defuse this criticism, by identifying the crux of the problem. In the five-year period after 1975, the Soviet Union will increase foreign trade 16 percent and its cargo fleet will grow 22 percent. In the West, trade has fallen 11 percent with only a 12 percent growth of the cargo fleet. Guzhenko also criticized the U.S. protectionist response to the shipping crisis. To help keep Western shipping alive, the Minister promised that the Soviet Union would raise rates in some parts of the world, and offered the British an even share of Anglo-Soviet trade — the Soviets now handle 85 percent of this trade.

The Soviet visit to Britain should be considered a success because it helped turn the spotlight back on the dangerous U.S. protectionist policies. U.S. protectionism in this area could only be a prop for U.S. industry aimed at

a short-term war build-up, based on wage austerity and the revival of the Cold War. Soviet moves to short-circuit this can succeed because European national banking and shipping interests are close to realizing that they are at a substantial disadvantage due to the type of tanker debt they hold vis-a-vis that held by the New York banks.

The Facts

Although figures in this area are the most guarded secrets, estimates from three sources (the *Financial Times*, Solomon Bros., and Reynolds Securities) give us the following picture:

World tanker debt is \$27 billion; of this, \$23 billion is said to be backed up by governments. Half a billion dollars of the total tanker debt is said to be operating on the spot voyage market where rates have fallen below operating costs. As charters expire with no prospect of renewal at previous rates, the number of ships without charters is increasing rapidly, with the current fleet of 321 tankers said to be one-third too large for present needs. Five-year charters have even been taken out below operating costs since the cost of layup and inactivity is large. A ship laid up for more than two years is not likely to ever become active again.

For many banks, their only guarantee is to hold the ship as collateral. However, the price of ships has fallen on a glutted market. A typical case is the following: a 260,000 DWT tanker delivered in 1973 cost \$60 million, 80 percent of which the bank financed as repayable over 10 years. Today that tanker, about to lose its five-year charter, is worth about \$15 million while the bank is still owed \$33 million.

U.S. exposure in this crisis is relatively small. Of the \$1.5 billion tanker debt known to be in default world-wide, only \$100-200 million is held by U.S. banks, although they hold 20-25 percent of all tanker debt. Eighty-three percent of U.S.-held tanker debt is held by the five largest U.S. banks who have been very conservative in their tanker lending. They have loaned largely to big oil companies for ships with 10 year charters.

The biggest U.S. tanker investor is Chase Manhattan with tanker loans accounting for two percent of their total loans. They are followed by Citicorp, Manufacturers Hanover, Bank of America, and Morgan. There are two smaller banks with less sound tanker loans — Marine Midland and First National Boston.

— James Rotonda

EXCLUSIVE

Assembly Line Production Of Floating Nuclear Plants

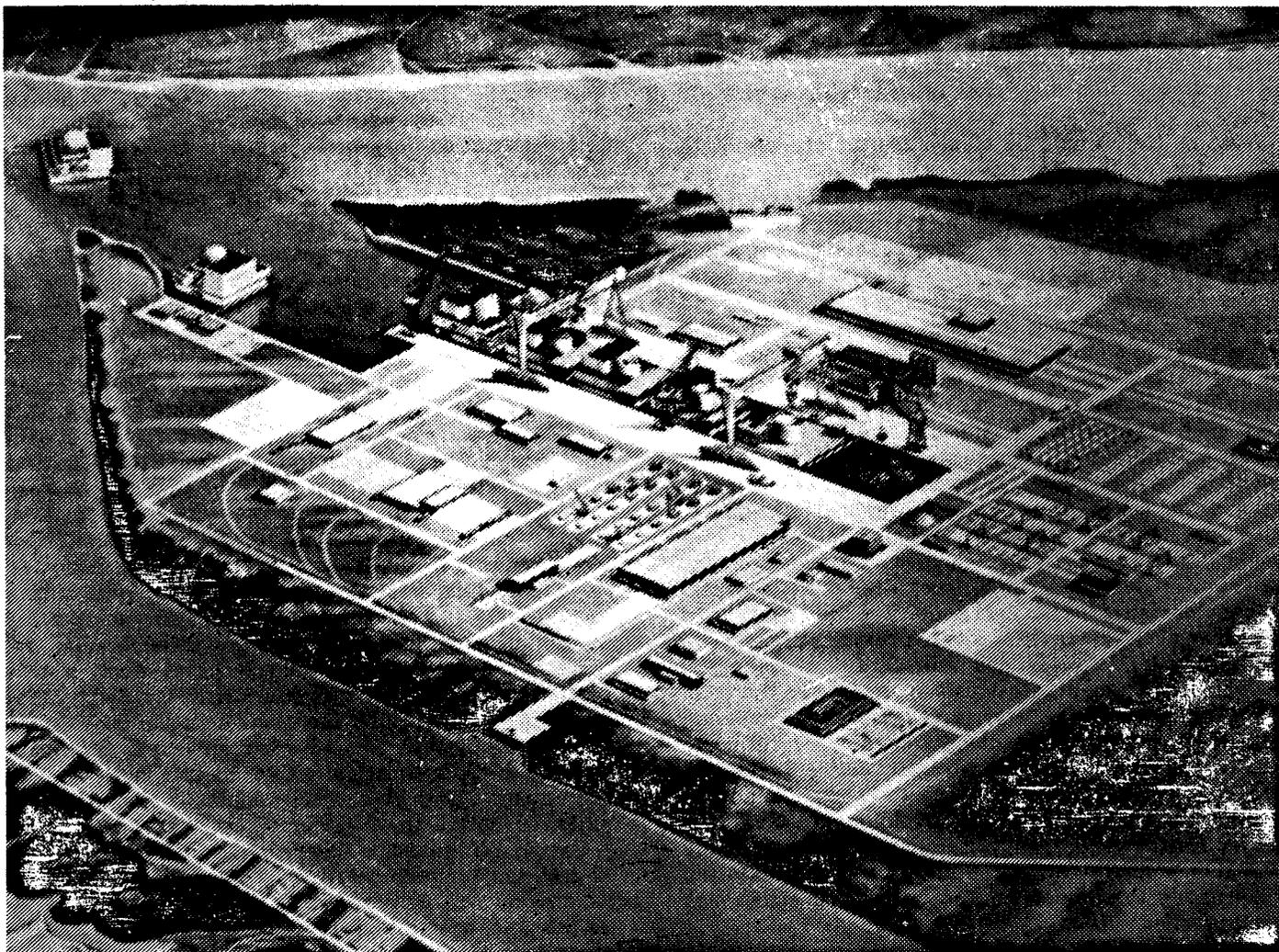
United States, French, and Soviet nuclear reactor industries are currently in the active stages of developing a little-publicized method of producing nuclear power plants in assembly-line "mass production." If fully applied to growing world energy needs, this can have a revolutionary impact on feasible approaches to massive programs of industrialization in developing countries and rapid expansion of industrial and energy capabilities in the advanced sector.

The technology is commonly referred to as the floating nuclear plant, or FNP, and as the name implies, it involves construction of nuclear power plants on barge-like structures which can be floated to the desired final location, either off an ocean coastline or in a river estuary

sufficiently deep. The revolutionary aspect of the FNP concept is not the floating power plants per se, but that that fact allows a whole new approach to development of the power generating and related industry along the lines of employing modular mass-production techniques, computerized production processes and similar methods, long common to high technology industries such as aerospace.

The Concept

Present methods of constructing nuclear power facilities, commonly taking up to 5-6 years per plant, are based on a "case-by-case" individually designed construction siting made to fit widely varying terrain and



other site requirements. The enormity of each site (one 1,000 megawatt nuclear plant can provide enough electricity to power a city of 750,000) means that large nomadic teams of the most highly skilled craft and construction labor have to be recruited and assembled for each plant site for immensely complicated assembly of some of the most sophisticated engineering components having to be coordinated at each decentralized plant site.

With the FNP, all plants are built from a standard physical design and are centrally assembled at one facility much as shipbuilding is now done in advanced yards around the world. This allows the centralizing of all major subassembly at one site, assembly and floating the finished power plant to its ultimate mooring. Westinghouse Offshore Power Systems division, currently the only ones in the world actually constructing FNP's, estimates that once the production of several such plants has allowed development of maximum production process efficiency, it will be possible to construct a 1,000 MWe complete nuclear plant from the initial laying of keel to final delivery in 27 to 30 months! Such time scales are better by a factor of two or more over anything currently possible with decentralized on-site construction methods.

Although no presently existing shipyard facility in the world is sufficient to directly produce the 400 square foot barge-like structure needed for a 1,000 MWe reactor, the technology of any shipbuilding country is readily adaptable to construct a site with special large overhead gantry crane, and subassembly production factories surrounding it allowing production line assembly by crane.

Spain or Italy would be ideal sites for production of plants for destination anywhere contiguous to the Mediterranean region, including southern Europe, North Africa, the Mideast, Greece, and Turkey. Such plants should be part of integrated industrial complexes which would also be integrated into large desalination complexes for irrigation in such regions. Dredging and widening of the present Suez Canal, a project already under study to enable the larger super-tankers to carry oil and natural gas from the Persian Gulf to Europe, would enable economical delivery of FNP complexes from such Mediterranean sites to locations on the Red Sea and Persian Gulf, where future development perspectives see nuclear energy development as essential in order to develop infrastructure for industrialization of the entire Mideast region. Israeli technological cadre would be an essential component of such development, as well as an obvious site itself for such FNP power sources.

Scandinavian shipbuilding capacity readily lends itself to such an FNP construction site to provide plants for the countries on the North Sea and Baltic. In potential regional development locations such as the Rio de la Plata region of South America, Argentine shipbuilding infrastructure would be an obvious choice for locating an FNP construction complex for that entire region, or possibly also Brazilian shipbuilding centers. Japan and South Korea could serve as the development location for the far East. In short, anywhere there exists the ready available industry infrastructure for substantial ship construction, there exists the capability to construct such a complex.

Current Westinghouse estimates are that an annual output of four, five at the most, is the optimum feasible production of any one FNP construction facility for reasons of scale and availability of highly skilled labor concentrations. While obviously not an absolute limit, this provides an estimate against which regional medium- and long-range power production needs can be measured.

From the standpoint of actual siting possibilities, floating nuclear plants offer a number of advantages, whose full potential has only partially been exploited. They can be sited in rivers, bays, estuaries, inshore, nearshore and even offshore locations as far as three miles out in the ocean. They require a depth of 45 to 65 feet of water and as little as 100 acres of geologically stable bottom. The offshore siting solves the requirements for access to large quantities of cooling water, often a major problem limiting on-land site possibilities. Since the offshore plant merely hooks up by cable in one manner or another with the on-land power grid, the development of present state-of-art light water fission reactor FNP construction complexes can readily be adapted to construction of floating fast breeder reactors as well ultimately as fission-fusion hybrid or fusion reactors.

In short, floating nuclear facilities offer an obviously desirable and vastly superior method of rapidly escalating world power production capability for vastly expanded industrial and agricultural output. The concept of the FNP has been in a serious developmental stage since the early 1970s when Westinghouse together with the Public Service Electric and Gas (PSE and G) utility of New Jersey began work on the idea. It is a testament to the stagnation of technological advance caused by a growing world economic and monetary decline that FNP's are not already rolling off the production lines in a number of countries.

The Westinghouse Case

For those who tend to be sensitive to the proliferation of Naderite scare stories of the supposed danger of conventional nuclear power plants, the idea of floating such a plant somewhere out in the ocean, or even near the shore, may bring up the question whether such floating structures would be comparable to a floating radioactive time bomb. What if a hurricane or even a huge supertanker should collide with the FNP? The best general answer to such question is the reminder that the first power application of nuclear energy more than twenty years ago was the nuclear powered submarine. Nuclear power plants are not bombs in any way shape or form; therefore the only valid question is: Given such a large single power source what is the potential for disruption of vital electric services through some unforeseen catastrophe? The experience of Westinghouse Offshore Power Systems together with New Jersey PSE and G in preparation for the construction of the Atlantic Generating Station, located 2.8 miles out in the ocean, some 12 miles from Atlantic City, has provided some of the most exhaustive oceanological testing internationally to date to answer just these questions.

PSE and G, intending beforehand to ease the concerns of assorted environmentalists, decided to locate its first floating nuclear power plant as far from shore visibility as possible, providing a test of the applicability of the

FNP concept in by far the most difficult physical circumstances. Plants floated on the shore line or in less exposed water are far simpler to moor. In the Atlantic Generating Station, after exhaustive scale-model tests, a unique breakwater inside which the plant would float in permanent moorings was designed. The use of thousands of interlocking "dolosse," weighing anywhere from 11 to 62 tons, piled on top of a huge concrete and rock mound, created a uniquely porous yet firm structure able to withstand hurricane-force winds up to 204 mph and absorb the impact of a full-speed collision by a 326,000-ton supertanker with no damage inflicted to the plant. The station was sited in an area with no recorded seismographic evidence of earthquake disturbance, yet were such to occur, the plant would be unaffected since, being afloat, it is decoupled from the earth.

To answer questions about fish, a top level team of marine biologists under the direction of Dr. Edward C. Raney of Cornell University has set up a permanent research laboratory on the New Jersey shore to study the ecology of all species of marine life in the area of the plant. As a result, a screening system has been constructed around the underwater base of the plant which will insure that the 17 degrees warmer thermal discharge will be cooled to 4-5 degrees by the time any marine life comes into contact with it.

As a result of these slightly warmer but hardly destructive ambient temperatures, the breakwater surrounding the FNP will actually attract marine life, providing a sanctuary. Much to the dismay of various so-called friends of the earth, it was found that during the severe winter, when a nuclear power plant at Forked River, New Jersey had to be temporarily shut down, fish died from lack of the heated water emerging from the power plant. The Atlantic Generating Station would become a stupendous artificial fishing reef with the warmth of the thermal plume creating a form of magnet for lush algae, barnacles, sea bass, lobsters, and could potentially outdo the granites of Maine as tens of thousands of lobster would come to live in between the cracks of the concrete dolosse. A project director of the New Jersey Marine Ecological Study estimates that there would be more fish and shellfish in this area than in any other square mile in the Atlantic Ocean. The applicability of such centers for aquaculture research and development is an obvious area to be developed.

Construction of the dolosse-covered breakwater itself is a

major engineering feat. The Dravo Corporation of Pittsburgh has been awarded a contract for \$200 million for a four-year construction job requiring building the 20-foot wide dolosse at a concrete yard on the Delaware Bay, ultimately producing some 18,000 of these dolosse using more than five million tons of material. It should be stressed that this first PSE and G plant is being constructed under the most stringent aesthetic and environmental constraints, which while it provides a useful affirmation of the range of applicability of the FNP concept, would not be necessary in areas where the ideology of "Naderism" has not polluted the local population, as the plants can be moored in breakwaters at the shore or in protected inlets, greatly reducing the cost and time of construction. The Atlantic Generating Station case is worth covering, however, if only to indicate the scale of engineering ingenuity and multiple benefits which could be the springboard to entire allied developments and multiple usage of such complexes.

In a sense it is ironic that the first impetus for the development of floating nuclear power stations grew out of "environmentalist" considerations. The real contribution of the concept is that it offers the possibility for assembly line mass production of nuclear power generating capacity in far shorter times than anything previously thought possible.

The fact that more countries have not begun crash development of this capability is largely due to the domestic delays in Europe, Japan and elsewhere caused in no small part by "environmentalist" sabotage of nuclear power through delayed court cases and heated demonstrations — added to the enormous problems of financing such large long-term capital expenditures in the face of a growing hyperinflationary international monetary crisis. A number of European governments in recent months have taken measures to come in and bail out their threatened domestic shipbuilding capacity through state takeover of the bankrupt but otherwise sound industries. This, combined with other state financing and credit guarantees tied to the growing number of nuclear technology transfer agreements between Europe and various OPEC and East Bloc countries, would be the obvious direction to go in order to provide credit for a crash development program. There is no need for the world to wait with baited breath until the first plant is floated out to the Atlantic Generating Station in 1984 by Westinghouse.

—William Engdahl

Canadian Energy Board Sets Stage For U.S.-Canada Gas War

This week's decision by the Canadian National Energy Board to reject Arctic Gas's proposal for a pipeline to transport U.S. and Canadian north slope gas to southern markets has drawn the battle lines for what could become a devastating energy war in North America. Already, the NEB's decision has given new impetus to the Carter Administration's lethal "Project Independence" energy austerity plans.

The NEB rejected the six-year old MacKenzie Valley pipeline plan in favor of a hastily organized proposal by Foothills Pipe for an all-Canadian (AlCan) route which would initially carry only U.S. Prudhoe Bay gas to the U.S. with provisions for an eventual spur to carry the Canadian Beaufort Sea gas reserves to southern Canada five to ten years from now. In rejecting the Arctic plan, the energy board, a federal regulatory agency, has followed the lead of a gaggle of environmentalist and "native peoples" organizations, as well as zero-growth "Canadian nationalists" who have attacked the plan for environmental reasons and for "giving" Canadian gas to the U.S.

In essence, the Arctic Gas proposal would have made both Canadian and U.S. gas reserves available to meet current U.S. gas shortages, ensuring continued or increased Canadian gas exports. Alternate proposals, including AlCan and a trans-Alaskan route sponsored by El Paso Company of Texas, would delay, if not entirely eliminate, development of Canada's Beaufort Sea reserves, virtually guaranteeing cutbacks in Canadian gas exports even from conventional sources as a "conservation" measure in Canada.

Such cutbacks have been hailed in Canada by groups such as the Committee for an Independent Canada

(which has been linked to the Washington-based terrorist controllers of the Institute for Policy Studies) as well as Rockefeller oil interests because they will further Canadian "self-sufficiency" through development of the Athabasca tar sands and other heavy oil projects. Continued objections by environmentalists and native-rights groups in Canada to *any* pipeline route have additionally aided the Rockefeller cause.

In Washington, where Jimmy Carter must ultimately decide the fate of the various pipeline proposals in recommendations due in September, opposition to the Canadian routes is already being organized, led by Senators Eastland (D-Miss), Stennis (D-Miss) and Henry Jackson (D-Wash) and Representatives Slack (D-W.Va.) and Murtha. Foes of the Canadian projects have pointed to the native claims issues, environmentalist arguments and "patterns of Canadian unrest" including Quebec separatism (covertly sponsored by the Rockefellers) as reasons to back the all-U.S. El Paso line, regardless of the possible dire consequences of Canadian export cutbacks. Even more devious, a recent letter to the President signed by 16 Congressmen urged him to reject the Canadian pipeline routes in protest against the "failure of Canadians to consider the human rights of the natives."

All this, combined with Canadian nationalists' demands not to "squander" Canadian resources on the United States, sets the stage for a North American gas war. Activation of such a war would provide Carter with precisely the rationale to implement Schlesinger's U.S. gas-rationing plan with drastic cuts in consumption, a plan that has already met with wide resistance in Congress and the U.S. press.

The Russell Sage Foundation: 70 Years Of Monetarist Subversion

On March 1, *the New York Times* announced that the Russell Sage Foundation (RSF) had hired three of the USA's most prominent social scientists to direct a program with new emphasis on "New York City's problems and institutions" to begin this fall. To the political analyst familiar with twentieth century political intelligence operations, the naming of the relatively obscure Russell Sage Foundation comes as no surprise. In the forging of monetarist hegemony over traditional U.S. institutions, the Russell Sage Foundation has played the central role.

At every key historical juncture in the twentieth century, starting from the moment of its founding in 1907, the RSF has been called upon by the ruling monetarist circles to initiate the programs, set up the infrastructure, and educate the educators that would exercise monetarist influence and control over American society. The RSF is, in fact, not an American institution at all but the foremost expression of the "British system" imported into the United States by the American heirs of that imperialist looting system. Predictably then, the RSF spawned or was instrumental in forming every significant intelligence operation created by Wall Street, including the Rockefeller "philanthropies," the Council on Foreign Relations, Interpol and present day Wall Street controlled sections of the CIA, Military Intelligence, the Justice Department and Treasury. The corporatist social policies spawned by the RSF add up to fascism on the model of the Mussolini government.

When the RSF was founded in 1907, its huge initiating endowment (\$10 million from the widow of the "robber baron" Russell Sage) and its blue ribbon panel of Fabian social planners and financiers immediately made it the leading institution in the field. The RSF was greeted in the New York press as the ultimate solution to the "social and living conditions in the United States of America." With only eight foundations in existence in the U.S. at the time, most of them conduits and havens for the personal fortunes of old American families, the RSF goal of developing "scientific social work," the "national scope" of the foundation and its self-appointed role as initiator of "necessary agencies and institutions," immediately made it the central institution in the country for launching every form of social control and Fabian political subversion operation that Wall Street found necessary to subdue their industrial and labor opposition. In the decade leading up to U.S. entry into World War I, the RSF evolved into a cornerstone of Rockefeller family operations. In collaboration with such Rockefeller family fronts as the National Civic Federation and hirelings like Raymond Fosdick, the RSF

pioneered the corporatist social institutions which were the underpinnings of monetarist political hegemony forged at Versailles.

Labor Counterinsurgency

The central domestic goal of the RSF was to develop strategies and institutions that would ensure Wall Street's goal of keeping the labor movement isolated from industrial capitalists opposed to Wall Street's looting policies. The RSF accomplished this by simultaneously propagandizing for corporatist forms of industrial organization, and fostering the development of anarchist terrorist networks through the Settlement House movement.

While the RSF, from its inception, conducted major profile studies of the working population, the first major push for corporatist forms of industrial organization was the RSF's study of the so-called "Rockefeller Plan." The Rockefeller Plan was the "solution" imposed on the workers of Rockefeller's Colorado Fuel and Iron Company following the bloody strikes which culminated with the Ludlow Massacre in 1913. It called for impotent worker-management committees to discuss "working conditions," and was the first coparticipation scheme introduced in the U.S. In 1919 the RSF did a study of the plan and concluded that it should serve as a model for the nation's industry. As the RSF evaluated the problem, "There was much industrial unrest in the U.S. in part due to the rising costs of living, but also to mounting dissatisfaction of workers with the slight share they had in determining working conditions. The great need seemed to be for a plan of organization that would give them a voice in determining the condition of their employment while at the same time placing upon them more responsibility for the quality and quantity of their output." The RSF's study of the Rockefeller Plan found that "the Rockefeller Plan... marked a distinct step in advance in an industry so devoid of a tradition concerning the representation of workers" and concluded that "the Colorado Fuel and Iron Company stood out as a pioneer in the improvement of human relations"!

In one of the largest, most sophisticated studies of its kind ever undertaken in the U.S., the RSF, in the year of its founding, funded and produced an in-depth study of the working population of Pittsburgh. Modelled after the famous study of the London working class done by the British Fabian Society, the Pittsburgh Survey became the focus of national attention as the first comprehensive mapping of a working population in a major industrial city. It paved the way for Fabian trade unions to enter the company towns and was the chief means by which

Wall Street gained political leverage over local industrialists. The survey became a constant source for muck-racking journalists hired by Wall Street to propagandize about the "evils of industrialization."

The RSF did a similar study of the working population in San Francisco after the great fire, and then branched into profiling women workers in the New York City's garment district and the munitions industry. These profiles were later used when the RSF was called in to supervise the munitions production industry and make recommendations for replacing men wherever possible with women to free manpower for fighting during World War I.

The RSF, Fosdick and Terrorism

The RSF's push for developing corporatist forms of industrial organization was complemented in their strategic design by the deployment of anarchist terrorist networks against the labor movement and industrial capitalists. This Fabian-RSF technique of simultaneously subverting the labor movement and discrediting conservative industrialist political opposition is best exemplified in the career of one of the RSF's star pupils, Raymond Blaine Fosdick.

Trained by the RSF, Fosdick throughout most of his adult life was John D. Rockefeller, Jr.'s chief political operations man and financial manager. During his career Fosdick controlled the Rockefeller Foundation, the Rockefeller Institute for Medical Research, the Rockefeller General Education Fund, the Laura Spelman Rockefeller Fund, the Brookings Institution (of which he was a founding member) and the National Institute for Public Administration.

Fresh out of Princeton, Fosdick came to New York City in 1907 where, while attending New York Law School, he worked at the Henry Street Settlement House. Henry Street, as all settlement houses, was essentially a field office for the RSF. The RSF used the mass of statistics compiled by the settlement house workers on local immigrant and working populations as the basis for much of their social control legislation. The RSF, for example, plugged into existing settlement house and Charity Organization Society networks when they did the Pittsburgh Survey.

In addition to engaging in these "respectable" operations, Henry Street was the New City center for international Russian anarchist networks and part of a budding international intelligence operation being assembled by the RSF. Such personalities as the Russian anarchist Prince Kropotkin were regular visitors and guests at Henry Street.

It was in association with these anarchist networks that Fosdick gained his early experience. One of his early assignments found Fosdick providing bail money for Emma Goldman, a notorious anarchist leader being held in a New York City jail at the time. Goldman was the close associate and mistress of the would-be assassin of Carnegie Steel's Henry Frick, and in 1901 engaged in a nationwide speaking campaign in defense of President McKinley's assassin, who not coincidentally, assassinated McKinley not long after attending a lecture on anarchist action by Emma Goldman!

"Reform"

While fostering the development of anarchist "black operations" through the Settlement House Movement, the RSF directed a series of "progressive reform" campaigns designed to break labor and public support for the inner city political machine of New York City's Tammany Hall and secure the city as political base of operations for Wall Street. One such "reform" was the takeover of New York City's loan sharking rackets. At this time, the RSF began an association with organized crime that has persisted to the present day. The anti-loan-shark campaign was launched in 1909 by the RSF and joined officially by New York City in 1911 when, at the "request" of the RSF, Raymond Fosdick, who had graduated by this time to Commissioner of Accounts for New York City, launched an official investigation. By 1913 as a result of the Fosdick investigation, and constant exposure in the press, all orchestrated by the RSF, New York City loan sharking operations were replaced by a Wall Street-controlled system of credit unions and savings banks operating on the Fabian principle of "philanthropy plus 6 percent." Far from eliminating the loan sharking operations, the RSF put high interest usury on a more rigorous basis. The RSF introduced laws into virtually every state (24 by 1913) licensing high rate loans and making arrangements with employers to ensure that workers who had contracted debts to credit unions and the like had continued employment at least until the loan was paid off. Commenting on some of the problems RSF operatives had in foisting this operation off on the public, the official RSF history reports that "it was comparatively easy to expose the illegality and immorality in the loan shark's activities... it was more difficult to convince the public and legislators of the necessity for permitting higher charges than were legal for ordinary business loans and to determine what the charges should be."

Occurring simultaneously were investigations into New York City's police department and court system, both bastions of Tammany political power. Part of the investigation into police "corruption" was a study on "white slave traffic" (prostitution) launched jointly by the RSF and Fosdick. The study commission was chaired by John D. Rockefeller, Jr. and marks the first direct collaboration between Rockefeller, Fosdick and the RSF. The result of these various campaigns was the total reorganization of the police department and the city's court system, centralizing patronage in city hall and taking power away from the ward bosses. It is in this period, immersed in Fabian intrigues to secure New York City for Wall Street, that Fosdick, under the guiding hands of the RSF, first conceived of using control over illicit activities and anarchist networks as the ideological basis for an anti-labor, anti-industrial movement that would ensure monetarist political hegemony worldwide. Fosdick elaborates this program explicitly in his later proposals for the League of Nations.

The RSF and Versailles

When U.S. monetarist circles finally maneuvered the U.S. into war against Germany in 1917, an operation in

which RSF founder Cleveland H. Dodge was intimately involved, the RSF was immediately brought into the Wilson government to engineer the post-war financial and political arrangements. The strategic design for this American monetarist hegemony was the so-called "Parvus Plan" designed by British intelligence operative Alexander Helphand (Parvus) and adopted as a policy by the Rockefellers and other American monetarists.

The Parvus Plan called for breaking up Eastern Europe and Russia into small nominally independent liberal states, their financial credit institutions controlled by London bankers. British intelligence services were supposed to ensure the creation of such liberal states through the promotion of nationalist and assorted pan-Slavic anarchist movements which would sabotage any overall socialist or capitalist approach dealing with questions of economic development.

U.S. monetarists however, planned to implement the British Parvus Plan without the British. The primary means for accomplishing this would be private intelligence operations organized by the RSF. Not only did the RSF, together with Rockefeller flunkie John Foster Dulles, actually write the reparations sections of the Versailles Treaty, gaining a crucial foothold for American monetarists over the post-war German reparations, but the RSF deployed the political intelligence networks that made this Wall Street foothold over British monetarists a political reality.

The planning for this began in a Washington, D.C. meeting in April 1917 between top RSF executives John M. Glenn and Leonard Ayres, Secretary of War Newton Baker, Director of the Council of National Defense (CND) Grosevnor B. Clarkson, and the head of Civilian Relief for the American Red Cross. It was decided at this meeting that the RSF would supervise the expansion of the U.S. Army and Navy to a full war footing and organize the U.S. government's economic intelligence capabilities.

The job of organizing the nation's economic intelligence operations fell to Leonard Ayres, the head of the RSF Statistics Division. Ayres immediately moved to Washington and became head of the CND's economic intelligence operations. In this capacity Ayres was charged with assembling a current picture of the disposition of men and supplies for the CND. By October 1917 Ayres was in charge of economic intelligence for the War Industries Board, headed by Rockefeller crony Bernard Baruch; the Allies Purchasing Committee headed by monetarist Charles Dawes; and provided weekly intelligence reports for the War Department, the Maritime Conference and the House and Senate Military Affairs Committees. Early in 1918, having completed the establishment of a civilian organization in the government and preparing for postwar negotiations, Ayres and his operations were moved directly into the Army General Staff, where he organized a similar operation which soon began providing daily reports to General Pershing in France.

In November 1918, Ayres accompanied Woodrow Wilson to Versailles. His intelligence department wrote the "sections of the peace treaty relating to indemnities and economic matters." Working with Ayres was John Foster Dulles. He wrote the U.S. delegation's main

economic brief as well as some of the "economic clauses" of the treaty and article 231 of the treaty, which placed the entire blame for the war on Germany.

Simultaneous to the shaping of the beginnings of lower Manhattan's financial hegemony over competing British interests, the RSF deployed the political intelligence networks that would be the collection apparatus for the debts imposed at Versailles and the basis for the later launching of organizations such as Interpol.

In one of these sundry intelligence operations in 1918, the RSF, at the request of the Secretary of State Lansing, organized the highly secret National Alien Enemy Relief Committee (NAERC). Acting as the agents for German and Austro-Hungarian interests "innocently handicapped by war regulations," the committee established crucial contacts in the Swedish and Swiss legations creating additional intelligence capabilities in Eastern Europe and the Soviet Union. The NAERC was in effect a continuation of operations begun by the famous 1917 Red Cross mission to Moscow headed by William Boyce Thompson, the head of the New York Federal Reserve. Thompson was trying to line up Russian raw materials for Wall Street looting operations. The RSF was involved in that early mission through heavy contributions to the Red Cross made by RSF founders Margaret Olivia Sage and Cleveland H. Dodge. The most crucial of these operations, however, was the preservation of the British intelligence squadron being run out of the German Naval Transport Department by British agent Admiral Wilhelm Canaris. Almost all the German military departments were dismantled by the Allies at Versailles, but Admiral Canaris' Naval Transport Department survived intact. Ayres, who was the American Army representative to a U.S.-British conference late in the summer of 1918 to negotiate U.S. access to British shipping resources, was personally involved in the process that led to the Canaris operation surviving.

At the outset of this process, Raymond Fosdick was on "special assignment" to the U.S. Mexican border. When the U.S. entered the war, he was called back by Secretary of War Baker to head the U.S. Commission on Training Camp Activities. On the executive committee with Fosdick was Leo Hanmer of the RSF Recreation Department. Together with the staff of the Recreation Department, Hanmer and Fosdick organized the massive expansion of training programs for the U.S. Army and Navy. While Hanmer ran the training programs out of RSF offices in New York City, Fosdick traveled to Canada and Europe, settling eventually in Pershing's HQ in France. At Pershing's HQ, Fosdick, now Pershing's personal aide, teamed up with Ayres to provide Pershing with reports analyzing U.S. troop strength and morale and making recommendations for their further disposition and training.

The RSF, Interpol and The League of Nations

As the Bolsheviks consolidated power in the newly formed Soviet republic in October 1917, it became clear to monetarist forces in the U.S. that their option for Balkanizing Eastern Europe and Russia for natural resource looting through the "Parvus Plan" had ended,

or at least had been temporarily blocked. While a series of mercenary armies were hurled against the new Soviet republic, the Fabian social work networks in the U.S. and Europe were launched into furious activity to consolidate anti-Bolshevik political formations in Europe and the U.S. The crux of this activity was RSF and related operations and purely Rockefeller family networks created by Raymond Fosdick. The League of Nations (1919) and the International Criminal Police Organization (1923) became integrated aspects of this anti-Bolshevik deployment through the joint efforts of Fosdick and the RSF.

When war broke out in Europe in 1914, Raymond Fosdick could be found touring the continent doing a study of the police departments of every major European city. Fosdick assembled detailed operating profiles of police departments while cultivating a network of like-thinking Fabian operatives. Funded by Rockefeller money conduited through the eugenics theorists at the Bureau of Social Hygiene in Columbia University, the study was published in 1915 under the title *European Police Systems* and immediately became the theoretical and practical basis for Fabian law enforcement in general and Interpol in particular. Fosdick's study coincided, not accidentally, with the first International Criminal Police Congress held in Monaco in 1914 under the guidance of Dr. Johan Schober, the police commissioner of Vienna. Schober had his police department singled out by Fosdick as a model for all European and American cities. Although war interrupted these activities, the efforts were later consolidated with the founding of Interpol in 1923 at the next international police congress, once again presided over by Schober.

Before this private police network was made absolutely necessary however, Fosdick and the RSF attempted to launch the same operation but with direct interface in U.S. and European governments through the League of Nations. With the Versailles treaty guaranteeing Rockefeller financial hegemony over German reparations, Fosdick saw the opportunity to launch his anti-industrialist, anti-labor subversive crusade on an international scale using the methods (control of illicit activities) developed in joint collaboration with the RSF during his early "reform" activities in New York City. Appointed as U.S. Undersecretary to the League of Nations by his close friend and former teacher at Princeton, Woodrow Wilson, Fosdick outlined his scheme in a letter to then Secretary of War Newton Baker:

The non-political activities of the League are going to be immensely important and are going to furnish an admirable place to start the building of a new technique. I mean the functions outlined in articles 23-24 of the Covenant — the control of disease, drugs, traffic in women and children, arms communications and transit etc. Through these relatively non-controversial matters we can build a technique, we can establish a procedure and develop precedents; we can get the "feel" of international cooperation in pursuit of a common goal. Each step that we take however halting, every decision that we reach as a result of frank discussion, will be a definite advance toward ultimate world peace. The

result will be that when another Sarajevo comes, the world can meet it with a system which has been developed and matured in many different areas and in many meetings of the family of nations.

In a similar letter to John D. Rockefeller, Jr. Fosdick outlines a comprehensive plan for making the League a vehicle for consolidating Rockefeller's hegemony over the British monetarists.

With the defeat of the Versailles Treaty in the U.S. Senate, all of these preparations received a temporary setback. Forced to resign from the League in January 1920, and deprived of any official standing, Fosdick founded the League of Nations News Bureau and continued to build his operations privately. By 1923 the League News Bureau was absorbed into an expanded League of Nations Association, and had become the center of League activities in the U.S. During this period Fosdick participated in the founding of the Council on Foreign Relations with his close friend Hamilton Fish Armstrong, and deployed Rockefeller agents of influence through Europe from his position as controller of the Rockefeller philanthropies. 1923 also marked the first international police conference since Fosdick toured Europe in 1914, and the successful launching of Interpol. All of the old familiar themes from the founding of the League of Nations were sounded at the Interpol founding conference with Schober and Oscar Dressler, the head of Interpol until 1938 when it was taken over by Nazi SS chief Heydrich, leading the ideological battle against "Bolshevism." Both Dressler and Schober made pleas through the conference for League recognition of Interpol. By 1936 Interpol had evolved into an international police network under the control of the Nazis, with Fosdick's anti-Bolshevik ideological perspective hardened to the point that Interpol was viewed by its own top officials as a "counterintelligence ideological front to combat Bolshevik infiltration."

While Fosdick organized pro-League activities out of the League News Bureau, the RSF, equally unrestrained by official U.S. policy, incorporated the League into its international operations through the League's International Labor Office (ILO). Mary Van Kleek, the director of the RSF Industrial Studies Department, was appointed to the American Advisory Committee of the League (1924) and through her extensive travels in Europe coordinated the development of a vast array of Fabian labor-management think tanks which included overlaps and coordination with the espionage network run by Karl Korsch's Frankfurt School. The Frankfurt School was later fully integrated into the overall RSF networks when, in 1932, ILO director Alber Thomas asked the Frankfurt School to open offices in ILO facilities in Geneva.

Contacts developed in this period were the basis for the creation in 1933 of an organization called the Hospites. Run by top RSF executives, the Hospites was ostensibly concerned with the plight of "German social workers" interned in concentration camps in Germany. This "highly secret" program was actually involved in smuggling people out of these camps and out of Germany, and relocating them in the U.S. These private Rockefeller-RSF controlled escape networks, initially

Russell Sage Set Up Twentieth Century Fund

The Twentieth Century Fund, the Rockefeller family thinktank that created Jimmy Carter's Federal Election Commission plumbers unit and that is now circulating Capitol Hill proposals for a Mussolini-modeled rationalization of the U.S. banking system, is a second-generation offspring of the original "CIA" institution in the U.S., the Russell Sage Foundation.

The Fund was incorporated in Massachusetts in 1919 as a project of Edward A. Filene and Louis Brandeis, the New England representative of Standard Oil's Sullivan and Cromwell law firm. During the first years of the Fund's operations, Filene and Brandeis relied heavily on the Russell Sage Foundation for personnel, project outlines, and funds. From the Foundation, the Twentieth Century Fund took over U.S. dissemination of "Fabian Socialist" intelligence and counterinsurgency policies from Britain, where they have long been used by the Rothschild bankers' personal socialists, Sidney and Beatrice Webb.

A recent Fund task force project, implemented in the Russell Sage tradition, has prepared the legal groundwork for wholesale looting of U.S. trade union pension funds by the New York banks with a study of "corruption" and "conflict of interest" in the trade unions.

Reflecting the same "Fabian" outlook and Russell Sage's "social-work" orientation, the Twentieth Century Fund's emphasis from its inception has been Big Brother forms of social control and manipulation, and alteration of U.S. laws and constitutional procedures on behalf of the Wall Street banks. Throughout its history, the Fund has served as an outlet for operations devised by Russell Sage braintrusts, has been a partner in Russell Sage-initiated projects and investigative work, and has functioned as a contracting agent for Russell Sage-devised "community control" heresies against the American system of government, law and economy.

used for getting social workers out of Germany, were later used by the Nazis themselves to escape allied armies closing in on the defeated Third Reich.

The RSF, The New Deal And World War Two

When FDR moved into the White House in 1933 he institutionalized RSF social policy as official U.S. domestic policy. Committed to a variation of the "Parvus plan" as a strategic doctrine, FDR in his first days in office launched the institutions that would insure the integrity of the majority of Wall Street's debt holdings. Not expecting to fight a war in which the entire industrial might of the country would have to be mobilized, FDR proceeded to dismantle the nation's industrial base and disperse its trained industrial cadres into labor camps and projects of various sorts as a means of cannibalizing the wealth of the nation on behalf of Wall Street's debt holdings.

At the center of Roosevelt's assault on the country's productive base was the nakedly fascist National Recovery Administration (NRA). Demagogically playing off of the population's disgust with sweat shop conditions in many marginal industries, Roosevelt used the NRA industrial code hearings simultaneously as a battering ram against the nation's industrialists and any independent labor movement.

For its first six months, the NRA was run by General Hugh S. Johnson, an unstable character prone to bouts of drunkenness and depression. Johnson managed to orchestrate, with the help of a massive media blitz, a semi-successful mobilization of the population in support of the corporatist goals of the NRA. Outflanked by FDR with this operation, virtually every industry was brought

under NRA codes and flew the blue eagle symbol of the NRA as a sign of compliance. This initial phase accomplished, essential policy control over the NRA from January 1934 was exercised by Leon Henderson, the head of the RSF Remedial Loan Department, who was brought in as the NRA's chief economist. While Henderson began shaping NRA policy at the top, the RSF Industrial Studies Department which had been monitoring the functioning of NRA industrial code hearings all along, assembled industry by industry recommendations on labor and economic policy.

When the NRA was declared unconstitutional in May 1935, the policies initiated by it continued under various guises. In June 1934 for example, Henderson commissioned the RSF to do a study of national consumer credit. The study was done by Henderson's former aid at the RSF, Rolf Nugent, now the director of Henderson's old department renamed the Consumer Credit Department. Nugent's study was published in 1939 under the title *Consumer Credit and Economic Stability* and was the basis for the so-called Regulation W promulgated by the Office of Price Administration (one of Henderson's later projects) and the Federal Reserve Board in 1941 before the U.S. entered the war. Regulation W cut off consumer credit by increasing down payments, shortening repayment terms and controlling charge accounts. Because of the cut off of their regular domestic markets, these measures forced the nation's industries into war related production, a shift which was otherwise illegal for Roosevelt to order because the U.S. was not yet at war.

The other major area of RSF implementation and input into New Deal policies was in the area of "unemployment relief," i.e. the labor intensive work camp system of the Civilian Conservation Corps and the Works Progress Administration. From 1933-35 the RSF set up

the administrative infrastructure for these slave-labor projects, training the "recreation leaders" of the WPA in special schools set up in New York and setting up the "recreational and vocational" programs for the CCC camps. The RSF Charity Organization Department additionally functioned as the "advisor on method or center of information" for the WPA as a whole. And when the NRA was disbanded in 1935, Henderson became the WPA's chief economist.

As in World War I the RSF operations were deployed directly into key government positions when war broke out. Henderson became administrator of the Office of Price Administration (OPA) with John E. Hamm, Henderson's former assistant at NRA and former assistant to Rolf Nugent at the RSF appointed deputy administrator. Nugent himself became the chief of OPA's Office of Credit Policy.

The RSF Charity Organization Department was tapped in 1942 by Roosevelt, following the allied North African invasion to set up training schools for Naval and other military officers to instruct them in "the civilian administration" of occupied territories. This was expanded in 1943 when Donald S. Howard, the associate director of the RSF Charity Organization Department became a consultant to the newly formed United Nations Relief and Rehabilitation Administration (UNRAA) where he moved into policy controlling positions. Howard was joined at UNRAA by Rolf Nugent, who had been sent out of OPA by this time, into the Civilian Requirements Branch of the War Food Administration. At UNRAA Nugent took charge of "allocation of food, clothing and equipment for liberated areas." Howard's boss at RSF, Joanna C. Colcord, was pulled into Washington to shape policy for the Office of Defense, Health and Welfare, the precursor to Nelson Rockefeller's Department of Health, Education and Welfare.

As in World War I this array of deployments placed the RSF trusted operatives into those areas that would ensure that Wall Street policy was implemented as official U.S. policy.

At the conclusion of World War II the RSF underwent a dramatic change in *modus operandi*. A prominent well publicized institution throughout its history, the RSF sold its building, dismantled its formal department structure, donated its library to the City University and began operating on a much lower profile. The presence of a

large formal institution was no longer necessary. With the Bretton Woods system set up, the United Nations successfully launched and the Marshall Plan guaranteeing support for U.S. monetarism from its traditional conservative opposition, U.S. monetarism (Rockefeller) had finally moved into the position of hegemony over the British that the RSF had been instrumental in shaping since its creation.

The RSF now focused its energies into making the innovations necessary for implementing the grand Rockefeller strategy for "Fascism with a Democratic Face." Not satisfied with the old methods of subversion of the constitution and control over the population, the RSF sought to further refine these techniques using the psychological warfare experience gained during World War II. In one of their most insidious efforts, the RSF funded a project for applying behavior modification techniques (brainwashing) to the area of journalism. The study profiled numerous regional newspapers and isolated regional peculiarities in reporting. This information was then used to "shape the news" in such a way as to elicit a specific response from that regional population. The study is the source of the philosophy behind the Fund for Investigative Journalism, the organization partially responsible for the media "Watergating" of former president Nixon and recently involved in a campaign to smear Senator Goldwater with charges of involvement in organized crime.

In other areas the RSF pioneered the use of individual dossiers by public and private agencies, it is leading the revival of the CCC approach to unemployment through its Universal Youth Service program; it was responsible for the community control strategy for counterinsurgency launched in the 1960s in U.S. cities; and, it has been central to controlling the operations of every other Wall Street foundation through its writing of laws governing the practices of the foundations. In other words, the RSF continues to play a central role in monetarism's effort to build a 1984 society. And once again Wall Street has tapped its institution of last resort to create the institutions that will allow it to survive an accelerating international monetary crisis. This time however the RSF must operate in the glare of public understanding of its insidious operation, a disadvantage the RSF has avoided for 70 years.

— Sixto Mendez, Jr.

EXCLUSIVE

Praxis: The Institute For Policy Studies' Canadian Extension

A now-defunct venture, Praxis Corporation, has achieved notoriety throughout Canada in recent weeks in connection with illegal break-ins into its Toronto headquarters in 1972, alleged to have been performed under the auspices of the Royal Canadian Mounted Police (RCMP). In turn, federal Supplies and Services Minister Jean-Pierre Goyer, who was Solicitor General

in charge of overseeing RCMP activities at the time of the break-ins, is being attacked in the Canadian Parliament for having circulated documents to the federal cabinet during the early 1970s warning of the subversive nature of Praxis and affiliated networks, some of whom extended into official government circles. Goyer is also being accused of having been complicit in

the Praxis break-ins and of acting to suppress an investigation of same subsequent to their occurrence.

A preliminary investigation of the actual nature of the Praxis Corp. network reveals it to be the centerpiece in a broad-based, largely Rockefeller-inspired, conspiracy directed at all phases of the Canadian policy making process. Information on Praxis and associated networks gathered in Canada and gridded against the extensively documented activities of the terrorist controllers at the U.S.-based Institute for Policy Studies (IPS) both in North America and in Europe show the Praxis Corp. to be an IPS-Canadian front organization. This identification, matched in turn against known official Rockefeller policy options for Canada, allows the efficient assemblage of the complete profile of Rockefeller and allied network agencies of subversion directed at Canadian national sovereignty. Forthcoming articles will document this profile extending from the highest international round table circles into the networks operating within established institutions and outside of such institutions as "countergangs."

In the interim, as we can only suggest that former Solicitor General Goyer be questioned, not for initiating an investigation into Praxis, but for so far withholding the full nature of the Praxis network from the Canadian public.

What is Praxis?

Praxis is Canada's Institute for Policy Studies. It coordinates a machine which succeeded in establishing strongholds of Rockefeller policy influence within the institutions of Canadian federal and provincial government, universities, major political parties, press and other media, as well as achieving the establishment of synthetic political creations such as the 7,000-member Committee for an Independent Canada. This machine, together with interfaced terrorist networks, is Rockefeller's base for promoting policies of zero growth, energy conservation, deindustrialization, drug decriminalization, and corporatist restructuring of government and financial institutions against the interests of the Canadian population.

Praxis Corporation was consolidated in 1968 out of "new left"-oriented Fabian circles at Toronto University and York University in Toronto, Ontario. Praxis's founding directorship brought together individuals of influence within government, national party, media, academic and professional layers as well as within established "left radical" networks.

Praxis Corporation's own 1969 brochure emphasized the importance of Praxis ties to two U.S. institutions: the Washington-based Institute for Policy Studies (IPS) headed by Marcus Raskin, and the Cambridge Institute overseen by linguist-brainwasher Noam Chomsky of MIT. Both these U.S. institutions have been exposed in this and other newspapers for their coordinating role in international terrorism.

The Praxis ties to IPS and Chomsky were established through the auspices of several of its founding members: *Gerry Hunnius*, former IPS Fellow and ongoing "consultant" to the Cambridge Institute; *Jeffrey Jowell* — Cambridge Institute Center for Urban Studies Fellow, 1967-68. In addition, Hunnius, as associate editor of the

"Our Generation" Canadian branch of Chomsky's anarchist-terrorist Black Rose, maintained close ties with several other IPS Fellows including John Case, New England Free Press founder, and David Garson, head of the IPS Labor Information Committee.

Praxis maintained additional international ties through its relationship to the Chomsky-run Yugoslavian "dissident" movement of the same name. André Gorz, Yugoslav Praxis magazine international editorial staff member, co-chaired a 1970 Praxis Canadian forum on Mussolini-style "workers' control" with Hunnius. Reciprocally, Hunnius and fellow Praxis founder Abraham Rotstein jointly attended a similar conference in Yugoslavia in the early 1970s.

"Extraparliamentary Opposition"

The Praxis Corporation 1969 prospectus constituted a rewrite into language appealing to liberal academic and professional circles of an official blueprint for the subversion of the Canadian government originally published in Hunnius's Black Rose magazine. In a series entitled "Towards an Extraparliamentary Opposition," Hunnius associate Dimitri Roussopoulos demands an explicit rejection of "representative" (i.e. parliamentary) democracy as outmoded, and calls essentially for an international "anti-authoritarian" insurrectional movement in the guise of anarchistic "social change" promoted in a fashion "independent of the university, the government and of any other institution."

This new movement was to include programs for "restructuring" the university and the high-school curriculum, zero-growth programs for the cities, "nationalization" of foreign-owned industry (a long-standing Rockefeller ploy to break the control of U.S.-Canadian pro-growth industrialists over Canadian economic policy), and constitutional reform. These areas of endeavor were to be carried out both directly and through several library and other organizational fronts including:

Canadian Peace Research and Education Association — run by Hunnius as a branch of the international association of the same name and operating as a replica of the MIT-based MITRE Corporation to "study international conflict by means of simulation techniques";

Hunnius's Yugoslavian fellow traveller Abraham Rotstein runs in turn three other ventures — the *Canadian Forum* magazine, Canada's leading "respectable" leftist journal, *The International Forum Foundation* and the *University League for Social Reform*.

A partial survey of Praxis founding directors is sufficient to document the scope of Rockefeller's political assault on Canadian sovereignty.

Abraham Rotstein — participant in Rockefeller's Bilderberg Conference in 1971; founding member of Committee for an Independent Canada, the leading countergang in support of Rockefeller's Project Independence; close associate of Mel Watkins, the founder of radical "Waffle" wing of Canada's New Democratic Party (NDP);

R.J. Wright — chief policy strategist for Ontario provincial and federal Liberal Party of Canada; law

partner of Roland Michener, director of Canadian Institute for International Studies, which is housed jointly with the Canadian Trilateral Commission offices; former Director of Rochdale College, the leading "safe-house" for Canadian drug trade during the early 1970s;

Stephen Clarkson — Policy Chairman, Ontario Liberal Party; program chairman, Canadian Political Science Association; also closely involved in supervising the Rochdale drug decriminalization project;

Meyer Brownstone — experience in the Caribbean and East Africa in "consultative roles on local government and decentralization";

Jack Ludwig — author and journalist; advisor to Canada Council, a government-sponsored funding institution established in 1957 through the auspices of the Rockefeller Foundation and presently headed by three Trilateral Commission members; the CC funds "new left" publications including Black Rose Books and grant support of several Praxis Corporation directors (the CC funded the Hunnius-Rotstein trip to Yugoslavia noted above).

Praxis and "Project Independence"

Although Praxis was formally dissolved a few years ago, probably as the result of the RCMP crackdown, the network itself continues to be maintained from the Toronto and York University base of operations. An example of current Praxis activities is the Toronto "Committee for a New Constitution," a synthetic creation made up of Praxis and Committee for an Independent Canada members including Rotstein, Watkins, Clarkson and at least three other Praxis "graduates." The "new constitution" movement, established by Rotstein and the CIC in 1968 as the "polite alternative to Quebec separatism," is now a leading feature of the Rockefeller North American "Project Independence" no-energy program. While Rotstein's front and similar ventures simulate "grassroots" support for a Chomsky-style rewording of the Canadian constitution to allow the Rockefeller energy script to be "legally" enforced, Hunnius and other Praxis notables working out of the York University Environmental Studies Department are trying to develop popular support for the no-energy conservation policies themselves.

The French Ecology Movement

Rockefeller Sets Up 'Greens' To Shut Down France's Energy Production

FRANCE

France's commitment to nuclear energy development, a carry-over from the Gaullist era, is being fundamentally threatened by a mushrooming "left" ecology movement whose purpose is to plunge the country back into the peasant nightmare of Vichy.

Underneath the labyrinth of family squabbles that passes as French political life, the battle is being fought over whether France will survive as an industrial nation, or will collapse into a "democracy of the rabble" where the rights of bestial peasants to refuse progress will be upheld by a left-run government. The question at issue is whether France's pro-industrial business, trade unions, and political leaders will speak out against the zero-growth perspectives of the ecology movement — and its fascist policy concomitants — or will stand by while Vichyite left-pretender François Mitterrand of the French Socialist Party is swept into national leadership to implement Rockefeller's economic austerity for France.

Late French President Georges Pompidou, a foremost spokesman for industrial development, encouraged the nationalized "Electricité de France" (EDF) to launch a mammoth 20-year nuclear energy development program aimed at supplying one-fourth of the country's total energy needs through nuclear reactors by 1985. Comparative figures for Europe as a whole are 10 percent.

Now, the combination of the economic depression, that has sent prices shooting up (uranium has risen 175 percent since 1972), a hostile government and the fungus of ecology threatens to make continuation of the program impossible, unless pro-development spokesmen join EDF's lonely fight for nuclear power.

For the years 1974-75, 13,000 MW (Megawatts) of nuclear reactors were contracted and construction started. In 1975-76, 13,000 MW of capacity were begun. For the next two years, however, experts foresee 5,000 MW of capacity begun annually at the most, and the rate of realization of projects already begun is falling sharply. The delay in implementation is already 22 months, according to top EDF administrator Delouvrier, and a major electricity shortage is in sight for the year 1982-83. Because of press scares about the "Dark Winter of 1982," EDF has had to take a fall back position and propose to the government the construction of two coal-powered electricity plants, one near Metz and one in Le Havre,

that are faster to build than the nuclear installations. But even this emergency proposal is running into the opposition of the "left" parties because the Le Havre plant would use imported Polish coal instead of French fuel!

With the coming to office of French President Giscard d'Estaing, who shared none of his predecessor's commitment to industrial growth, difficulties started for companies such as EDF. While Giscard has paid lip service to nuclear energy, saying he will naturally continue the program, his administration has used most of its efforts to promote inefficient solar energy, and enacted an environmental legislation which, in the words of the President, is one of the "toughest in the world" though not yet fully put in practice.

Invasion of the Ecologists

This spring Rockefeller-Rothschild networks in France unleashed the ecologists to help enforce Giscard's no-energy program. Like an invasion of termites that surfaced all over the country at once, the ecologists have used every available means to prevent construction of new nuclear reactors and to stop those in progress. As a result, France has the peculiarity of having the largest nuclear development program in the world which must face down the biggest ecology movement in Europe.

The ecologists' sabotage operations have been increasingly successful because of the support lent by the local Socialist-run and increasingly communist-run municipalities. Leftist City officials have organized "referendums" among backward villagers against local sites chosen for nuclear reactor construction. Very often one hundred or so 'noes' in a local population of several thousands (most people abstain) is sufficient to give these authorities a legitimate reason to refuse the site to EDF.

On June 26, an anti-nuclear energy demonstration at Nogent-sur-Marne, near Paris, succeeded in bringing out 10,000 people, the largest contingent made up of idle Parisian youth attracted by what looked like a country fête with music etc. The ecology festivities will increase throughout the summer, with a planned mass demonstration (100,000 people expected) against the building of France's Super-Phenix fast breeder reactor at Creys Malville on July 30. The local government and police are pleading for a large police contingent, rightly fearing that a few provocateurs will start a riot.

The CFTD's Role

Aside from the usual gaggle of leftists and counterculture freaks, the management and corps of the ecology

French Gov't. Deeply Divided Over Nuclear Program

French President Giscard D'Estaing and his Prime Minister Raymond Barre are fundamentally at odds over the question of France's nuclear development program.

According to the July 7 *Le Monde*, Barre has agreed to French National Electricity Company (EDF) plans for the construction of 5000 Megawatts of nuclear reactors per year for 1977-78; most experts and press sources had predicted the ongoing program would be slashed to 4000 MW per year or even less.

Industry Minister Monory, known for his views in favor of debt moratorium and industrialization before he took office a few months ago, was to announce Barre's decision on June 29. The announcement was canned allegedly because of Giscard's trip to the London summit, for which the Council of Ministers meeting — where the announcement

was to be made — was shortened. Rescheduled for July 6, Monory's presentation has now been adjourned by the President, this time without any explanation.

While *Le Monde* reports that Giscard is "possibly worried about the reaction of ecologists," it is well known that the President could not fear a group he is in fundamental agreement with. The recent Franco-German agreement on the development and export of the nuclear fast breeder, with openings for Soviet cooperation as well, was organized, not by Giscard, but by the head of the French Atomic Energy Commission Giraud, a representative of pro-development forces opposing Giscard's deindustrialization policy. Among these are the EDF, the oil industry around Compagnie Francaise des Petroles (CFP), certain Gaullists, and the government forces around Barre and Monory.

movement is provided by France's second largest trade union, the Mitterrand-linked CFDT.

The avowedly terrorist "Creys Malville" anti-nuclear committee is run out of the CFDT offices in Grenoble. The CFDT is also conducting brainwashing sessions for its own membership, manipulating the CFDT employees of nuclear-related industries into strikes over "security." This led to this year's months-long strike at the La Hague uranium reprocessing plant. The nuclear energy specialist of the CFDT-EDF Federation led one such session recently in the Isère département where he told the assembled delegates, "The Gas and Electricity (EDF and its complement GDF) CFDT Federation doesn't rule out the use of nuclear energy but it demands a moratorium on all new construction." This, he claimed, was due to threats to the environment, security problems, etc.

This is the position adopted in practice by the agent-run Socialist and Communist Parties of France to sell ecology to their pro-growth constituencies: "Just a little moratorium for a while," like "just a temporary vasectomy."

EPHE 6 and the Greens

The instigators of the ecologist plague can be readily located as the professors of the Ecole Pratique des Hautes Etudes — EPHE 6 — (Practical School for Higher Studies), an institution responsible for just about all the Fabian operations conducted in France since World War II.

This school of counterinsurgency was set up after the war by the Council on Cultural Freedom of Melvin Lasky, chief of the Office of Strategic Services in West Germany, and Howard Hunt, CIA station Chief in Paris. EPHE 6 is provided with heavy funding from the CCF whose leading members included Bertrand Russell and John Dewey, as well as the Ford Foundation with whom it shares its offices. It has regrouped teams of highly trained specialists in all fields of brainwashing and coun-

terinsurgency, from Jacques Soustelle, founder of the anti-Gaullist terrorist OAS, to the "left" leaders of today's ecology movement like Edgar Morin. EPHE 6 launched the French branch of Rockefeller's Washington, D.C.-based Institute for Policy Studies in the 1960s, the Center for Socialist Studies out of which came both the Maoists and the CFDT trade union.

Aside from René Dumont, head of the Nader outfit Friends of the Earth in France and an agronomist thrown out of Cuba for being a CIA agent some years back, the theoreticians of the "Greens" — as the ecologists are called — are all department heads at EPHE 6. To name but a few of the publicly identified "Green" spokesmen: Alain Touraine, head of EPHE 6's Laboratory of Industrial Psychology; Serge Moscovici, head of the Social Psychology Department; Edgar Morin, head of the Center for Mass Communication; and André Gorz (alias Michel Bosquet), who writes in EPHE's mouthpiece *Le Nouvel Observateur*.

While Bosquet, Touraine and Gorz have controlled the CFDT angle, Morin extensively profiled the population for the ecology movement. His studies on the counter-culture saw the coming of a "New Middle Ages" and a new, fascist youth movement. His profiles of the French peasantry, which have been used for psychological warfare on the "dangers of radioactivity," rank him as the top expert of the "Greens".

The ecologists are being bred to function as the shock-troops for a left-government fascist austerity policy. The "chienlit verte" (Green Bedwetters) — as some conservative businessmen once identified the ecologists (after the famous characterization of the May 1968 riots in Paris by General de Gaulle) — can be stopped if labor, especially the pro-growth leadership of the Communist-led CGT trade union, and business come out of the closet and expose this Rockefeller operation against France's economy.

— Garance Upham

Payments Gap Undermines Yugoslav Economic Recovery

YUGOSLAVIA

Yugoslav officials are sounding the alarm in speeches and interviews that the country's economic stabilization program is in trouble. Federal Vice President Dr. Berislav Sefer warned in an interview to the daily *Politika* June 19 that imports have risen "euphorically" — 40 percent in the first five months of this year over last year — while exports have risen much more slowly, and the trade deficit is now 30 billion dinars (about \$1.7 billion). Sefer likened the situation to the crisis years of 1974-75, when harsh import restrictions were imposed, and cautioned that government intervention will again be needed to curb the import growth if things do not improve in short order.

Statements by Dr. Sefer, Secretary of the Executive Committee of the League of Communists of Yugoslavia Stane Dolanc, and others in the early months of this year stressed the "deterioration of the reproductive capacity of our economy," and called for a national mobilization to put a brake on inflation. Yet prices have continued to rise at an accelerated rate, and the cost of living for the first five months of the year rose 13.5 percent over this time last year's increase of 11.1 percent.

The key problems undermining the "reproductive capability" of the economy are the foreign debt burden and the effect of the import restrictions and cuts imposed over the last several years. These factors have led to a deterioration in the quality of the country's labor power, which has in turn made it more difficult to successfully expand production.

The foreign debt was a high \$8 billion at the end of 1976, with a ratio of net debt service to current receipts of 12.8 percent (down from 15.2 percent in 1975, when the total debt was \$8.5 billion). However due to the high foreign currency reserves of \$2.8 billion in 1976 the debt was more manageable than in the previous period. The 1976 net foreign debt (net foreign claims minus Yugoslavia's credit to the rest of the world minus foreign currency reserves) fell below \$3 billion, or about 8 percent of the social product.

But a high proportion of gross external borrowing — over 50 percent — still went into debt service payment, and if the balance of trade problems seen so far in 1977 continue, further difficulties will be in store.

To cope with the effects of the 1973 oil price rise, import controls were instituted and the economy was geared up to increase exports. Through these means, a brief stabilization was achieved by 1976 — the rise in the cost of living declined to 11.1 percent, following a 24 percent increase in 1975, and there was an unexpected current account surplus of \$150 million — but only at the cost of cutting back production and imposing domestic austerity.

Most direct import controls were removed at the end of 1975, but licensing requirements and other means were still used to curb imports, which fell 5.5 percent by volume in 1976 — the second year in a row to show a decline. Consumer goods were the hardest hit, but capital goods and raw materials too were affected. An "export or die" mentality set in, with Federal Secretary for Foreign Trade Dr. Emil Ludviger proclaiming in a *Tanjug* interview, July 11 last year, that imports would be allowed on the basis that "he who has carried out his obligations to export has also the right to import." If individual organizations cannot work at full capacity for lack of imports, they probably have not fulfilled the "basic condition," he said: to export. "In other words, they have not justified imports by exports."

The effect of the import cuts was a dangerous stagnation, 3 percent growth of industrial production (Figure 1). In 1976 production of iron, steel, construction materials and certain types of machinery dropped. The rate of capital formation fell from 18.1 percent in 1975 to 14.7 percent. Supplies needed for agriculture or industry

Figure 1
Industrial Production
Output of Selected Commodities

	1973	1974	1975	1976
Crude steel**	2.7	2.8	2.9	2.8
Lead ore*	119.0	120.0	127.0	123.0
Rotating machines*	30.7	34.3	39.8	30.1
Pulp and cellulose*	527.0	560.0	527.0	495.0
Bauxite*	181.0	198.0	188.0	169.0
Electricity***	35.1	39.5	40.1	43.6
Lignite**	31.9	33.0	35.0	36.3
Cement**	6.3	6.6	7.1	7.6
Building machines*	34.4	34.6	34.6	38.4
Petroleum products**	9.1	10.4	10.9	11.8

Notes: * — (thousands of metric tons)
 ** — (millions of metric tons)
 *** — (billions of KW hours)

Source: OECD, UN

have frequently been either unavailable, or available only of domestic production, where imported goods would be cheaper. A businessman visiting Yugoslavia recently described how a new steel mill in Slovenia was ready to being production, requiring only a small quantity of a special lubricant. But permission to import was delayed, so the mill began production several months behind schedule.

Similarly, foreign currency allocations for imported spare parts for agricultural equipment were not made until April, well into the planting season. By the time the needed parts were available, the season was over. In another instance, Yugoslavia lost a ship-building contract because the enterprise involved was under-bid by a Japanese firm. The reason for the high price quoted by the enterprise was the high price of domestic steel relative to its imported equivalent; yet because of the import restrictions, the domestic product had to be substituted.

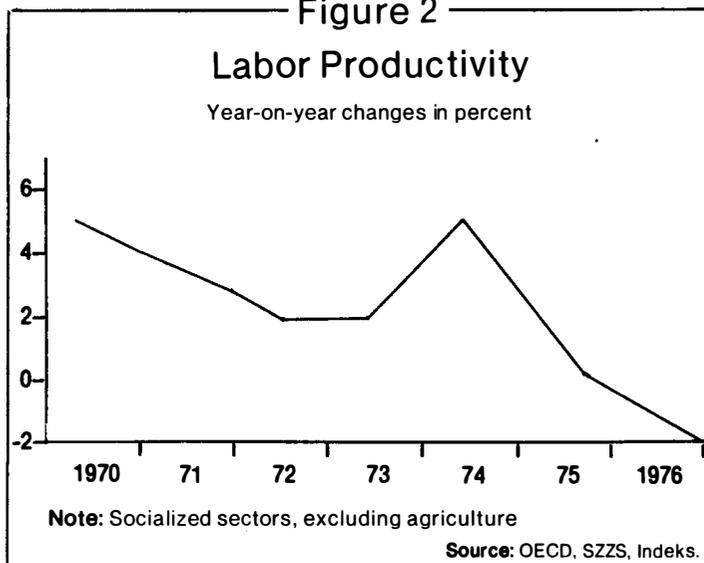
By the end of 1976 and the first months of 1977, industrial production was picking up again, rising from 3 percent overall growth in 1976 to 11.3 percent in the first four months of 1977 over the same period the previous year, but at the cost of renewed inflation and a yawning balance of payments gap.

The main casualty of the post-October 1973 "reforms" and stabilization programs forced on the economy by the world crisis has been the productivity of labor, which Dr. Sefer called "our number one problem" in an interview with the daily *Borba* Feb. 25. Living standards and productivity have stagnated or fallen for the past two years (Figure 2). In 1976, labor productivity in the socialized, non-farming sector (i.e. the most productive) fell, after having shown virtually no change the year before. Labor productivity in industry overall stagnated.

The deadly effect of this actual deterioration of the country's labor power is reflected in comments by Dr. Sefer: "Can Yugoslavia really afford to maintain 18 universities?" he asked in his *Borba* interview Feb. 25. And yet he complained of the "striking poverty of new ideas" among Yugoslav workers and managers in a statement cited by the London *Financial Times* May 26. How new ideas are to be generated without new universities, he did not say.

The main source of the low productivity is probably the fact that only one-fourth of current plant capacity is in

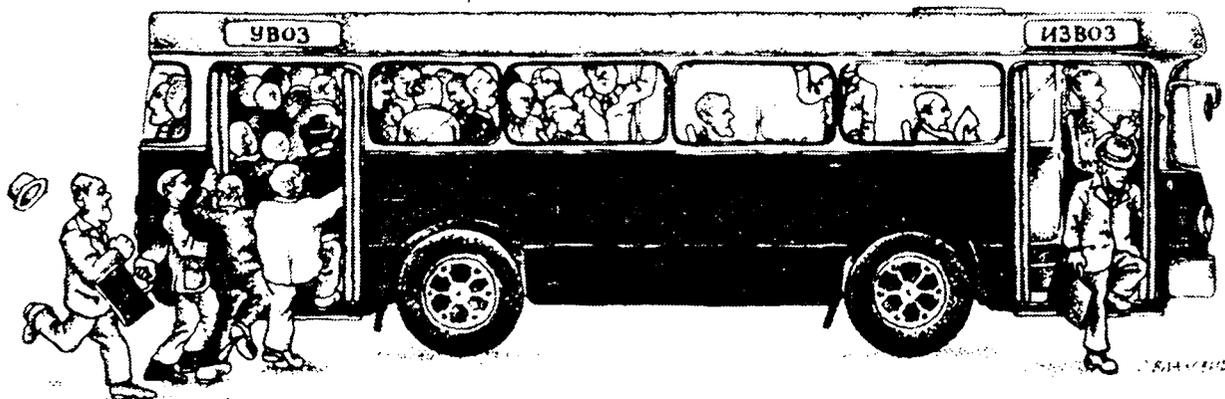
Figure 2



use. To keep unemployment down, workers are hired where they are not really needed, and Sefer reported that the average worker only works for 4-5 hours out of the day. Some sources estimate that workers spend one month out of every year attending "self-management" meetings in the enterprises.

The erosion of labor power is further indicated by the fact that in 1976 the number of school drop-outs reached 170,000 — significantly higher than in previous years — and a growing number of people seeking work for the first time were women. These statistics point to the need for families to supplement the income of the head of the household by sending women and teen-agers onto the job market. Despite gains in employment last year, unemployment also grew, reaching 5 million for the first time. Many of these are the "guest-workers" returning home from Western Europe at the rate of about 80,000 per year, due to the shrinking job market there. Many of these workers held menial jobs in Western Europe that no one else wanted; they lack the skills which would make their re-entry into the Yugoslav economy easier.

On the whole, Yugoslavia has stubbornly bucked OECD recommendations to forego capital-intensive development in favor of labor-intensive projects which would ease the unemployment problem. But the 1977



Cartoon from the Yugoslav weekly *Nin* shows import-export disparity.

OECD Economic Survey of Yugoslavia hopes that a shift may be in the making: "The Plan (1976-1980--ed.) contains interesting new guidelines for the expansion of certain labour-intensive activities...notably, house-building, small handicraft enterprises and certain private services; and some sectors of agriculture. However, the general problem of capital-labour ratios needs to be considered....An increase in the productivity of labour is a highly desirable objective, but this can be achieved partly by shifts of manpower to more efficient, and internationally competitive, sectors of production which are not necessarily capital-intensive and by improved training...in the economy's present stage of development — too fast growth of real wages would be at the expense of the employment objective."

Who's Running the Show?

Yugoslavia's economic problems, due in large measure to the downturn in the world economy as a whole, are aggravated by the peculiar chemistry of the country's "self-managing socialist" system. The devolution of the country's political and economic structure to a more and more decentralized framework seriously hampers the efforts of federal officials who are grasping for some means to keep their careening vehicle under control. Officials in socialist Yugoslavia today have less control over the direction of the economy than their counterparts in some capitalist OECD countries. As Sefer commented in his interview to *Politika*, the economy is determined more by the "conjuncture" than by plan.

Nevertheless the trend to decentralization has increased in recent months, and Presidency member Edvard Kardelj at a meeting of the Central Committee of the LCY June 12 broke with the tradition established by President Tito and endorsed the concept of "pluralism" — provided it is not "bourgeois" but "self-managing" — as the foundation of the Yugoslav system. Kardelj rejected "power monopoly" by either a "one-party system" or a "multi-party system," opting for an ill-defined mixture of both on which no two Yugoslavs can be found to agree, and which no foreigner can hope to fathom. Stane Dolanc, in a speech to the Central Committee Jan. 31, cast doubts on the time-honored Leninist principle of "democratic centralism": "Some believe that in the name of democratic centralism or in the name of some would-be unity, they can realize their interests primarily with the help of the authority of the League of Communists. In political terms, naturally, this means an attempt to place the League of Communists above the system."

The political effects of this erosion of centralized authority in Yugoslavia include the virulent regionalism — Croatian, Serbian, and Slovenian nationalism providing fodder for U.S.-controlled terrorist networks such as the Ustashi, which has plagued the country since its founding — and the activation of New Left agent networks of the "Praxis group" variety. Tito has kept both of these dangerous manifestations of heteronomy under tight rein over the last few years, but now both are showing renewed signs of life. At a regional conference in Croatia reported in the daily *Vjesnik* June 24, Dr. Ivo Margan warned against "the emergence of nationalist tendencies" which are "becoming strong again" and

"must be confronted in time so that they do not acquire too much power." The "Praxis group" itself is trying to resume publication of its press, and according to an unconfirmed report in the *New York Times* June 26, there are rumors that the government may accede to this as a gesture of compliance with the Helsinki accords.

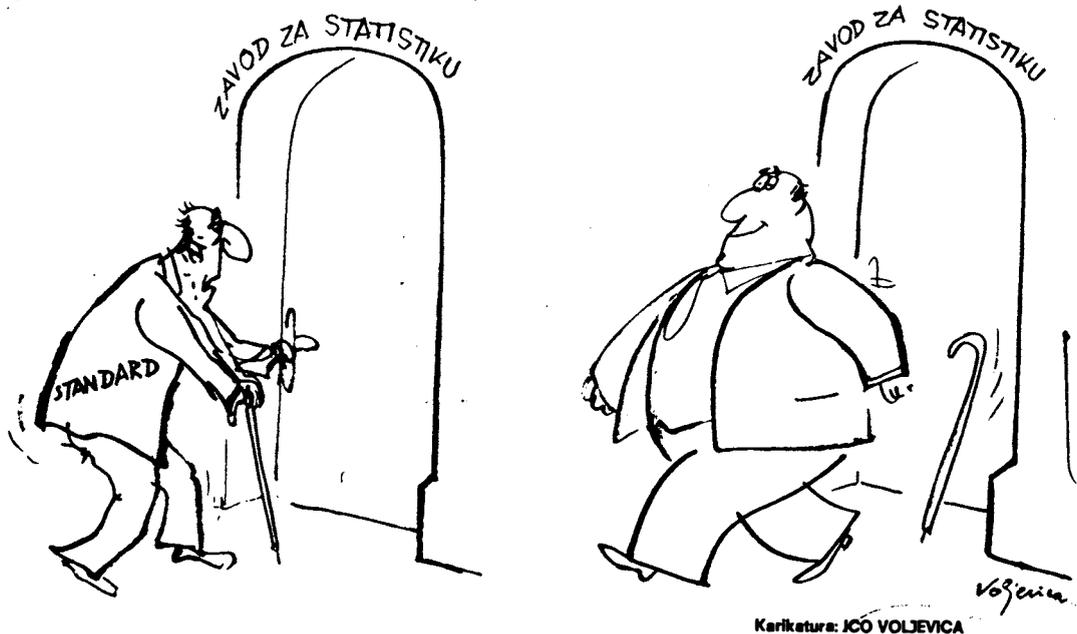
Self-Management Fraud

In the economic sphere, the ideological rationale for decentralization is that it gives the working man control over the allocation of the social surplus which he creates. Under conditions where the quality of labor power itself is steadily deteriorating, the irony of the "self-managing" ideal is all the more clearly exposed. In reality, the self-managing system — held up by Institute for Policy Studies-linked ultra-left groups in the West as a model of "industrial democracy" — gives workers a certain influence over point-of-production decisions. But the allocations of social surplus for the economy as a whole is left to what Sefer calls "conjuncture" (or what others might call "Providence") such as market forces or the demands of David Rockefeller's banks for debt payment. Neither the working man nor the Central Bank director has much to say about it. The Five Year Plan itself is not drawn up from the top down, on the basis of what is necessary for the economy as a whole, but is built from the bottom up, with individual enterprises reaching agreements on production goals, wages, import and foreign currency needs, and submitting these to the federal government.

New foreign exchange regulations have turned over control over hard currency from the Central Bank to the republics. The instruments of control left to the Bank are basically regulation of the money supply and setting of overall fiscal policy. The dilemma of the central bankers was revealed in recent statements by bank governor Branko Colanovic, quoted in *Vjesnik*: "The Central Bank," he said, "has no ambitions to influence the structure of utilization of foreign currencies; but we cannot just sit with our hands folded either, just because no agreement exists." He did not propose what should be done.

A perennial problem in Yugoslavia is the mushrooming of domestic debt, which in many instances has been ignored, with enterprises circulating invoices amongst each other and nobody paying up. The economy's losses from such practices in 1976 amounted to 18 billion dinars (\$1 billion), and officials expect that about half of this sum will have to be written off. The government has passed legislation to try to crack down on such behavior, but the immediate effect was to send the enterprises rushing to the banks to borrow money to pay off their debts. To meet this demand, the money supply was increased by 53 percent last year, which in turn fueled inflation. To the extent that enterprises could not obtain the necessary credit, they curtailed investment and production levels.

The difficulties were still acute in February of this year, when the National Bank warned that the rapid monetary expansion "could endanger the proclaimed stabilization aims of the economic policy for 1977," and withdrew some money from circulation. In June, Dr. Sefer warned that enterprises are going too heavily into debt to the banks — domestic and foreign — to finance



Cartoon from the Yugoslav daily *Vjesnik* shows "living standard" entering the Bureau of Statistics and emerging a new man.

investment, and that as a consequence the basic reproductive capability of the economy is being further undermined, and inflation is heating up. The economy has yet to establish the necessary "new relationships" with the banks, Sefer said.

At the same time, there is a growing sentiment that the banks themselves have become centers of autonomous power which must be curbed. An article in *Vjesnik* March 6 referred to the "tsardom of the banks," and called for preventing them from being "parasites that just live on interest, a brake on economic development." According to Victor Meier, writing in the *Frankfurter Allgemeine Zeitung* June 16, moves are underway to place more industrial managers into leading banking positions, as a way of ensuring greater responsiveness by the banks to the needs of the economy. Meier reports that real estate speculation by the Slovenian Ljubljanska Banka has been abruptly halted by government authorities.

The detrimental effects of decentralization are most graphically revealed in the years-long squabble over the modernization of the country's dilapidated highway network. During the 1960s the Federal Government ceased funding and supervising highway construction, which was given over to the constituent republics. Each republic therefore built roads off in all different directions, widely separated from one another, and according to the weekly *Ekonomska Politika* September 6, 1971 (cited in Radio Free Europe report March 12, 1976), "decentralization and republicanization" had resulted "in the disintegration and disorganization of the entire system." Ironically, it was only the threat of not getting a loan from the World Bank which finally forced federal and regional politicians to sit down together and work out a national plan for the construction of a modern highway system.

Prospects: Yugoslavia and the New World Economic Order

Despite its difficulties, the foundation of the Yugoslav economy is basically sound, and Yugoslavs are justly proud of their achievements in economic construction since the war, viewing them as potentials which could be much further developed by a new world economic order. As the OECD's annual surveys repeatedly complain, the country's leaders have insisted on capital-intensive development. In spite of what some officials have identified as a tendency to over-invest in processing industries which offer quick returns especially in foreign currency, industry and mining have still absorbed the bulk of investment funds over the past two decades, according to a World Bank study issued in 1975. In the decade before the 1973 oil price rise, there was a great emphasis on introducing modern technology, and all the fastest-growing industries were capital intensive except the electrical equipment industry. Two-thirds to three-fourths of all machines are less than 10 years old.

This booming development was achieved by means of a growing debt burden to Western financial institutions. It was facilitated by Yugoslavia's political situation following the Tito-Stalin split: development funds poured in to ensure that Yugoslavia would remain outside the Soviet bloc.

Unlike many developing nations, Yugoslavia produces a diversity of industrial goods for export, with the overall level of industrial exports high relative to the level of industrial production. Industrial enterprises are remarkably large compared to both developed and developing countries, and the work-force is relatively skilled by developing countries' standards. Yugoslavia has programs for training cadres from developing nations in Yugoslav schools and universities. Per capita gross domestic product in 1974 was greater than Turkey,

about the same as Portugal, less than Greece and Spain. Yugoslavia is the largest producer of non-ferrous metals in Europe, and has the richest resource endowment relative to area and population, although many of the resources have not been tapped.

As a leader in the non-aligned movement with good relations with both East and West, Yugoslavia has been an active supporter of the drive to establish a new world economic order. Finance Minister Momcilo Cemovic issued a call at the non-aligned finance ministers' meeting in Belgrade last week for an "international development bank" or a "bank of the developing countries" to further the growth of those nations. Yugoslav spokesmen at the Belgrade European Security and Cooperation Conference have called for participation of non-European Mediterranean countries in the conference, to work out an overall Mediterranean security arrangement and Mideast peace settlement.

Yugoslavia has advanced many proposals which could be implemented by a new world economic system. *Vjesnik* proposed the creation of an integrated Balkan electric power grid and an integrated transport system linking Europe and Asia, as a step in the implementation

of the Helsinki Accord's "Basket 2," in an article June 11. The trans-Yugoslavia superhighway now being constructed with funds from the World Bank and the European Investment Bank, linking Austria with Greece, is viewed as a first step in such a broader development project.

Yugoslavia is particularly anxious for help in developing its energy, raw materials, agriculture and highway infrastructure. A strong advocate of nuclear energy, the country fought and won a battle with the Carter Administration this spring over the construction of a nuclear power plant by Westinghouse in Krsko. However Carter's policy of sabotaging nuclear development has led Yugoslavia to search elsewhere for long-term aid. The West German industrialists' daily *Handelsblatt* June 27 reported that "the atomic energy policy of President Carter, which is incomprehensible in the Yugoslav view, has driven Yugoslavia to change its plans for peaceful development of nuclear energy and seek long-term cooperation with the CMEA (Council for Mutual Economic Assistance, or Comecon -- ed.) in the area of production and transfer of nuclear technology."

—Susan Welsh

Administration Policy Breakdown Feeds Mideast War Threat

The Carter Administration's Mideast policy breakdown-crisis continued and reached new and dangerous heights this week as evidenced in the President's July 6 meeting with 53 American Jewish leaders. During that meeting the President renounced his own "three week moratorium" on Mideast policy formulations declared on July 1. According to participants at the meeting, the President dramatically flip-flopped from his earlier "pro-Palestinian" pronouncements, and declared that he was inalterably opposed to the formation of an independent Palestinian state next to Israel, since it would be a haven for "turmoil and terrorism," and would be Libyan and Soviet-backed. The President's words, the *Washington Post* wryly commented, were those "most palatable to a Jewish audience."

Capping off a week's worth of strongly pro-Israel statements that began with a June 30 promise to never abandon "our deep and permanent commitment to Israel," Carter's latest farcical mouthings only further destabilize a Mideast situation that has been moving toward the precipice of war since the May 17 ascension to power of the extremist Israeli Likud Party. Carter's promise to thwart formation of a Palestinian state is part of an Administration effort to organize genocide against the Palestinian Arab community, through the agency of expansionist circles in Israel who are preparing to launch sweeping military operations through southern Lebanon.

A sudden upsurge in terrorism of suspicious origins in Israel, Egypt, and Syria provides the pretext for this genocide policy.

The thinking of Carter's mentors, Brzezinski, Vance, et al., was revealed in the July 7 *New York Times*. Ignoring all reportage of European and Palestinian moves to bring about an Israeli-Arab peace, the *Times* accompanied its front-page piece on Carter's Jewish leaders meeting with a full page of gore on the latest terrorism in Tel Aviv, Cairo, and a rambling psychological warfare feature entitled, "New Fighting in Lebanon Raises Arab-Israeli Tensions."

Well-informed Washington sources frankly expressed their concern that the antics of Carter and his advisers would plunge the U.S. into a disastrous confrontation with the Soviet Union. According to one source, "Carter has already suffered a moral defeat in the Mideast. The risk is extremely high, and if we confront the Russians, and they do not back down, then we have to back down," which would lead to "an across-the-board collapse in U.S. foreign policy."

The source also stressed that the Administration's efforts to blackmail the Arab states into acquiescing in

the elimination of the Palestine Liberation Organization as an independent regional political force would be a resounding failure.

This assessment received some firm backing from the Soviet Union itself. A July 3 commentary on the Mideast by V. Kudryavtsev, appearing in several Soviet dailies, warned that the U.S. attempt to "brush (the Palestinian problem) aside ... does not correspond to reality." Kudryavtsev dismissed the past weeks of Carter "soft line" on the Palestinians as "trapping the Arabs with demagoguery" while "behind the scenes ... the Carter Administration is ... preparing a deal with Israel which could guarantee the USA neo-colonialist dominance in the Mideast."

Because of such U.S. moves, Kudryavtsev concludes, "the Mideast can again find itself on the threshold of a new armed conflict which will draw into its orbit *not only* the Mideast countries."

Carter's promise to combat a Palestinian state rudely ripped the cover off a delicate Administration operation up to this point to deceive the Arab states that the White House was amenable to just such Palestinian national claims. As planned by National Security Council chief Zbigniew Brzezinski, this illusion would be useful in making a "deal" with Syria, Egypt, and Saudi Arabia to decapitate the PLO, in exchange for U.S. removal of Israeli Premier Begin, and for tiny Israeli territorial concessions on the West Bank. This scheme would be a modified version of the widely known "Allon Plan" for former Israeli Foreign Minister Yigal Allon. Allon developed the idea in close collaboration with the Rockefeller's New York Council on Foreign Relations.

As the "illusion" component of this plan was steadily knocked to pieces this week, there emerged at the same time several overt moves to deny that the Palestinians ever existed!

At a convention concluded this week in Israel, the American-based B'nai B'rith and related organizations issued instructions to their memberships to return to the U.S. and propagandize that "there is no such thing as the Palestinian Arab people." Henceforth, the B'nai B'rith insisted, Palestinians are to be labelled "Arabs."

On the same day, New York's Senator Jacob Javits, concluding a five-day stopover in Israel, gushed that he was "struck by the near unanimity of Israelis on how essential was control of large sections of the West Bank of Jordan for the security of Israel." Javits expressed his wish that Begin, during his July 19-21 visit to the U.S., will "convey that point to my country."

Javits quickly left for Jordan and Saudi Arabia to test the willingness of the Arab countries to see the

Palestinians eliminated as viable negotiating partners for an overall regional settlement.

Before leaving for the Mideast, the "Senator from Chase Manhattan" had harshly criticized Palestinian political goals in the Mideast. When asked if a Palestinian homeland would entail "a movement of Palestinians from other parts of the world into that homeland," he replied, "The only contemplation of that migration that I see is the concept of the incursion of a lot of PLO riflemen into the West Bank."

In a July 5 interview, a Washington strategist just returned from the Mideast insisted to NSIPS that the U.S. must "absolutely" pacify the PLO in order to "liquidate the vipers' nest in a vipers' land." The strategist then exposed Carter's efforts to manipulate the Israelis into carrying out this role. He reported that "it is in Begin's interest" to make a decisive show of strength in Lebanon against the Palestinians, to counteract the "pressure" resulting from Carter's earlier "homeland" statements.

In a statement from Wiesbaden, West Germany, issued last weekend, U.S. Labor Party Chairman Lyndon H. LaRouche warned that the Carter Administration's tactic of provoking Israeli moves against the Palestinians through provocative use of the word "homeland" tactic would have the ironic and devastating effect of removing from the scene exactly that grouping — the Palestinians — with whom the Israelis can most viably negotiate a regional settlement.

Lebanon Tension and Terrorism

Under pressure of Washington's tactics, the threat is growing that Lebanon will become an uncontrollable tinderbox in the coming days. On July 5, the radio of the right-wing Lebanese Falange Party ominously warned that Israel is preparing a mop-up operation against the Palestinians and leftists in the south, similar to a three-day September 1972 invasion that involved tanks, helicopters, and sweeping deployments throughout the region.

Intense fighting has been taking place all week in Lebanon's south; this has included non-stop Israeli reconnaissance overflights. Combat has centered on the town of Yarin, practically on the Israeli border, and on Marjayoun, a stronghold of the Palestinian-allied left. During the week, Israel has coupled its logistical support

for the right-wing militias with new warnings to Syria not to cross a "red line" beyond which Israel would react with large-scale military moves against the Syrian army.

Adding to the pretexts for large-scale Israeli strikes against the Palestinians in Lebanon was a July 6 bombing in Tel Aviv that resulted in one death and 20 wounded. Described by Israeli authorities as the worst such terrorist strike since May 1976, the bombing immediately triggered an intense anti-Arab "race riot" mood in the city and was followed by the arrest of over 100 Arab suspects.

Terrorism also reared its ugly head in Egypt this week, with the kidnapping and murder of the Minister of Religious Affairs by a band of heretofore unknown Muslim fanatics. This episode was rapidly followed by a series of bombings July 6 in movie theaters and other public institutions in Egyptian cities. According to reports from Cairo, the Egyptian government is "alarmed" and "shocked" by this sudden outbreak.

The most likely explanation for the terrorism is that private Saudi-Exxon networks have activated right-wing groups to completely box in Egyptian President Sadat and possibly even to prepare the way for a rightist putsch in Egypt. Until now, Sadat, for all his pro-U.S. leanings, has refused to publicly break with the PLO, which has slowed down the Carter Administration's regional gameplan. According to reliable Egyptian sources, Sadat knows that he would be overthrown if he tried to break with the PLO, and is therefore resisting doing so. The Rockefellers, therefore, are apparently mounting a full-scale destabilization in the country, to at least keep strategically vital Egypt off balance.

The terror wave this week also struck Damascus, with the assassination of two key leaders in the country's missile corps, known to be a bastion of the traditional pro-Soviet section of the military. Two weeks ago, the head of the missile corps, Brigadier Razouk, was also murdered. The removal of this force from the Syrian scene would remove a key impediment to plans being hatched in Washington to have the Syrian army carry out a new wave of repression against the PLO in Lebanon. Syrian President Assad, already "hanging by a nail" according to one informed Washington source, could not mount such an operation and survive under the currently existing correlation of forces in his country.

— Mark Burdman

Izvestia:

'The Middle East—Behind The Scenes Of The Crisis'

The following article appeared in the Soviet government daily Izvestia, Sunday, July 3, 1977. The author is V. Kudryavtsev, political observer for the newspaper.

If one were to assess the situation in the Middle East on the basis of the wire service and press agency reports arriving from the area, one would have to conclude that nothing out of the ordinary was happening there. The impression is given that a pause has set in in the diplomatic activity of the U.S. and the other Western powers with an interest in that region.

But in a careful analysis of the Middle East situation, this is only a surface impression. In fact, behind the scenes in the Middle East political theater, a plot is in intense preparation against those Arab countries, which directly suffered from Israeli aggression and which demand a just settlement of the Middle East crisis.

Answering journalists' questions at a June 28 press conference, a U.S. State Department spokesman asserted that the basic goal of the U.S. is supposedly to aid the sides in reaching a settlement of the Middle East problem which would correspond to the interests of all sides concerned. But this sort of assertion does not accord with reality, since already in March of this year the President of the U.S. announced that the foremost task of American policy in the Middle East is to defend the interests of Israel. Such statements have been made repeatedly and have more or less served as an answer to rumors — fanned by the American press itself — that there are some sort of sharp disagreements between the U.S. and Israel. The constancy of this U.S. position is also indicated by the continuing supplying of Israel with modern American weaponry of an offensive character. Not long ago, the U.S. decided to deliver Israel yet another \$115 million worth of arms.

The one-sidedness of American policy in the Middle East is also indicated by the fact that the U.S. and Israel interpret Security Council Resolution No. 242 of November 22, 1967 to their own advantage and simultaneously ignore subsequent resolutions of the U.S. and the Security Council. Why is this happening? Why is there an emphasis only on one resolution — and one which, it might be added, Israel rejected until recently? Because, it is said in Washington, this resolution, which demands the withdrawal of Israeli armed forces from the occupied territories, does not specify that this applies to all the territories. Thus a loop-hole has been discovered for revising Arab-Israeli borders to the aggressor's advantage. But in the U.S. and in Israel alike, it is not recalled that Resolution 242 stresses "the impermissibility of acquiring territory by means of war." The Resolution also talks about the necessity of a just settlement of the problem of refugees. The U.S. and Israel try to use this

formulation in order to avoid one of the most important problems of the Middle East — satisfying the legal rights of the Arab people of Palestine, up to and including the right to create its own sovereign state. And, in advancing recently as a "magnanimous" concession to the Arabs, a proposal to grant the Palestinian refugees some sort of "national place" or "homeland" (by no means on Palestinian land), the President of the U.S. ignores such UN resolutions as, for example, No. 3376 (XXX session) from November 10, 1975. This resolution says in black and white: "A just and firm peace in the Middle East cannot be established without reaching, in particular, a just settlement of the problem of Palestine on the basis of realizing the inalienable rights of the Palestinian people, including the right to return and the right to national independence and sovereignty in Palestine, in accord with the U.N. Charter." Clear enough, it would seem! Why then indeed does the U.S. government not refer to that resolution (and it's not the only one), but prefer to orient itself by ten-year-old decisions, which were not implemented promptly exclusively at the fault of Israel and the U.S.

Not accidentally, the Damascus paper *As-Saura* concludes that "for the U.S., the problem is that they are constantly concerned for their privileges in the Arab world, but not about insuring the rights of various nations." And if some leaders of Arab countries at some point believed what the State Department spokesman said, today irrefutable facts influence them towards different conclusions. Now, writes the Beirut paper *As-Shaab*, "the Arab leaders have realized that they erred in evaluating the role of the U.S. and its ability to exert pressure on Israel in order to reach peace in the Middle East." If some people in the Arab countries are still deceived in this regard, this is due to a cleverer implementation of neocolonialist policy by the U.S. ruling circles.

The U.S., supporting Israel and depending on it as its bridgehead in the Middle East, at the same time does not want to quarrel irreparably with the Arab countries. They need the Arab East as a source of oil and as a strategic bridgehead. But in the present circumstances it is practically impossible both to feed the wolves and keep the sheep whole. Internal Arab reaction can still try to lead the Arab countries on the road to capitulation, hoping thereby to extract material gains from a deal with the U.S. monopolists, but it is incapable of turning back the history of the Arab countries and liquidating everything that the Arab peoples gained as a result of the successes of the national-liberation movement. At the same time, the U.S. cannot guarantee itself its Israeli bridgehead in the future, without satisfying, to some degree, the aggressive appetites of the militant Zionists at the expense of these very same Arab countries. At the present time, the Carter Administration is therefore pre-

paring a plot with Israel, which could give the U.S. neocolonialist hegemony in the Middle East.

Adapting themselves to the present conditions in the Middle East, the U.S. ruling circles, albeit without consistency, are forced to recognize the inevitability of a withdrawal of Israel occupation troops "approximately" to the 1967 borders. In this regard, they want to catch the Arab side on the hook of demagogy. At the very same time, they consent to Israel's revising the previous borders to its advantage and creating double borders: state borders and "security borders," which will run across Arab territory and thus limit their sovereignty. What's more, the period of withdrawal is more than drawn out. In the Sinai, for instance, it is a full three years.

U.S. Vice-President Mondale, in his June 17 speech in San Francisco, stated generally that "Israel ought not to withdraw from occupied Arab lands, until it obtains genuine peace from the Arabs," i.e., more simply, until the Arab countries accept the Israeli-American conditions for a settlement. And after this, the State Department spokesman talks about taking into account the interests of all sides concerned!

Ardent defenders of the Zionists, such as Senators Jacob Javits and Charles Percy (both Republicans), have again become involved in the matter. After the "hawks" headed by Begin came to power in Israel, Javits advised Begin not to withdraw from the occupied territories at all, so as not to lose negotiating aces. Begin immediately grabbed this advice from the U.S., and declared that there can't be any talks about evacuating the Israeli troops, especially from the West Bank and Gaza, since these are supposedly "in fact Israeli lands." With this, he not only tries to fend off any sort of measures

towards a settlement, but also backs up the U. S. government thesis about giving the Palestinian refugees a "national place" preferably somewhere else, just not on the West Bank and Gaza. Israel and its protectors abroad thus want to completely avoid the question of creating an independent sovereign state of Palestinian Arabs on Palestinian land.

And so, in all the talk about trying to solve the Middle East crisis "in the interests of all sides concerned," Zionist and imperialist interests stick out like rabbit ears.

The only path to a just settlement of the Middle East crisis in the interests of all countries and peoples of the Middle East is the proposals of the Soviet Union, supported by all progressive forces of the world. A firm peace in the Middle East can be established only on the basis of the withdrawal of Israeli troops from all Arab territories occupied in 1967, respect for the independent and secure existence of all states and peoples of this region, restoration of the legal rights of the Arab people of Palestine, including its right to create a sovereign national state. To realize these tenets, it is necessary to convene the Geneva peace conference on the Middle East as soon as possible, with the indispensable participation, on equal footing, of representatives of the Palestinian Liberation Organization (PLO).

There is no other path to peace in the Middle East. Otherwise, the Middle East can again find itself at the threshold of a new armed conflict, which will pull not only the Middle East states into its orbit. Liquidation of the Middle East spot of military tension is a foremost task of all who seek peace and security.

EXCLUSIVE

Israel's 'Europe Option'

Khaled Hassan, a leading member of the Palestine Liberation Organization, broke with precedent this week in offering Israel the hand of the Arab countries in a joint effort to develop and build up the industry and agriculture of the Middle East. In a Brussels press conference, Hassan said that if Israel recognizes the PLO's right to establish an independent state on the West Bank and Gaza, then Israel and Arabs can work together. Once Israel is ready to negotiate, said Hassan, "it will be forced to turn itself toward the countries of the region to survive."

The initiative by the PLO, while only an indication, might signal that a much broader and significant process is underway, in various European capitals, to reconcile the Arabs and Israel.

A curious exchange this week between Prime Minister Menachem Begin of Israel and Egypt's President Anwar Sadat is an example of a possible new spirit of cooperation, in which the supposedly hard-line Likud bloc in Israel, contrary to expectations, may now be considering dumping the Carter Administration's bungled Middle East diplomacy and moving directly toward a peace agreement with the Arabs.

Begin, speaking in Israel early this week, announced in an almost offhand manner that Israel proposes October 10 for the reconvening of the Geneva peace conference. In the West African country of Gabon, where Sadat was present to attend a meeting of the Organization of African Unity, the Egyptian president told a reporter that he welcomed the call from Begin, and refused to dismiss the statement from Begin as a rhetorical game. Then, in Israel, Begin responded to the Sadat statement with warm words.

"For the first time between the Arabs and Israel, an exchange and not a polemic has taken place," said the influential Italian newspaper *Il Giorno*, which noted that Arab-Israeli relations are "going well," and added that "between now and October the question of the PLO has time to be addressed." This point was underlined in Italy's Parliament by Foreign Minister Arnaldo Forlani, who, in commenting on the Begin-Sadat exchange, warned that it would be wrong to consider Begin "a simple hardliner, as his openness to Sadat shows."

"This can open the road to peace," said Forlani. "Begin, in contrast to the previous Labour government (in Israel), is flexible."

The Forlani evaluation of the Begin-Sadat exchange reveals much more than the simple fact of the exchange itself. The Mideast policy of Italy, which has won the backing of the Soviet Union and key Arab countries, involves what Forlani calls a "global Mediterranean approach." The concept of a Mediterranean security pact, first mooted by Malta and Algeria in 1976, has gained ground since this spring, over the violent objections of the Carter Administration. Since early in June, there have been increasing indications that both Israel and the Arabs, *as options*, are considering to move with Europe and the USSR toward a Middle East peace, with Italy as the key mediator. Italian sources have revealed the occurrence of meetings in Rome, secretly, between Israeli and Arab diplomats intent on exploring areas of compromise.

At the same time, the Israeli ambassador to Rome said last week that the European Economic Community (EEC) might play a role in mediating the Arab-Israeli dispute — completely reversing the policy under former Foreign Minister Yigal Allon, who demanded that the EEC stay out of the Middle East and leave the diplomacy to Washington. The ambassador's statement followed a move by the heads of state of the EEC, at their London meeting, to release a policy statement calling for peace in the Middle East after having long suppressed the statement at the behest of Secretary of State Cyrus Vance.

The key foundation for a possible Israeli-EEC accord is the question of trade relations. On July 1, the protocol for Israel's new relationship with the EEC went into effect, and officials from both sides were predicting a rapid expansion of trade. Israel's exports to the EEC are not simply agricultural produce and diamonds as before, but according to the Italian daily *Il Sole* will include such high-technology products as laser equipment for surgery.

A good example is the growing relations between Israel and West Germany. Deputy Finance Minister Flumin, in an interview with the financial daily *Handelsblatt*, said that West German-Israeli relations must be stabilized to support an increase in industrial activity and investment. A West German parliamentary delegation visited Israel, and the European Friendship Association in Israel is being revived.

On the other hand, *Handelsblatt* also reported this week that there is basis for expanding trade between Israel and the Comecon. *Handelsblatt* noted that tens of millions of dollars in trade already takes place between Israel and the Comecon, with Rumania and Yugoslavia being the two most important trade partners. But more interesting is the fact that the USSR — via Hamburg, West Berlin, and Vienna — maintains a regular flow of trade with Israel despite the lack of diplomatic relations. In addition, *Handelsblatt* reported, Czechoslovakia and Hungary trade with Israel indirectly through Rotterdam, Vienna and Switzerland.

Ecevit's Fall Could Lead To New Cyprus Crisis

TURKEY

The failure of Turkish Prime Minister Bulent Ecevit to win a vote of confidence in parliament July 3 threatens to lock Turkey into a continuing spiral of internal chaos that could trigger a renewed Greek-Turkish crisis over Cyprus. Such a crisis is now being covertly nurtured by the Carter Administration.

Carter has consistently refused to put forth a viable foreign and economic policy for debt-burdened Turkey — or the Aegean region as a whole — and, as a result, NATO has lost much of its controlling influence over the Turkish military and bureaucracy. Instead, the Carter-Brzezinski clique has adopted a purely defensive "strategy" of backing the efforts of extremist forces in Turkey to keep the country destabilized and embroiled in "left-right" violence, thereby preventing a much-feared "drift" by Turkey toward the Soviet Union.

Eugene Rostow of the Committee on the Present Danger decried Carter's policy as "insane" and certain to backfire. Rostow, who recently returned from two months in Turkey, warned that Turkey is on its way to becoming "another Egypt" within the year, and, like

Egypt, will start to gravitate toward closer military and economic cooperation with the Soviets. Concluded Rostow: "Carter is conducting affairs in a dreadful manner."

The Vote of Confidence

On June 5, Ecevit's Republican Peoples Party — a blend of traditionalist military layers and pro-socialist tendencies — won a plurality of seats in Turkey's National Assembly, 13 short of a majority. Rather than form a coalition with the fanatic fundamentalists of the National Salvation Party (MSP) of Necmettin Erbakan, Ecevit tried to win over defectors from the MSP and other opposition groups and rule with a single-party minority government. At least five MSP deputies were considering crossing over to the Ecevit camp, along with several members of former Prime Minister Suleyman Demirel's conservative Justice Party. To ensure an Ecevit victory and the formation of a stable government in Turkey, five Arab sheikhs visited Ankara and met with conservative deputies from eastern Anatolia, urging them to cast their lot with social democrat Ecevit. In response, Demirel issued orders not to break ranks during the vote of confidence. No one did, and Ecevit lost.

With the collapse of Ecevit's 10-day-old government, Demirel has now been asked to try his hand. It is widely

expected that Demirel will announce a coalition of the Justice Party with the reactionary MSP and the neo-fascist National Action Party of Alparslan Turkes, giving him a parliamentary majority of eight seats. Such a coalition would be almost identical to the last Demirel-led government, which plunged Turkey into long months of bloody left-right clashes and brought the country to the edge of military rule.

Erbakan is reportedly demanding "stiff conditions" from Demirel if the MSP joins the Coalition. Erbakan — described once by a leading Washington-based thinktanker as "the last counterinsurgent the National Security Council has left in Turkey" — is the Carter Administration's prime instrument for keeping Turkey destabilized and incapable of forging alternative alliances outside of NATO's aegis. Erbakan has vociferously opposed any concessions by Turkey on Cyprus, a stand that threatens to keep the Cyprus crisis inflamed and the Demirel regime weak and divided.

Also facing Demirel is the likelihood that he will be prosecuted for his alleged involvement in the Lockheed scandals and in financial crimes of his family. If he succeeds in becoming prime minister and is prosecuted in that capacity, Turkey's internal crisis will only be intensified.

The armed forces are known to look with extreme disfavor on the participation of either Erbakan or Turkes in the government, and have given out strong signals that they will not tolerate the continuation of violent clashes that are occurring on a daily basis throughout Turkey as a result of the provocations of Turkes and Erbakan sympathizers. However, most Turkey watchers concurred last week that the Turkish military will intervene only as a last resort to wipe out once and for all the NATO-controlled Turkes terrorist network.

According to one Turkish specialist, traditionalist generals in the Turkish military, led by Chief of Staff Semih Sancar and President Fahri Koruturk, a former admiral in the Turkish navy, are firmly in command of the armed forces as a result of their effort to dismantle

the network of Turkes, a former army colonel, in the military. In 1960 and again in 1971, Turkes and his backers were directly involved in successful NATO-backed coups to clear the way for International Monetary Fund "reorganization" of the Turkish economy.

As recently as last month, Turkes launched another coup attempt, just three days before the elections, aimed at blocking the elections and preventing Ecevit, who is supported by the military's traditionalist leadership, from coming to power. The coup was aborted when Koruturk and Sancar moved swiftly against the Turkes faction, removing from power Turkes collaborator and commander of the ground forces Namik Kemal Ersun as well as two other generals (one of whom, Musa Ogun, was known to be a leader of the 1971 military coup d'etat). They also arrested hundreds of other pro-Turkes officers.

Despite these victories by the traditionalists, Turkes still maintains a tenuous hold on the Fourth Army, formed three years ago as a special strike force operating out of the Mediterranean port city of Izmir, location of NATO's regional command headquarters. The Fourth Army adamantly opposes Turkish concessions over Cyprus and has played a key role in "fomenting repercussions" with Greece over the disputed island, reported one source recently in Turkey.

The governmental stalemate has set the stage for such "repercussions" and possible provocations by Turkes-linked extremists in the Fourth Army who favor confrontation with Greece. Because of uncertainties about the political makeup of the next Turkish government, Greece is becoming increasingly edgy over matters of security and sovereignty and has issued a warning to the Turkish armed forces not to violate Greek airspace during ongoing Turkish military maneuvers in the Aegean. Only two weeks ago, the Greek government expressed its hope of working out a solution to the long-festering Aegean crisis with an Ecevit-led government in Turkey.

EXCLUSIVE

AFRICA

The Real Story Of The Angola Coup Attempt

ANGOLA

The real story of the May 27 coup attempt in Angola has yet to be told. Most of the U.S. press reported that a "pro-Soviet" group which had been purged from the Angolan government, led by Nito Alves and José van Dunem, led an uprising against Angolan President Agostinho Neto for the purpose of stopping Neto's plans to establish economic ties with Western capitalism. The reality, compiled in this exclusive NSIPS report from African and European press accounts and from a series of interviews, is that the Angolan "left" putschists were a band of black racists whose ideology and direction came from exactly the same Western intelligence agencies which had earlier created the right-wing FNLA and UNITA counter-gangs against the Angolan revolution.

As will be detailed here, these deep-penetration agents were placed inside Angola's only legitimate liberation group, the now-governing Popular Movement for the Liberation of Angola (MPLA) of Neto, in part through the good offices of the Second "Socialist" International, particularly its Portuguese arm, the Portuguese Socialist Party. Programmed with the synthetic ideologies of "negritude" and pan-African socialism, the viper within the MPLA set its goal of undermining the most advanced cadres in the MPLA leadership. Since at least last October, Alves and Van Dunem were actively sabotaging the already difficult economic conditions of the new republic and organizing the discontented lumpenproletariat to bring down Neto's government in a bloodbath. But as the panic-stricken leaders howled to each other on the day of the putsch, "the masses did not come out!"

The defeat of the Alves-Van Dunem operation in Angola, at the cost of the lives of a number of leading MPLA intellectuals, has far-reaching ramifications both for Africa and internationally. Angola's leadership, having weathered this broad-based insurgency, now stands as the acknowledged cornerstone of the "front-line" states which border South Africa and Rhodesia. In mopping up the remains of the ultra-left networks, the MPLA government is also demolishing the remaining credibility of the synthetic racist ideologies which have been used to mobilize Africans against African progress, a process of a significance paralleling the recent Moscow

campaign against the "pluralist" Spanish Communist Party head Santiago Carrillo. Only once the "left" anti-technology fascists are completely discredited, can the socialist movement ally itself with European and other industrial capitalists around a common program of economic development for southern Africa.

The Putsch

The predawn calm in the Angola capital of Luanda was shattered on May 27 by a grenade explosion which blew the door off the Sao Paulo prison, marking the first step in a coup attempt which was crushed several hours later on the same day. The perpetrators of the well-planned coup attempt against the MPLA government freed the putschist leaders Nito Alves and José Van Dunem, as well as the imprisoned elements of the anti-MPLA gangs, UNITA and FNLA, and common criminals. Only the white mercenaries who had fought against the MPLA during the Angolan war of liberation refused to leave the prison, though they were asked to do so by the putschists.

The coup attempt came less than a week after Alves and Van Dunem, both central committee members of the MPLA, had been purged and imprisoned for secretly organizing subversive networks. Questioning members of these networks following the coup attempt, Angolan officials discovered that a complete post-coup government had been designated.

According to the testimony of José Manuel Veloso, the chief of military operations for the putschists, "the plan was for us military to support a mass insurrection. The masses were to rise and the army would have to support the masses." The putschists counted on traitors in the Angolan army to seize control of Luanda under the cover of planned mass anti-government demonstrations. Their goal was to murder the MPLA central committee members and replace them with a "Political-Military Revolutionary Committee." One of the conspirators, Domingos Francisco, who was responsible for supplying arms and ammunition for the coup attempt, testified that the goal was to "prepare a coup d'état in order to eliminate the MPLA. There was to be physical elimination of all the members of the central committee, of the president and all members so they could take over the government. On May 26 I was contacted by Maj. Bage and told the operation was to take place the following day and the government had been appointed. Alves was to be president, Van Dunem prime minister, Imortal minister of de-

fense, and Bakalof chief of staff of the armed forces. . . . We were trying to finish with the MPLA.”

Even before their May 21 imprisonment, Alves and Van Dunem had long maintained a dissident position in the MPLA, and were removed from their official government posts last October. They maintained that the Angolan revolution was not complete, and that this could not be accomplished until all whites and mulattos were eliminated.

Alves had been Minister of Internal Affairs, and Van Dunem had been a political commissar in the army. Arrested putschists have revealed that Alves and Van Dunem began planning the coup attempt in October.

“The plan was for us military to support a mass insurrection. The masses were to rise and the army would have to support the masses.”

Chief of Military Operations
— Putschists

In the words of President Neto afterward: “These fractionalist elements had constituted a political leadership. They had constituted an operational command to which elements of the women’s detachment belonged. They had mobilized certain provincial political commissars for this political activity. We have removed the provincial commissar of Luanda. The commissar of Malanje is now in prison. And we are in the process of looking for others. Certain elements of the OMA and the JMPLA (women and youth organizations) — who have disappeared — of UNTA and the FAPLA (trade union and armed forces) were their accomplices.”

Angolan chief military political commissar Pedro Fortunato played a leading role in the coup attempt. “My job,” testified Fortunato, “was to keep contact with the provincial commissioners of Zaire Province, Kwanza North, Kwanza South, Malanje and Benguela.” He added that Alves and Van Dunem had the task of maintaining “contact with the foreign embassies in Luanda. They were to promote the discrediting of the government.”

A reporter for the Paris-based magazine *Afrique-Asie* went to Luanda after the coup attempt to report first hand on the investigations underway. He reported that investigations being conducted by Angolan authorities were revealing the role played by foreign powers in the organization, financing and implementation of the operation. Intelligence services from France, Portugal, the U.S. and Belgium are implicated directly or through the intermediary of diplomats of African, Arab and South American countries because they are less suspect. *Afrique-Asie* reported that Brazil especially is spoken of in this context and added that Angolan authorities are also discovering that Chinese intelligence networks recruited participants in the coup attempt for Alves.

The coup attempt had originally been scheduled to take place on May 25, according to captured conspirators, and its immediate objectives were assaults on the prisons, the National Broadcasting Station and the *Jornal de Angola*. But Angolan authorities were aware that something was in the offing, and in addition to arresting Alves and Van Dunem, the government moved in other areas of the country to preempt possible trouble. For example, the military arrested the provincial commissioner as well as the leadership commission of the MPLA in Malanje, following discovery of their links to the Alves faction. The Province Commissar of Nie ordered the Angolan armed forces to encircle the Nito Alves conspirators there. Other provincial leaders with connections to Alves were purged one by one, without their being able to act.

Because Angolan authorities were on guard, all the Alves cells could not be mobilized in time, and the coup attempt was delayed 48 hours, until May 27. On the 26th, there was a flurry of meetings of military and civilian conspirators who had infiltrated the administration. The decision was made to dispense with the attack on the *Jornal de Angola*: “It was necessary to give the impression that it was a popular insurrection and not a coup d’etat,” admitted Angolan military police chief Jose Manuel Veloso on June 3. Veloso was the operations commander for the putschists general staff.

The putschists captured the National Broadcasting Station, with the complicity of some of the employees, and held it for three hours. Every three minutes an appeal was broadcast calling the population to regroup at the radio station, and then to the presidential palace to demonstrate.

This attempt to bring out the masses to serve as cover for the planned military takeover failed completely. Domingos Francisco testified that army political commissar Bakalof, scheduled to become chief of staff of the armed forces if the coup succeeded, sent him into Luanda to make a progress report during the early hours of the attempt. “I met some people going to work and some agitators telling the people not to go to work and to go to the palace,” he testified. “The people didn’t want to go. They insisted they didn’t want to go. They were forced. Our people fired shots into the air to intimidate them.” Elsewhere in the city Francisco observed “men being forced into trucks at gunpoint...to go to the palace.” The panicked Francisco reported back to Bakalof: “Listen, nothing is happening!” The coup’s chief of operations, Veloso, was frantically running around the city at the same time, and came across a frightened group of coup agitators. “You said the masses were going to come out but they haven’t,” he shouted to them. One shouted back: “The masses are going to come out right now!” According to eyewitness testimony, the terrified Veloso responded: “We’ve come out — but the masses are not coming out!”

Economic Sabotage

From the time the putschists began planning the coup, they had been carrying out an extensive plan to sabotage the economy of Angola to produce a high level of dissatisfaction in the population. The already disastrous

shape the economy was in, due to the sabotage by the fleeing Portuguese, and the extensive destruction caused during the war of liberation, was deliberately compounded by the putschists, primarily by sabotaging the efforts under taken by the struggling government to meet the most basic needs of the population.

In an address on May 21, the same day that Alves and Van Dunem were imprisoned, President Neto spoke directly about these difficulties: "The problem of supplies is serious. There is no manioc, no potatoes, no palm oil. There is nothing in the market. Not even fish. We passed by the "Jumbo" supermarket. We saw the long waiting lines, the crowds of people who were there to buy things that don't exist..."

Three days after the coup attempt it was discovered that vast stocks of food and supplies had been hidden away by the putschists and their networks through wholesale sabotage of the distribution networks the government was trying to set up to alleviate the worst shortages. David Aires Machada Minerva, Internal Trade Minister, was arrested after the coup when the role he played in the systematic sabotage of distribution of supplies to the population was discovered. Clandestine depots were set up to divert supplies destined for the population. Alves-linked provincial government leaders set up roadblocks to prevent trucks from transporting food to the cities from the peasant cooperatives. The rationale used by the officials for this was that there was a danger of the supplies falling into the hands of the anti-MPLA UNITA and FNLA gangs, which for the most part had been driven into the neighboring countries which have always harbored them. The shortages thus created were intended to deliberately provoke dissatisfaction, which the putschists tried to then manipulate to win the population to their side. Consciously provoking the lack of food and medicine, the putschists referred to hunger as a revolutionary weapon, according to *Vjesnik*. Captured conspirators revealed that if the coup had been successful, the day afterward these stocks would have been distributed to the population in an attempt to gain their support. Vast amounts of this hidden food turned out to be rotten and unusable.

Undermine the Military

The same kind of deliberate sabotage was carried out in the military to undermine its loyalty. Alves-linked military superiors held back pay for their units in an attempt to stir up discontent in the army. 180,000 escudos were found in the safe of the chief of military police, Veloso, salaries which he had never paid to his unit. In the home of air commander Paulito two million Kwanzas in unpaid wages was discovered. Only one motorized unit of the army participated in the putsch, after the loyal officers were arrested. In the period just prior to the coup attempt border threats as well as a threat to destroy the Cabindan oil fields were raised by the various anti-MPLA gangs, in an attempt to draw troops out of Luanda. Neto reported after the coup attempt that the conspirators told their networks not to fight the armed

bands, which were being deployed from neighboring Zaire and South African controlled Namibia, explicitly to further disrupt the economy, but to save themselves for another "revolution."

Attempts by the government to provide health care were also sabotaged. The Health Ministry reported after the coup attempt that a vaccination campaign against infantile paralysis, undertaken for the first time in Angola in April, had also been sabotaged.

MPLA officials said that the economic and social sabotage operation was similar to that carried out in Chile prior to the coup d'état by Pinochet.

The exacerbation of the shortages of supplies induced a "psychosis of buying" in the population, reported *Vjesnik*. Whenever something was available there would be a mad scramble, with the people who got there first buying more than they needed for purposes of hoarding, fearful that no more would be available in the future. This only served to undermine the credibility of the government. The racist putschists tried to further the discrediting of the government by blaming the problems they themselves were creating on "the incapable rightist social-democratic government of whites and mulattos." MPLA officials said that the economic and social sabotage operation was similar to that carried out in Chile prior to the coup d'etat by Pinochet.

Although the "popular uprising" needed to produce the chaos and confusion necessary for the putschists never developed, the Voice of America that morning, apparently following the script, announced at 7 AM that a "popular insurrection" was taking place in Luanda.

Despite the failure, the putschists were successful in killing some high ranking Angolan leaders.

Of the more than 200 people who were killed as a result of the operation, seven were from the highest ranks of the MPLA leadership. All seven were close advisers of President Neto. A member of the leadership of the Security Department, Neto Helder, was killed when the Sao Paulo prison was stormed. Eurico Manuel Correia Gonzalves, a commander of the General Staff, and Antonio Garcia Neto, the director of Economic Affairs of the Foreign Affairs Ministry were kidnapped, murdered and burned, while a person who had been with them, but was not part of the MPLA leadership, was let go.

Anatomy of the Coup

Three commanders of the general staff of the Angolan army, Paulo de Silva Mungungu, Eugenio Verissimo da

Costa and Jose Manuel Paiva had gone into the barrios of Luanda the night preceding the coup after being alerted of signs of trouble among certain units as well as civilians who had received arms from the putschists. The following morning the three commanders, plus Finance Minister Saydi Mingas were sent at the bidding of the putschists, to talk and negotiate with the coup makers after it was clear the coup could not succeed. They never got out alive, being tortured, murdered, and then hauled away, gasoline poured on their bodies and burned. Other MPLA cadre, mostly military, who refused to join the putsch were also killed.

Had the army joined the plotters, Alves would have read a proclamation over national radio announcing the new regime had seized power, and then the Deputy Commander of the Army, Imortal, was to have followed this up by arresting and eliminating MPLA leaders. Among those scheduled to be killed, according to the captured Fortunato, were MPLA General-Secretary Lucio Lara; Defense Minister Iko Carreira; Commander Carlos Rocha Dilolwa; Commander Ludy, head of State Security; Commander Xietu, chief of the army general staff headquarters; and of course President Neto. The arrested army officer Veloso was in charge of engineering the "physical elimination" of Lara, Carreira and Dilolwa. "This list was the personal choice of Nito Alves," said Veloso. "There were others he wanted killed but we said we didn't have enough people for the job — so Alves reduced the 'action' to these three." All three are mulattos who were hated by the racist Alves.

At the central committee meeting on May 21 at which the decision was made to purge them, Alves and Van Dunem put the other members on the spot, making them state their views on the factional position of Alves and

Van Dunem. In this meeting Mingas and one of the commanders, Paulo da Silva Mungungu severely criticized the two factioneers, swinging the rest of the Central Committee behind them. Mingas and da Silva were two of those who were murdered by the putschists.

The whole murder operation was carried out by the Alves-networks in conjunction with disruptive tactics by the group of Portuguese "gauchists," both under the control of CIA Portuguese operatives. How was this operation put in place, and how could it function to the extent it did?

The MPLA: A Front Organization

The MPLA is a front, and has many more political tendencies in it, in addition to the Alves faction, although most of them now are unified around the necessity of reconstructing the country. Members of the former Angolan Communist Party (PCA) played a central role in setting up the MPLA in the mid-1950s. The PCA was founded in October 1955, and in early 1956 the PCA set up an anti-colonial party with which to organize among the Angolan people. Immediately after this, however, a plethora of disparate nationalist groups were founded, rendering impossible a unified anti-colonial political movement. As a result the young PCA members, together with other political tendencies in Angola, rapidly founded the Popular Movement for the Liberation of Angola (MPLA) in December 1956. It was founded as a broad encompassing front, including several groups, and had no rigid entry requirements. This marked the beginning of a long process of forming united fronts with other tendencies, and kicking out those that tried to divert the MPLA from its goal. No operation

Angola On 'African Socialism'

The following is a release by the Cuban press agency Prensa Latina:

LUANDA, June 24 (PL) — Africa can not divorce itself from the world, for this would be equivalent to playing the game of colonialism, racism, and apartheid, affirmed the *Jornal de Angola* today.

In a commentary dedicated to analyzing the historical and ideological roots of the school of thought called "negritude," the daily said this has been launched by the leaders of the non-progressive countries of the continent.

The thesis of the President of Senegal, Leopold Sedar Senghor, on "African socialism" maintains that this tendency must be based on the prevalent tribal structures on the continent.

In this context, the daily indicated that now some heads of African governments, in the service of foreign interests, are trying to revive in the region the cadaver of negritude, "Bantu socialism" or authenticity, the latter headed by Zaire leader Mobutu Sese Seko.

The real reasons which motivate these

maneuvers, added the daily, are exposed in the intentions of these administrations to maintain the population in the dark, removing them from the victories that the progressive forces gained in their fight.

The struggle of Africa today does not permit the acceptance of these tendencies, because with the passage of time the camps have been defined and it is known who are friends and who are enemies, asserted the daily.

It added that at various international meetings these tendencies have been manifested by states that promote them, but have been rejected by the decision of the majority of the continent to eliminate the colonial consequences and construct a new society.

The next summit of the Organization of African Unity, which begins next July 2 in Gabon, will be another adequate scene for the confrontation between the Africans who want to be free and those who want to permanently be subservient to international reaction, concluded the *Jornal de Angola*.

to sidetrack the MPLA succeeded, but the result was a long trail of left-behind dissidents who had tried to do that but failed.

It became evident very early that the MPLA leadership could not be easily subverted. Consequently efforts to create subversive factions within the MPLA were initiated, and were complemented by the setting up of two anti-MPLA countergangs formations: first the FNLA of Holden Roberto, set up in the late 1950s, followed by UNITA in the mid-1960s headed by former FNLA official Jonas Savimbi. The most noteworthy internal factional efforts were led by Daniel Chipenda and the Andrade brothers. Chipenda, an agent of the Portuguese secret police (Pide) tried to assassinate Neto in 1972, and led an unsuccessful revolt in the MPLA after which he attempted to pull MPLA troops under his command out of the MPLA and into the FNLA. He later formed what was called the "Chipenda brigade" which accompanied the South African military invasion of Angola beginning in August, 1975 in a flimsy attempt to provide some black cover for what was a blatant South African invasion. Mario Pinto Andrade, one of the founding members of the MPLA, and his brother Joaquim, a priest, led the "active revolt" in the MPLA which surfaced after the Spinoza coup in Portugal and created divisions in the membership which served as the preconditions for Pide agent Chipenda to reactivate his eastern revolt against the MPLA leadership. Mario is now in exile, while Joaquim is in prison.

Although the core of the MPLA leadership remained very solid throughout its history, following the 1974 Spinoza coup many people of different political tendencies joined the MPLA, including those deployed in to carry out subversion. In addition an agent operation in the Portuguese Communist Party which Cunhal had expelled, was redeployed into Angola, along with other agent leftists to defeat the MPLA. These networks were part of the intelligence operations operating under a left cover which are run out of the Institute for Policy Studies in Washington. Various elements of the MPLA were in contact with the entire gamut of the Portuguese left, opening the way for penetration operations by these "left-CIA" operations, some laundered through the Patrice Lumumba University in Moscow.

One example of this was the reasonably good ties the MPLA had in Paris prior to the Spinoza coup with the then exiled Portuguese Socialist Party (PSP) leader Mario Soares, a known Atlanticist agent. Another example was the ultra-left circles in the MFA movement in Portugal, including the agent wing of the PCP, as well as the non-PCP left, both examples of left cover agency controlled by the Institute for Policy Studies.

Following the Spinoza coup in Portugal, political parties in the Portuguese colonies were declared legal, in keeping with the "progressive" cover of the Spinoza coup — all; that is, except for the MPLA in Angola. Due to pressure in Portugal from the PCP and other left parties, the Portuguese government was forced to reverse itself, and allow the MPLA to function openly in Angola. During the period leading to Angolan independence on Nov. 11, 1975, on through to the end of the Angolan war of liberation in early 1976, various CIA and other Western intelligence circles funded the anti-MPLA gangs heavily, and provided them arms. In these aversive conditions,

the MPLA was not selective, accepting anyone who desired a real independence and therefore opposed the CIA's, South Africa's, and others' anti-MPLA gangs. MPLA officials believe that some of the core group of coup leaders may have been reactivated Pide agents. Prior to independence, Pide had more agents in Angola than in Portugal, in addition to countless part-time agents and informers. The Pide networks in Luanda were especially thorough. Angola officials have noted since the coup attempt that the police records of some of those implicated in the coup attempt were destroyed sometime after the Spinoza coup, leading them to think

"We now attach less importance to the number of members and stress quality instead... During the guerrilla stage people joined the MPLA almost instinctively and there was no selection worth mentioning — now we build up the movement more systematically and on a scientific basis."

— MPLA General Secretary

that many of the coup participants were reactivated Pide agents now hooked into apparent "leftist" networks operated by the CIA and allied forces out of Portugal.

Jonas Savimbi of the South Africa-linked UNITA has long been a member of such police networks, and the British *Sunday Telegraph* reported after the coup attempt that the MPLA had discovered links between Savimbi and the Alves faction, which was one of the factors leading to their purge.

The MPLA has been well aware since the end of the war that the standards of the organization had to be raised to deal adequately with the task of reconstruction of the country. In the words of Lucio Lara, MPLA General-Secretary, in a pre-May 27 interview: "When the MPLA became legal, a large number of new members joined, but their political conviction rarely was as strong as we could have wished. They often had opportunistic or emotional motives. We have not yet managed to do very much about this opportunism. We have called for watchfulness, and we have made a certain selection among the applications for membership, but the methods have not been very effective so far. From now on we will be much stricter when accepting new members. We will even purge within the movement."

Lara added: "We now attach less importance to the number of members and stress quality instead...During the guerrilla stage people joined the MPLA almost instinctively, and there was no selection worth mentioning

— now we build up the movement more systematically and on a scientific basis.”

Alves

Immediately following the victory by the MPLA in the war of liberation, Alves and his controllers set out to subvert the revolution. The key aspect of this operation was the use of racialism to split the base of the MPLA. The “pan-African socialism” and “negritude” ideologies used to carry out this subversive activity were created from the inception specifically for subversion. CIA conduits in the press have attempted to cover up the operation carried out by Alves with the silly story that Alves was pro-Soviet. The history of the Alves group shows not only that he is not pro-Soviet, but was an agent from the beginning.

As soon as the liberation war was won, Nito Alves began a constant factional battle within the MPLA, attacking the leadership for allowing whites, mulattos and assimilated (educated) Africans in leadership positions, and instead called for more positions to be given to “authentic Africans,” attempting to reduce the MPLA and the Angolan government to some variant of “pan-African socialism.”

Prior to the May 27 events Neto accused Alves of leading a “black racist faction,” and the explicitly racial approach used by Alves is what he has in common with all the other operations that have been thrown against the MPLA. The common thread running through Alves, Holden Roberto, Savimbi, and Chipenda is an avowed racism, in the guise of trying to attain a pure pan-African ideal, an authentic, untainted African regime. The western backers of the anti-MPLA forces became livid with rage when the MPLA invited the Cubans to come to their aid, because the arrival of the Cubans guaranteed that the counterinsurgent, black racist environment being created by Western intelligence networks to eliminate the intellectual leadership of the MPLA could not succeed. Both because of what the Cubans represented politically, and because of their own racial mixture.

Nito Alves joined the MPLA resistance fighting against the Portuguese in the first military region in 1966. The Portuguese secret police, Pide, and the black counterinsurgency force, *flechas*, trained by Pide, were very effective, isolating the guerrillas from the MPLA leadership which was able to exist only in eastern Angola and in exile at that point. The fighters of the first region were also completely cut off from the clandestine networks in Luanda. The CIA’s FNLA force in northern Angola also sabotaged and attacked the MPLA, while the Zaire army of President Mobutu has as its task intercepting the MPLA so its fighters could not get in contact with its members in neighboring countries such as the Congo.

In these aversive, isolated conditions, the fighting cadre didn’t always develop according to any policy lines of the MPLA leadership. The MPLA leadership in the liberated zones and in exile was experiencing lively debates, and undergoing an outstanding evolution. Alves by this time had risen to a leadership position in the first region, northeast of Luanda. Many of the Angolan of-

ficials and military men who participated with Alves in his putsch attempt had served with him in the first region also.

Alves was sent to Luanda in 1974 to hook up with the clandestine MPLA network there. It is at this time that he met José Van Dunem, in addition to some PCP cadres. These PCP cadres pushed Alves, claiming that he was an enlightened leader, and continued to support him despite the fact that these PCPers had been disavowed by PCP leader Alvaro Cunhal. The disavowal by Cunhal immediately brands these so-called PCPers as part of the networks run out of the IPS in Washington.

Liberal Fabian profilers in the U.S. characterize Alves as an opportunist without an ideological line, and note that some of the people in his circle are on the right fringe of the MPLA. Intellectuals in the MPLA referred to him as a Frantz Fanon-type for his virulent anti-white, anti-mulatto tirades, which was mixed with a mumbo-jumbo of socialist and Marxist phraseology. He claimed that “the blacks were the only real proletarians in Angola,” called the whites and mulattos in the leadership of the MPLA and the government the “new bourgeoisie,” and because he championed the complaints of the lumpen elements of the population, claimed himself to be more pro-Soviet than Neto and the other leaders of the MPLA. It is interesting to note that before independence an MPLA cadre once asked Alves what he thought about Marxism-Leninism. Alves, now touted in the Western press as the leader of the pro-Soviet faction in Angola, replied: “I’m only experimenting with the idea of Marxism-Leninism.”

Despite maintaining a racist-factional position starting with the first interregional conference on Angolan territory after the fall of Caetano, Alves had his biggest impact in organizing groups in the neighborhoods of Luanda to resist the FNLA. In these neighborhoods marginal types, lumpenproletarians on the borderline of criminality, and young ultrarevolutionary students rubbed elbows. In this layer of the population there was a sentimental adherence to simple slogans, to a notion of the MPLA as liberator, and to Neto as symbolizing the end of the Portuguese colonial nightmare. But any in depth politicization of this layer was difficult to accomplish. He built his following with easy demogogy and simple dogmatism, building himself up as an idol for his base. His actions were a cause for concern in the MPLA leadership.

Alves accused Neto of being a class collaborator for calling for national unity of workers and peasants, while Alves postured as a partisan of brutal class confrontation, as a revolutionary that did not compromise. The vast majority of the Angolan population is peasant and Neto continuously warned that “for the MPLA, isolation of the working class would be a disaster.” Alves was known as the leader of Luanda clandestine circles, as opposed to cadres in the liberated regions or in exile. The intellectual influence of the latter two overshadowed Alves, not allowing him to play the hegemonic role he sought. To this he reacted with a growing sense of frustration.

At the same time that Alves came to Luanda in 1974 to hook up with Van Dunem, Van Dunem’s wife, Vales, an Angolan of Portuguese birth, returned to Angola, presenting herself as a member of the PCP. Vales made

no secret of her goal of imposing a more dogmatic stance on the movement. While the PCPers disavowed by Cunhal continued to champion Nito Alves, Vales played a preponderant role in the organization of the clandestine structures for the putsch. A secretariat in the Department of Mass Organizing (DOM) had been set up, and was directed by Vales. Out of the DOM she recruited and gave special training to activists, after which they began rigorously clandestine organizing, especially in the armed forces and the mass organizations.

Van Dunem set up clandestine networks among prisoners while imprisoned by the Portuguese in Sao Nicolau prison, which contained 10,000 Angolan prisoners. He gained the personal allegiance of 6,000 of the prisoners, all of whom were released on April 25, 1974, the day of the Spinola coup.

Alves, Van Dunem and Vales were the three key operatives through whom the coup networks were organized and put in place this May.

As soon as the war of liberation was won, Alves began organizing demonstrations by his lumpen networks,

To avoid an economic collapse of the economy, Neto did everything possible to get the industrialists to remain in Angola. However, Alves did just the opposite.

demanding a bigger participation of blacks in the government. Alves never accepted the fact that the MPLA accorded Angolan nationality to whites and mulattos, all of whom were considered former colonialists by Alves and his backward lumpen base. It was on this question that Alves and Van Dunem fought with the MPLA leadership at the first interregional conference of the MPLA after the Spinola coup. As a result of this organizing by Alves and his networks, the situation in the poorer districts of Luanda began to deteriorate. The weekly *Jeune Afrique* reports that the defense groups that had been organized by Alves were never tightly *politically* organized into the MPLA command structure, and were merely being further pulled away by Alves. With the economic troubles, it was easy for Alves to demagogically convince the lumpens that the whites and mulattos in leadership positions were to blame. In actuality, the lumpens and others in Alves' base being organized to protest did not have the qualifications necessary to fill these positions, due to Portugal's dismal policies as a colonial power.

The local defense groups organized by Alves in the slums, called Poder Popular (PP) had played a key role in preventing the FNLA from getting established in Luanda during the war. However Alves consciously resisted all efforts by the MPLA to politicize the PP. He pulled out the political cadre to turn them into self-help local-control social service organizers devoid of any

crucial political role. Alves manipulated the childish disappointment of this layer of the population regarding all their desires that were not immediately met once the war was won. They were therefore very undisciplined and always a potential trouble spot for the MPLA.

During the summer of 1975 the "gauchists" arrived from Portugal, and gave direction to this discontent, blaming the leadership of the MPLA for their misery. Alves, who had been very critical of ultra-left circles before, adapted himself very quickly to their line, championing it to the receptive lumpen layers. At this point the MPLA tried to dissolve Alves' militias since they were refusing orders, refusing to go to the fighting front, but were unable to do so because of the following he gained among the unpoliticized lumpens with his ultra-revolutionary phraseology minus a clear political line.

He molded this strong base which carried out systematic agitation which resulted in instability. When the MPLA named Alves the Minister of Internal Administration, all authority over police forces was nevertheless withheld from him. However he profited from his position to place his partisans in important posts in the administration: many of the provincial governors were loyal to him. A segment of the secret police followed him. And he took advantage of the rapid expansion of the army to get his people in, and also used the incentive of promotions to bring men to his side. In November, 1976, after Neto had returned from a trip to Moscow, Alves and Information Minister Joao Felipe Martins, one of his strong supporters, were relieved of their ministerial positions, and Alves was not elected to the political bureau. Shortly thereafter the security apparatus was cleaned up, and some of his close followers were arrested by the end of 1976. Confronted with the possibility of losing their extensive personal networks, it was at this time that they began planning the coup operation — before their networks could be uprooted entirely.

Another key aspect of sabotage carried out by Alves involved the Portuguese industrialists located in Angola before independence. To avoid an economic collapse of the economy, Neto did everything possible to get the industrialists to remain in Angola. *However, Alves did just the opposite.* He stirred up the workers, and carried out other acts designed to make the industrialists think that the situation would be most unstable. Alves succeeded, most businessmen left, confronting Neto and the MPLA with a still more serious economic collapse to turn around. Alves consistently used his influence against the Cuban presence, and tried to turn popular sentiment against them by calling for "African solutions to African problems."

Progressive CIA Faction Deployed From Portugal

President Neto announced on June 12 that there were foreigners among the conspirators arrested, some of them Portuguese. He denounced them as extremists who were "incapable of making a revolution in their own country," and thus "tried to come and do it in Angola." While not naming their origins, he was referring to the international Eurocommunist and ultra-left networks which have been deployed into communist and workers

movements to destroy them.

Neto was referring to a sizeable contingent of Portuguese ultra-left "gauchists." These "workerist" elements were primarily Portuguese soldiers in the left-wing of the Armed Forces Movement set up at the time of the Spínola coup. Following the fall of the pro-Communist Gonalves government in 1975, a group of these types, numbering in the hundreds, went to Angola to reinforce the agent wing of the party, which had been renounced by PCP head Cuhai, and was vigorously supporting Alves as an "authentic" revolutionary.

The "gauchists" primary operation was to destabilize the small and therefore crucial layer of skilled and semi-skilled urban workers. They attempted to organize strikes, denouncing Neto for exploiting the workers, and criticizing Neto for not being responsive to the workers' demands. According to the Yugoslav daily *Vjesnik*, the gauchists instigated the workers' incredible demands, such as 300 percent wage increases. *Vjesnik* added that the infantile ultra-lefts' sabotage activity especially affected the port, disrupting the economy further, and feeding into the efforts of Alves, et al. to provoke discontent among the population by sabotaging the distribution of basic goods. David Aires Machada, the Internal Trade Minister arrested for his participation in disruption of food distribution, at an earlier point was the Angolan Labor Minister, and actually participated in organizing urban workers against the government.

Just like the Alves crew, the ultra-left crowd agitated without articulating an alternative political program. Both Alves and the ultra-lefts blamed Neto's economic cooperation with the West as the reason he was not able to satisfy workers' demands, and the reason the economy was in trouble. The ultra-lefts and Alves made three demands designed to isolate Angola and exacerbate its economic crisis. They called for: 1) no multinationals in Angola (aimed at destroying Angola's collaboration with Gulf Oil Co. to exploit Angola's oil, its primary source of foreign exchange, and aimed also at preventing similar collaboration to gear up production in Angola's mining sector); 2), no diplomatic relations with the West; 3) no warming of relations with Portugal. Neto and the Angola government have been trying to do just the opposite of these three demands in order to get the economy moving.

Ten agents of Portuguese nationality have already been expelled from Angola, and many more have been arrested as the mop up of the Alves and ultra-left networks continues. Some of the key operatives who coordinated both the Alves and ultra-left operations have already been arrested:

* — Valer Joao Gomez, a leader in the Portuguese Movimento dos Foras Armadas (Armed Forces Movement), was reported arrested by the June 4 East German daily Neues Deutschland. Valera Joao Gomez went to Angola when the Gonalves government fell in Portugal. When Carvalho staged his Maoist insurrection in Portugal on Nov. 25, 1975, Valera Joao Gomez was back in Portugal in the thick of the operation. The Carvalho coup attempt was staged merely to provide the pretext for a sharp right turn politically in Portugal, as soon as the operation had served its purpose, Valera Joao Gomez returned to Angola.

* — Another plotter detained in Angola is a former Portuguese law student, Ruy Coelho, according to a

Reuters wire of June 12. He has confessed to beginning his political activity in Lisbon, first with the Maoist Movement for the Reorganization of the Proletariat Party (MRPP) and then with the PCP. He said he had served as one of the main "ideological advisers" to Nito Alves.

* — On June 11 the Angolans announced the arrest of former Portuguese Labor Minister Jose Ignacio da Costa Martins in connection with the coup attempt. He worked in Angola as an adviser, and was one of the many Portuguese arrested for alleged implication in the abortive coup.

Into The Future

The Angolan government is now carefully investigating and digging out the remnants of the Alves and associated networks. The day after the coup attempt President Neto announced that the government was going to tighten up control, emphasizing that all mass organizations would have to submit to direction from the MPLA. He also pointed out that with respect to various forms of dissidence, for months "we spoke of tolerance. But this tolerance was not interpreted in the correct sense. Now we are going to have to proceed in a firm and tough manner." The Government has also formed an office specifically charged with overseeing the supplying of food and other basic commodities to ensure no further sabotage in this area. Van Dunem and his wife Vales have been arrested, while the search still continues for Alves and other of the conspirators.

Neto also made it very clear that Angola's alliance with the Soviet Union and Cuba was not going to be brought into question: "The Soviet and Cuban comrades have been accused of coming here not to help us, but for other reasons. I reaffirm to the Angolan population that the Soviet comrades have always manifested, in our regard, sentiments of solidarity and friendship and that they have contributed to the formation of our armed forces to help us with our national reconstruction."

"If there is any people, any party, any government which is in this movement alongside us, it is really Cuba. The contribution of Cuba is so great that we will never in our lives be able to forget it."

The MPLA will also continue with its efforts to establish a *political cadre party*. In an interview at the end of 1976, MPLA General-Secretary Lucio Lara discussed why this was necessary: "The struggle between the classes in Angola has not as yet reached its most intensive phase. A movement like the MPLA, where all classes are represented, can not solve class conflicts and build up socialism. In such a case we would have conflicts between ourselves and that would prevent us from realizing our political aims. Already we must think of creating a party that can become an instrument for the working classes and with the help of which we can build up socialism. The MPLA could never be such an instrument, even if it has filled — and during many years to come will fill — a very important place as a front organization. But in order to build up a socialist Angola it is necessary to have a party that is clearly defined in terms of classes."

At the Central Committee meeting last November it was decided to hold a congress in 1977 to study the

question of forming a party, and discussions have already been initiated at the local level of the MPLA organization. Lara: "There are various opinions about what such a party should be like and what place it should fill, and for that reason congress has to decide this. Earlier on the dominant opinion in the Central Committee was that the MPLA should be transformed into a party. But now more and more members seem to think that the MPLA should continue to exist as a movement, and at the same time a completely new party should be formed. In that case it will be a Marxist-Leninist cadre party. We feel that it would be politically unwise to abolish the MPLA, which has such a good reputation among the population of this country, in order to turn it into a party."

The May 27 coup attempt was probably the second most serious threat that has ever confronted the MPLA, surpassed only by the war. Despite the continued fragility of the economy, the demise of a major subversive network embedded in the country leaves the MPLA in a better position. Without such a subversive network in place, the military threats represented by the CIA's anti-MPLA gangs squatting on Angola's borders have only a nuisance value and do not represent a significant threat.

By successfully marshalling its forces against overwhelming odds to defeat attempts to destroy it on several occasions, the MPLA leadership has established itself as the cornerstone of the frontline African states, and by

doing so has changed entirely the geometry of the southern African situation. None of Henry Kissinger's or Zbigniew Brzezinski's schemes to break Angola have succeeded, and consequently the other frontline states have remained firm.

The inability of South Africa's traditional ally, the U.S., to subvert the frontline states and therefore guarantee the continued existence of South Africa as it is presently constituted, combined with the pledges of military aid to the frontline states from socialist and African countries, has changed the strategic picture completely for South Africa. If South Africa wants to avoid a suicidal war and develop economically, it will have to reorient towards non-Wall Street forces in Europe and the Soviet Union. It is precisely to prevent this from happening that the same forces ultimately behind the Alves coup attempt in Angola, the Rockefellerers, are now inciting race riots in South Africa.

The continued existence of Angola will serve as the basis for liberating the rest of Africa. Ever since independence in the 1960s the CIA has used counterinsurgent synthetic ideologies to keep African countries controllable. These ideologies of "negritude" and "African socialism," variations of which were used by Alves as well, are now being attacked openly by the Angolan leadership, and they have promised to carry this issue to the Organization of African Unity as a whole (see box page 4).

—Douglas DeGroot

OAU Recognizes Patriotic Front

The Organization of African Unity summit meeting in Libreville, Gabon on July 4 gave exclusive recognition to the Patriotic Front liberation movement which is conducting the guerrilla war against the white minority regime of Ian Smith in Rhodesia. The pro-socialist Patriotic Front already has the exclusive backing of the five "frontline" states bordering or near Rhodesia.

The OAU's action is a serious defeat for the counterinsurgency campaign — politely referred to as a "peace initiative" — being conducted on behalf of the Carter Administration by British Foreign Secretary David Owen, since it removes from consideration the State Department-allied Rhodesian nationalists Bishop Abel Muzorewa and the Reverend Mr. Ndabaningi Sithole. The removal of Muzorewa and Sithole precludes any attempt to rerun the Angolan civil war scenario where U.S. arms, funding, and mercenaries were conduited to the CIA's liberation groups the FNLA (National Front for the Liberation of Angola) and UNITA (National Union for the Total Independence of Angola) in an effort to prevent the Popular Movement for the Liberation of Angola (MPLA) from becoming the government.

The Patriotic Front has already rejected two out of three of Dr. Owen's melodramatically introduced "final proposals" for a peaceful transition to majority rule in Rhodesia, including his proposal for a British Commonwealth military force to maintain law and order during the transition. A Patriotic Front spokesman

recently noted that the precedent of the United Nations peacekeeping force in the Congo in the 1960s — which resulted in the death of the Prime Minister, Patrice Lumumba, and ultimately the installation of Rockefeller puppet Mobutu Sese Seko — was a "bad experience" which his organization did not wish to see repeated.

Zambian President Kenneth Kaunda, who introduced and organized for the resolution to recognize the Front, also replied to Dr. Owen's constant requests to "tone down" the guerrilla war for the sake of his plan in a comment after the resolution was passed. "We will not stand in the way of the Anglo-American initiative," said Kaunda, omitting any hint of endorsement, "provided they do not stand in the way of our own strong support for the armed struggle in Zimbabwe (Rhodesia)."

The endorsement is also a serious blow to Ian Smith's position. Smith is now beset by a rapidly collapsing economy, a rapidly deteriorating military situation, and a rapidly disintegrating political base. One of his former Ministers, Wickus de Kock, has resigned from Parliament and is packing to leave the country. Smith's chances of getting any credible outside support for a separate settlement with Muzorewa and Sithole have been diminished by the OAU's action, although he may still try. He is left now with the choice of capitulating, or provoking such a bloodbath that, he hopes, the West or South Africa will have to step in.

OAU Resolution

The resolution passed by the OAU expresses

satisfaction with the way the Patriotic Front is pursuing the armed struggle, urges Rhodesian nationalists to work in the Front, and asks OAU members not to support anyone outside that organization. A standing invitation to Muzorewa and Sithole to join the Front has been left open, further discrediting any support they may receive if they don't accept it. "We have cleared the decks for full-scale warfare," said one OAU delegate, reflecting the prevalent view that the Anglo-American initiative is not a serious effort. "We are united in seeking a military solution in Zimbabwe."

Until the passage of the resolution on the Patriotic Front, the Organization's meeting was widely reported as an ineffectual and inconsequential gathering, which the anti-Soviet "moderate" states dominated. The resolution itself was widely misreported in the British and American press as "ambiguously worded," merely because it offered Muzorewa and Sithole a chance to redeem themselves, ignoring the fact that this openness was the basis for founding the Front last year during the Geneva conference on Rhodesia.

In the early stages of the conference, the *New York Times* reported that the "more radical countries have determined that they have been outmaneuvered and are outnumbered by the moderates, and, rather than face a showdown, have decided to send delegations headed by men of ministerial rank..." rather than heads of state. Wide coverage was also given to the anti-Soviet ravings of Sudanese President Jaafar al-Nimeiry, who denounced the Soviet Union's "new socialist imperialism" in Africa. "Let us stand in solidarity against this new invasion aimed at impeding our march forward," he said, denouncing, among other things, Moscow's attacks on CIA agent Santiago Carrillo of the Spanish Communist Party and recent shipments of Soviet arms to Ethiopia that enable that country to fight several secessionist movements receiving sanctuary and considerable aid from Nimeiry himself.

In Rhodesia, the chairman of Prime Minister Smith's ruling Rhodesia Front party, Desmond Frost, resigned

over the weekend of July 2-3, to join 12 other dissident right wing members of the party who see Smith as "soft on terrorism." The resignations, according to British press reports, are merely the visible manifestation of the disintegration of the Rhodesia Front, which has ruled the country since its illegal declaration of independence in 1965. The dissidents' newly-formed "Rhodesian Action Party" is demanding an all-out war on the "terrorists," and the repression of related civilian political parties inside Rhodesia. The British conservative *Daily Telegraph* June 6 also reported on a "new breed of increasingly vociferous military commanders" including Chief of Staff Peter Walls and Army Commander John Hickman. "Growing dissatisfaction with Ian Smith's leadership among Rhodesia's hardliners," the *Christian Science Monitor* reported on the same day, "could lead to the collapse of Mr. Smith's government and its replacement by a military government, some analysts in southern Africa say." The article notes the support the Action Party has among the military.

Under pressure from the right, Smith may now be considering engineering his own demise, to be replaced by a blackface puppet government held up by the army. Both Smith and Sithole have denounced the OAU's endorsement of the Patriotic Front, and Smith announced July 6 that he was prepared to let Sithole reenter the country, indicating his willingness to negotiate with him. "One of the things in favor of Sithole is he is publicly condemning the Patriotic Front and also publicly condemning the 'front line' presidents because of their association with the Patriotic Front." The leader of the African National Council in Rhodesia which is associated with one branch of the Patriotic Front, charged on the same day that Rhodesian police have arrested more than 200 of his officials and supporters recently, and further charged that Muzorewa, Sithole and Senator Chief Chirau, one of the black members Smith appointed to the Rhodesian Parliament, were meeting secretly with Smith to set up their version of black majority rule.

— Peter Buck

Carter Tries To Woo Peking Into Anti-Soviet Alliance

The barbarian President of the United States Jimmy Carter will send his envoy next month to the court of the Middle Kingdom in Peking and supplicate himself before the court in pursuit of an alliance with that heavenly body. That no doubt is how the Chinese are coming to view the now open efforts of the Carter Administration to "normalize relations" with Peking, abandoning helter-skelter all remaining U.S. relations and commitments to the Nationalist Chinese regime on Taiwan along the way.

A speech delivered June 29 by U.S. Secretary of State Cyrus Vance in New York before John D. Rockefeller III's Asia Society announced the new Carter China policy. Vance, the envoy who will visit Peking August 22, declared that U.S. ties to China are "a central part of our foreign policy," he added, "Our policy toward China will continue to be guided by the principles of the Shanghai Communiqué, and on that basis we shall seek to move toward full normalization of relations. We acknowledge the view expressed in the Shanghai Communiqué that there is but one China. We also place importance on the peaceful settlement on the Taiwan question by the Chinese themselves."

The next day Carter himself reiterated the intention to dump Taiwan at his press conference. As a precedent he cited other nations who recognized Peking and maintain trade and other ties with Taiwan, like Japan — this of course conveniently ignoring the issue of U.S. military security ties with Taiwan that no other nation has.

Opening Up The Second Front

The rapid reversal of the Carter Administration's previously cautious stance on this question is a direct product of its continuing foreign policy debacle in U.S. relations with the Soviet Union. The Soviets having called Carter's bluff on the attempt to force them into making major strategic concessions, Carter and his everpresent "advisor Zbigniew Brzezinski are opting for the even more provocative anti-Soviet policy of an alliance with Peking. The attempt, itself a rehash of Dr. Kissinger's old "Grand Alliance" strategy, is to create a de facto military axis in East Asia, including Japan — forming a much-vaunted "Second Front" (in addition to NATO) against the Soviets.

The war-provocation content of the Carter China policy is right out in the open. Last week *The New York Times* reported on a secret Presidential Policy Review Memorandum, prepared as part of the discussion on China and Vance's upcoming visit, which debates the question of selling arms and military-related technology to China.

As the *Times* and other journals have reported, debate is ongoing within the Administration on this issue, with State Department (and likely Pentagon) professionals opposing such a move because it would inalterably damage any hope for detente with the Soviet Union. On the other side are a ragtag bunch of National Security Council, CIA, Rand Corporation and other analysts who are pushing all out for such arms transfers, either directly or through Europe and Japan. It is known that James Schlesinger, who last year made a pilgrimage to China and fell in love with the Chinese Peoples Liberation Army, is in agreement with Zbigniew on this insane policy.

The idea of a military alliance with Peking is not new. Arms transfers have previously taken place under French, British and other auspices and, under Kissinger approval, the U.S. sale of technology such as computers which have military-related uses took place. Meanwhile a cabal of Rand Corporation specialists in Santa Monica, California has been pushing this insanity with great enthusiasm. It includes Michael Pillsbury, who more than a year ago floated this idea in the Brzezinski-run *Foreign Policy* and Richard Solomon, Kissinger's China specialist on the National Security Council and still NSC advisor.

The Soviet Response

The "Second Front" should rank with the Maginot Line and the cruise missile as military, political and strategic disasters. The Soviet Union has made it completely clear during the past two months that any attempt to put such a military alliance with Peking together will be viewed in Moscow as a serious threat carrying the most dire consequences. On numerous occasions the USSR has also warned that those considering this option are being taken for a ride by the Chinese.

The Chinese government's intention, as it has made perfectly clear to all "barbarians," is to provoke a world war, destroying both the Soviet Union and the U.S., and leaving China and its many hundred millions relatively intact. The Soviet Union has pointed this out and asked whether those who supply arms to Peking, as Japan is considering doing, are sure those arms might not ultimately be used against the suppliers. While Vance declares that "China's role in maintaining world peace is vital," one can only wonder about what passes for sanity in the White House and its environs.

Even if the Chinese were willing to participate in an actual military front against the USSR, only the "cruising"

Whiz Kids of the Carter looney bin could view the Chinese military, even with more advanced technology from the U.S., as a credible threat to the Soviet Union forcing significant shifts in its military posture and deployment of forces. While James Schlesinger may be impressed with the "human waves" of the Peoples Liberation Army, there is no evidence the Soviets are. The only result of the Carter policy is to provoke the Soviet Union to hit *the United States*, out of its recognition that the U.S. is ruled by a bunch of maniacs who outstrip the Peking variety in their commitment to world conflagration.

China Plays It Tough With Carter

So far the Chinese response to Carter has been to strengthen their hard line on the Taiwan issue. A current visitor to China, retired Admiral Elmo Zumwalt, another fan of the Chinese military, got this message in person from Chinese Vice-Premier Li Hsien-nien. Li told Zumwalt that the Chinese consider "their business" the question of how the Taiwan issue is settled, peacefully or forcefully. China would not accept any "preconditions" such as a guarantee of peaceful settlement, Zumwalt was told. His attempts to get the Chinese to soften this position, a concession the Carterites need to blunt U.S. opposition to the abandonment of Taiwan, were all rebuffed.

Li set out three conditions for normalization of relations: (1) severance of U.S. diplomatic ties to Taiwan, (2) removal of all U.S. military installations and troops from Taiwan, and (3) abrogation of the security and mutual defense treaty now existing between the U.S. and Taiwan.

There are reports that some of Li's conditions are already being met. The South Korean news agency Hapdong, in a dispatch from Tapei last week citing sources there, reports that the U.S. has already moved to dissolve its military command in Taiwan and its Military Advisory Group, and will shortly withdraw all supply depots. U.S. troop presence has already been drawn down to around 1,500 men, and these are slated to go soon.

Peking has been repeating its "no conditions" line for months now — especially on every occasion of contact with U.S. officials and political leaders. What now seems clear is that Carter and his advisors are ready to "go a long way," in the words of one China expert close to the Administration, to meet those demands. Leonard Woodcock, Carter's Ambassador to China, is about to depart for Peking and met July 7 with Carter, Vance and Brzezinski. Presumably his instructions on preparing for Vance's visit were gone over in detail.

The Korea Policy

The commitment to the creation of a "Second Front" in East Asia is also the explanation for Administration policy toward Korea. The controversial policy of withdrawal of U.S. ground combat troops from South Korea can only be understood in this context. That policy has two interrelated objectives: First, it is the key to a "redeployment" of U.S. troops from that theater to the NATO front and their replacement with a revamped and re-armed Japan tied into a NATO-type structure

with the U.S. and in alliance with China. This composes the much-talked-about "Peking-Tokyo-Washington axis." Second, to clear the way for a U.S. deal with China on the Korean dispute in which China's position on the peninsula would be reinforced in order to keep Soviet influence out. The second aspect of the policy is what has made the government of South Korean President Pak Chung-hee an increasingly disposable "ally" for Carter.

The basis of Carter's Korea policy is made evident by several recent developments. In his Asia Society speech, Vance endorsed for the first time as policy the old Kissinger formula on Korea of a "four-power" agreement involving the two Koreas, China and the U.S. to replace the existing outdated armistice agreement reached at the end of the Korean War. From its inception under Kissinger, this formula was created to oppose an alternatively proposed "six-power" agreement in which the other two major powers concerned, the Soviet Union and Japan, would be involved from the start in guaranteeing a peaceful settlement and neutralization of the Korean dispute.

The aim of Kissinger and Vance is in the words of one East Asia expert, "to contain the Soviet Union." Just as Kissinger's Mideast diplomacy blocked a Geneva peace conference, the Soviets are to be kept out, while the U.S., with its buddy China, puts the region into place along "Second Front" lines.

Paralleling the Vance policy statement are covert moves by Carter to open up ties with North Korea. While the Administration consistently denies that contacts with North Korea have taken place, there is plenty of evidence to the contrary. One well-informed source reported the existence of direct communication between Jimmy Carter and Kim Il Sung, North Korea's undisputed leader, in which Carter opened up the prospect of better relations — none in fact exist — and avowed his good faith in withdrawing U.S. troops. In another case, widely reported in the Korean press, Assistant Secretary of State Holbrook, in a speech to magazine publishers and editors at the State Department, stated that: "The period of containment of Chinese communism, the period of opposition to *North Korean* and North Vietnamese efforts to expand their control, has clearly ended."

This surprising, and probably unintended, admission of U.S. openings toward North Korea is not unexpected. The South Koreans have suspected such activities for some time. Their reasoning, of course, is that North Korea, which leans toward Peking heavily in the Sino-Soviet dispute, will be a party to a deal with the U.S. which sacrifices South Korea on the altar of the alliance with Peking.

The inability of the Administration to admit the real rationale of their Korea policy is one explanation for their otherwise pitiful attempts to provide an explanation for why the troops are going out. On one occasion Holbrook appeared "off the record" before a Stanford Research Institute-sponsored symposium in Washington, D.C. on "Northeast Asian Security" and was bombarded with tough questions from a generally hostile audience of Koreans, Japanese, and Americans. Holbrook, by this writer's observation and that of others present, was totally incapable of providing a logical explanation for the policy, and reduced himself to saying things like:

"They (the troops) are no longer needed, so we're taking them out."

In this context it is usually said that China privately opposes U.S. troop withdrawal. This is usually cited by foolish U.S. conservatives as ammunition in opposing the Carter policy. In fact there is no evidence that this is the "real" Chinese position — especially if the U.S. withdrawal is part of an expanded, though not necessarily totally U.S. military front in East Asia.

The Chinese official opposition to a Korea deal is in fact a product of their Taiwan position. China will not be party to a four-power type agreement until Taiwan is settled, as that would set a bad precedent of accepting a divided Korea in some form while the "two Chinas" issue was still outstanding. Evidence that this is Chinese thinking can be found in a recent Peking *Peoples Daily* editorial on the anniversary of the Korean war. In the middle of the editorial's discussion of why Korea is one country and should be reunified, there is a paragraph (thrown in with no apparent reason) on Taiwan, the need to liberate it, and the existence of "one China."

Once Taiwan is dumped by Carter, the Chinese are free to complete the other part of the Second Front deal regarding Korea. More informed experts agree that the Chinese definitely want the U.S. troops out of Korea just as they continue to say publicly.

The Redeployment Absurdity

On this basis the redeployment of U.S. ground troops from Korea makes sense as part and parcel of the Second Front strategy. For those who doubt this, we offer one last piece of evidence — culled from a recently released Congressional Budget Office (a Brookings Institute conduit) report on "Planning U.S. General Purpose Forces:

Forces Related to Asia." In the summary of the report the CBD puts forward this rationale and objective in redeployment of U.S. Forces from Asia to NATO:

The most demanding contingency against which U.S. general purpose forces, along with allied capabilities, are tested is a worldwide conventional war (sic) with the Soviet Union, centered in, but not limited to, the Western European-Atlantic theater. The planning for U.S. general purpose forces calls for them to be capable of dealing with not only that "major" war contingency but also with a "minor contingency" elsewhere.

The contingency of a major NATO-Warsaw Pact conflict has been treated in the public record in considerable detail by the Executive branch. In contrast no detailed rationale has been presented that attempts to derive much of the U.S. forward-force deployments in East Asia and the Western Pacific from threats and contingencies in that area.

That region could be a "second front" in a worldwide conventional conflict with the Soviet Union. Both the United States and the Soviet Union might hesitate to initiate hostilities in East Asia and the Western Pacific, but both might wish to "tie down" the other's forces in the region to constrain or prevent redeployment to the more demanding European-Atlantic conflict.

From this standpoint, the wizards of the CBO pose numerous options for "tying down" the Soviets while redeploying to Europe — such is the meandering nonsense from which "policy" is now being made.

Military Coup Overthrows Bhutto In Pakistan

PAKISTAN

The Pakistani military, led by army chief of staff Ziaul Haq, broke four months of national political and economic paralysis last week by removing Prime Minister Zulfikar Ali Bhutto's government from power. Haq carried out the bloodless coup d'etat and placed Bhutto and the opposition Pakistan National Alliance (PNA) leaders under "protective custody" at the point that both sides had given up hope that a civilian compromise on holding new elections could result from continued talks between them. In the hours before the coup, some PNA leaders, with close ties to the Carter Administration, announced their intention to take to the streets, to challenge the military to restore law and order by shooting civilians.

The ouster of Bhutto's six-year old government and the return of the military, classically the decisive political

force in Pakistan, represents a potential destabilization of a precarious balance of power and interests in both the Arab world and the Indian subcontinent. While the Carter Administration for months had picked up the PNA "human rights cause" in order to unseat Bhutto and bring in a cold-war military dictatorship in Pakistan, the Arab states, in particular Saudi Arabia, had worked with both Bhutto and the PNA to keep the civilian leaders in power. This effort became hopeless last weekend because of constant sabotage led by Air Marshal Asghar Khan, making military intervention a necessity. From that point, the issue was *how to prevent a pro-Carter coup* from destroying the fragile detente and development policies Bhutto had pursued toward neighboring countries.

Information out of Pakistan has been scarce since the coup, but there is speculation in many circles that Saudi Arabia may have played a role in bringing a moderate military faction to power temporarily, to preempt a bloodbath and a pro-U.S. military junta. Saudi King Khalid was the first foreign leader to communicate with

General Haq, Prensa Latina news service noted today.

Only hours after his military takeover had imposed martial law, Gen. Haq addressed the nation to dispel speculation that this was another bloody, U.S.-directed Cold-War style Pakistani dictatorship. Haq described his junta as an "interim government" necessary to fill the "vacuum created by politicians," but reiterated, "I genuinely feel that the survival of this country lies in democracy alone... I want to make it absolutely clear that neither do I have any political ambitions, nor does the army want to be distracted from its profession of soldiering..." Haq stated that the Oct. 7 national election date remains firm and that the winning party in elections supervised by the military and judiciary would govern.

Haq confirmed his intentions in his first action. After dissolving state assemblies, Haq appointed high court judges as governors of the provinces, instead of using the military to secure his hold on the countryside.

What Led to the Coup?

The sequence of events leading to the coup itself reveals the sense of hopelessness the civilian leaders — Bhutto and the PNA — had left in the general population. The economy stood shattered for four months, and all of Pakistan's sources of aid, both in the Arab world and the western banking consortium had tied aid to the return of stability. The PNA's main claim to justify civil disobedience was that Bhutto's party, the Peoples Party, won a landslide victory at the March 7 elections through rigging the ballots. The charges were substantiated in a handful of cases, giving the Asghar Khan faction of the PNA, heavily Carter-funded, an argument for bringing Bhutto down. Confrontations between the army, which stood behind the constitutional government of Bhutto, and demonstrators brought the death toll to over 500, and only the intervention of the Arab states forced both sides to the negotiating table to resolve the crisis.

Last week for the first time in four months of horse trading, agreement was reached pending only the signatures of both sides. Elections were set for Oct. 7. But a PNA central committee meeting then aborted the agreement. Asghar Khan's charges that his party negotiators had sold out to Bhutto, his refusal to endorse the agreement, resulted in the breakdown. Violent clashes broke out in Lahore, setting up a situation

nationally where the military's continuing to back Bhutto would have meant ruthlessly shooting demonstrators down.

Many unresolved issues face Haq and the military. Freedom of the press has been nominally restored, but national martial law prevails. Fundamental rights and portions of the constitution remain suspended, but scheduled election campaigns will necessitate restoring them. The biggest issue is which way Pakistan's foreign policy will swing: whether Haq will toe a pro-U.S. line and back down under Carter Administration pressure on Pakistan's commitment to nuclear technology (from France). This would change the development goals laid out by Bhutto.

The downfall of Bhutto has been the cause of much satisfaction in the U.S. State Department and at the *New York Times* — the two most vehement critics and saboteurs of Pakistani policies. Repeatedly, the State Department in the last few months has tried uncomfortably to deny Bhutto's charges that the Carter Administration has been actively engaged in undermining his government. Now it is uncomfortably silent in an effort to dispel speculation that it may have had a hand in the coup and-or is trying to determine the direction of Gen. Haq's coup through covert pressures. So, while military takeover has provided at least temporary administrative stability to Pakistan, the path for the country is less than clearly defined. Last April 29, Bhutto, as Prime Minister, charged that a section of the PNA was receiving CIA monies for its election campaign disruptions. There is no reason now for a Carter Administration to change policies.

Bhutto's own prospects for the election must be seen as an uphill task, fighting both the PNA's CIA-monied interests and defining a new economic program to pull the country out of economic chaos. Many experienced observers feel that a failure on the problem of economic policy definition, even in the campaigns, will ultimately determine whether Pakistan will or will not return to its 1950s role as the cockpit for international intrigue in the region. The greatest of worries in Pakistani circles now is that the Pandora's box of military coups is opened and the stability and authority of Gen. Ziaul Haq's apparently benign martial law can be threatened easily.

Mexico: Anatomy Of A 'Student Crisis'

MEXICO

The nightmare of "1968" is returning to Mexico. On June 20 a union of workers and faculty at the National University (UNAM) went on strike and occupied the university buildings. The country's most reactionary forces threw millions of dollars into a high-powered propaganda campaign and special TV classroom programming in support of the right wing rector Soberon. After more than two weeks of increasing tensions, the strikers drew 100,000 supporters to an evening rally July 6; at dawn the next morning President Jose Lopez Portillo ordered unarmed police units to take over the campus. Support strikes are now being organized throughout the country.

Such was the pattern in 1968, when a summer-long series of provoked student marches and strikes culminated in the infamous "Tlatelolco" massacre on the eve of the Mexican Olympic Games. Several hundred students were killed and the right wing launched repressive actions nation-wide. The current situation has not yet reached a "Tlatelolco" but is firmly locked on such a confrontation course unless the government takes extraordinary action to defuse the crisis. Sources high in the reactionary Monterrey Group of businessmen are reported to have warned the President that he must move to smash the strike or there will be "loss of confidence" in his government — a message tantamount to a coup threat.

How has this happened? It has nothing to do with "independent" student and right-wing forces which mysteriously clash. The progressive wing of the government and many outside observers know that the "student crises" in Mexico, as in many other countries, are fabricated events designed to turn the country to a repressive course and destroy those forces committed to national development.

This was case in 1968. when the Monterrey Group helped finance the "ultra left" provocateurs in the ranks of the students and insured that "left-right" polarization destroyed any ground for compromise.

It is the case today. As detailed below, there is no independent "student" movement; there is only a history of contrived confrontation run on the right by Monterrey and terrorist networks connected to Interpol's Black International; on the "left," by operatives of the Washington-based Institute for Policy Studies and related terrorist and "Eurocommunist" networks.

In the middle are thousands of duped students who are simply cannon fodder for the agents' provocations.

The key element of the modus operandi is to raise spurious "university" issues which deflect and sabotage serious debate over national and international policy. The real issues which must be discussed center on how Mexico can shake off the IMF restrictions and reassert the progressive development policies of former president Echeverria, now Mexican ambassador to UNESCO. The Lopez government has on several occasions indicated a commitment to continue Echeverria's basic orientations. Lopez has recently blasted both President Carter's "illegals" program (see box on page 2) and the

Echeverría: World Needs Scientific Revolution

The following are excerpts from the frontal attack on Carter's Third World policy delivered June 28 by former Mexican president Luis Echeverria at UNESCO headquarters in Paris.

I would say, looking at those supposedly scientific documents and studies which predict the end of non-renewable resources, that they are nothing but a false ideology...in the service of those self-same interests which have based their wealth on the looting and waste of the earth's resources. Today, those interests would like to establish a supra-scientific monopoly over all of the new sources of energy, and over all of the new alternatives which science will provide...

If new forms of energy, if new human resources once again become the wealth of a minority of peoples, the 21st century will inevitably be the arena of a possible atomic holocaust.

The solution to the problem does not lie, as infantile radicalism would have it, in the utopia of a statistically equal division of the world's wealth. The true answer is the rational use of material resources, human resources, and scientific knowledge as the qualitative and revolutionary instruments of change...

It is useless to think, in desperation, of sterilization of populations. We must think in human, scientific and rational terms, of a qualitative transformation of people's lives which will get at the very roots of populations growth. Those roots are nothing other than underdevelopment...

I would ask here, for a scientific revolution which would call together workers who have organized their intelligence in the service of the world's populations and not of an irrational system wielded against the very essence of scientific reason.

IMF's \$3 billion borrowing ceiling for Mexican development projects, which Lopez branded a "lock" on the country's progress in a June 30 press conference.

The Friedmanites in Mexico's rightwing and their international monetarist patrons know they face a singular problem in Mexico: a working class and peasantry capable of being mobilized around the principles of the Mexican Revolution. The "student scenario" is their only weapon powerful enough to sabotage this mass-based resistance to Chileanization.

The government has clearly and correctly perceived that the student scenario can be defeated only by injecting real politics onto the campus. With this in mind, the government of Lopez Portillo moved forthrightly in early April to launch a major program of "political reform." The government's proposals were designed to pull currently unregistered left parties into debate on national policy and create the basis for mass mobilization in defense of national development goals. In May the government, through the governing PRI party, explicitly proposed that all political parties be given free rein to organize in the universities, to break up the hot-house atmosphere of "campus politics" and integrate the university into national development tasks.

If the progressives in the governments are now to save the situation, they must move ruthlessly to enforce this perspective. They must jail the agents on the "left" and the right, and proceed immediately to take on the fight against the IMF with the same deadly seriousness as Monterrey and its agents have promoted their criminal "student" scenario.

El Nacional: To Know The Trap Is To Begin Taking It Apart

The government-linked daily El Nacional published the following front-page editorial July 1, expanding on President Lopez Portillo's June 30 attack on the International Monetary Fund.

The inflexibility of the financial policy of the developed countries is explained by the fact that they look to the recovery of their money more than to the role of their money in world development. Mexico has posed this problem in various international meetings, as one of the many problems which originate with the survival of the mental and administrative structures which do not correspond to the demands of our times. The logic of the situation dictates urgent modifications; it's an absurd thing — with dramatic consequences — that the countries which have to pay are deprived of the necessary elements to generate the wealth to meet their payments. But when the trap is known and one has studied how it works, the possibility of destroying it is at hand.

Portillo: Illegals An Economic, Not A Police Problem

The following are excerpts from an interview with Mexican President José López Portillo, published in the July 4 edition of U.S. News and World Report, in which the Mexican President strongly assails the Carter Administration's policy on Mexican illegals — a policy based on police rather than economic measures.

Q: Mr. President, why are so many Mexicans fleeing your country and illegally entering the United States?

A: They aren't fleeing; they are looking for jobs. They seek work outside of Mexico because they can't find decent jobs here.

Q: Is your government trying to slow this down?

A: We have told American officials that illegal migration is related directly to our country's economic situation. We have pointed out to them that illegal migration to the U.S. will end when we solve Mexico's economic problems, when we create enough jobs here at home...

Mexico suffers from a major negative balance of trade with the U.S. But if American would but more from us than it does now — and we do have a lot more to sell — that would create jobs in Mexico.

Then my people wouldn't have to cross the border to seek jobs in the United States.

Q: What about Mexico's Army and police? Are they trying to stop illegal emigration?

A: Forget about police measures. They do not help — and never will help. These people aren't criminals. They are ordinary people looking for jobs...

Q: Why don't you close the border?

A: I don't believe I can or should close it. That would be no solution...

Our two countries have a mutual economic relationship that requires people to move from one side of the border to the other. The fact that part of this movement is not properly documented does not mean that we should end the healthy relationship. Closing the border would only cause harm...

Q: Would punishing American employers who hire illegal workers discourage Mexicans from entering the U.S.?

A: Possibly, but we are dealing with an economic, not a police, problem. As long as there are jobs for workers in the U.S. people will be attracted there, and employers will accept the risk of hiring illegals...

Rerun Of '68: The Cast Of Characters

The 'Right' Wing

Guillermo Soberón Acevedo: Ringleader of the right-wing forces, Soberón became head of the National University in the aftermath of the 1973 fall of progressive UNAM rector Pablo González Casanova.

Valentin Molina Pineiro, M.D.: A British-trained doctor, Pineiro is a top-level secretary for Soberón, a post carved out for him in 1972. He is known to have organized right-wing activist networks at UNAM and is personally linked with the fascist Catholic sect known as Opus Dei.

Germán Cabrera Pontón: Professor of Commerce and Administration at UNAM, and one of Soberón's most trusted associates. Known supporter of Chile's fascist dictator Augusto Pinochet, he is the founder of the extreme right-wing paramilitary group known as Movimiento Universitario De Renovadora Orientación (MURO), predecessor of the equally fascist Guardia Unificadora Iberoamericana (GUIA). Both groups arose out of fanatic right-wing Catholic groups and have ties to Monterrey.

The 'Left' Wing

STUNAM: Union of UNAM Workers. This organization, a fusion of the University Workers Union (STEUNAM) and the Union of the Academic Personnel of UNAM (SPAUNAM), is preponderantly controlled by the "Eurocommunist" agent faction of the Mexican Communist Party through its control of the former STEUNAM

leadership. Evaristo Pérez Arreola is the top leader of the PCM faction in the STUNAM leadership; Eleizer Morales heads up a more moderate wing tracing back to the old SPAUNAM.

Raúl Olmedo: Director of the Higher Studies Division of UNAM's School of Political Sciences. Olmedo functions as the radiating center, linked to the U.S.-based "left" think-tank, the Institute for Policy Studies, of terrorist and drug-running operations under a "left intellectual" cover. He has considerable influence on a variety of left groupings, including the PCM.

Frente Popular Revolucionario (FPR): The Popular Revolutionary Front—a leading "Jacobin" element in the UNAM conflict—has been identified by the terrorist 23rd of September League as its "mass organization." The League is widely acknowledged to be an arm of U.S. intelligence services, and has taken responsibility for scores of murders and kidnappings over the past five years. The FPR was created from the remnants of the Popular Independent Front (FPI), an anarchist populist grouping based in the slums around greater Mexico City and heavily linked to the 23rd League. The FPI, in turn, was created by the CIA through the ultra-left group involved in the now defunct Mexican pro-terror magazine *Por Qué*, which played a major role in the 1968 disturbances.

The Mexican Communist Party (PCM): A "Eurocommunist", pro-terrorist wing led by Central Committee member Valentin Campa is presently hegemonic in the Party. THE PCM's predominant control over the STUNAM is self-acknowledged, as is its willingness to use the university strike to derail the government's Political Reform.

The Plot Against The López Portillo Government: A Chronology

August 24, 1976: UNAM Rector Soberón suddenly proposes a major change in labor legislation which dates back to the 1917 Constitution. Labelled by media as the "Soberón Law," it calls for amending existing labor legislation to include a third category—Section C—under which university labor organizing would be restricted and university workers isolated from workers in the public and private sectors. As intended, the proposal touches off a national outcry, with left and rightwing spokesmen debating the issue through the mass media. One month later, Interior Minister Mario Moya Palencia, top representative of the right in the Echeverría cabinet and known for ties to both left and right-wing terrorists, gives his support to the "Soberón Law." He also calls for abridging the concept of "university autonomy," the doctrine which puts the university off-limits to police, army or direct

government interference.

Nov. 1: President Echeverría's government forces an eleventh hour settlement with the STEUNAM over salary increases. Soberón had previously made intransigent statements on the strike, coinciding with a national right-wing campaign of economic warfare and rumor-mongering against Echeverría.

Dec. 1: José López Portillo is inaugurated as President of Mexico.

Jan. 8, 1977: Right-wing goon squads take over the University of the state of Oaxaca, previously controlled by Mexican Communist Party ultraleftists. The violent incident gives the PCM the pretext to call a nation-wide mobilization of universities to protest the fascist move. Throughout January and February the PCM continues violent clashes with fascist paramilitary groups, actions which give momentum

to right-wing demands for the resignation of all progressive members of the Government, supposedly sponsoring a "Communist plot." The new Interior Minister, Jesús Reyes Heróles, makes efforts to pacify both sides of the conflict. The Government ousts the fascist governor of the state March 23 and imposes a settlement on the University, after more than 30 deaths.

Jan. 31: The escalating provocations of the PCM give right-wing labor leader tied to the CIA, Fidel Velázquez, a pretext to "predict" that López Portillo's government is going to be faced with a "problem of the magnitude" of 1968. Right-wing spokesmen immediately back Velázquez's warnings.

Feb 6: The SPAUNAM, not legally recognized as a union and without a contract, merges with the STEUNAM, which does hold a legal contract. The resulting hybrid STUNAM falls between existing labor law. Soberón refuses to recognize the new union, demanding instead his "Section C." STUNAM postpones two strike deadlines, one in early February and the other in late March, before deferring strike action to June 20.

March: Right-wing goons and PCM counterparts try to expand the bloody conflict of Oaxaca to the universities of the states of Zacatecas and Guerrero. Interior Minister Reyes Heróles moves in to force solutions to the staged scenarios.

April 2: Reyes Heróles announces the government's program of "Political Reform."

Mid-May: In response to the extension of the Political Reform proposal to the universities, Rector Soberón warns that such "intervention" is "harmful" while Raúl Olmedo revealingly laments that the involvement of parties other than left and right sectlets will put an end to the "class struggle" on campus.

June 20: UNAM is paralyzed by the STUNAM strike. Soberón refuses to negotiate. PCM leaders announce that 20 other state universities are ready to strike in support of STUNAM, threatening to touch off violent confrontations throughout the country. Soberón publishes a two-page paid ad in all the national newspapers warning that the conflict will be "long and hard." He orders gas and electricity to be turned off in university buildings, wrecking all experiments underway in scientific laboratories.

June 22: The government linked daily *El Nacional* issues an unprecedented attack against the Mexican Communist Party, labeling the PCM "reactionary," "subversive," and "provocateur" for its role in the UNAM conflict. Spokesmen for the ruling PRI party and for the Congress debunk any legal basis for the STUNAM strike and call for a legislative solution to the conflict.

June 23: The PCM attempts to link the UNAM strike to wildcat construction strikes in the petroleum sector and other labor hotspots. Two state universities are reported ready to strike in solidarity with STUNAM, while the number of universities the PCM threatens to mobilize on solidarity strikes jumps up to 35. Arnaldo

Martínez Verdugo, PCM Secretary-General tells reporters that the UNAM strike will test the Political Reform. Right-wing spokesmen begin calling for military intervention to quell the strike.

June 27: The Televisa network tied to the Monterrey Group and ex-president Miguel Alemán begin broadcast of classes which Soberón has arranged off campus. The National Conciliation and Arbitration Board declares that the strike is illegal; right-wing spokesmen step up demands that the government use "public force" to dislodge the strikers.

June 29: López Portillo, in his first public comments on the strike, tells foreign newsmen that he is willing to settle the STUNAM labor dispute through either "Section A" or "Section B," if the "waters become calm" — interpreted as a call for the strikers to pull back. He significantly does not indicate support for Soberón's Section C.

STUNAM support march, headed by Valentin Campa of the PCM, draws 10-15,000 to a rally where speakers promise "we will make this the hottest summer ever."

The "General Staff" of "The Organization" (an extreme right front group) calls for the creation of a Mexican "Triple A" — the Interpol-connected death squads already operating in Argentina, Italy and Spain — to "take justice in our own hands" in the university strike.

June 30: Soberón repudiates López' implicit settlement offer with a reaffirmation of the need for Section C.

July 1: Rumors — soon proved false — circulate in Mexico City that the army has been called out to smash the strike.

Soberón files charges with the federal Attorney General's office against the STUNAM leadership for destruction of property. He sets deadline of noon July 2 for strikers to return to work or be fired.

Pérez Arreola for the STUNAM says the union is "stronger than ever." The FPR moves into higher profile among the strikers.

July 3: Cabrera Pontón, Soberón's organizer among right-wing faculty, calls for the police to lay siege to the campus and starve the strikers out.

July 4: Soberón begins hiring to replace fired strikers. There is violence at some hiring sites. He rejects a mediation offer from the neutral University of Nuevo León, which the STUNAM has accepted.

Unidentified assailants hold respected left economist Alonso Aguilar at gunpoint while his personal papers are destroyed.

July 6: STUNAM support march draws 100,000 to downtown rally. STUNAM leaders are arrested as they leave the rally.

July 7: Unarmed police units dislodge strikers from the university. Soberón re-possesses the campus. The government makes no official statement. Pérez Arreola declares "the strike continues."

July 8: All 35 state universities prepare for 24-hour protest strike; Mexico City's Politecnico meets to decide on "indefinite" support strike.

Peru Says No To IMF

PERU

Peru's military government last week rejected the "emergency" national austerity program proposed by Peruvian Finance Minister Walter Piazza as the basis for securing a \$105 million loan from the International Monetary Fund (IMF). As a result, Piazza was forced to resign July 6, leaving the negotiations with the IMF completely "up in the air," in the words of an IMF official.

Piazza's national austerity program, including sharp import and government spending cutbacks, the elimination of food subsidies, and a 50 percent jump in gasoline prices, would have put the Peruvian economy through "shock treatment" in order to pay off the country's \$51 billion foreign debt. Despite the Peruvian cabinet's history of vacillation on the austerity question, the ruling military were not about to commit political suicide. Their decision to junk Piazza could put debt moratorium once again on the country's agenda for 1977.

Insufficient information is available concerning the policies of Piazza's replacement, General Saenz Bar-

sallo. However, as a military man who is probably close to Peruvian President Morales Bermudez (having served as advisor to the Ministry of Economy and Finance when it was a Morales stronghold), Saenz is likely to avoid measures which would provoke popular upheaval. The country has been wracked by strikes and riots since Piazza announced his austerity program on June 10. Further, as the Peruvian journal *Caretas* revealed two months ago, sections of the military favor an "anti-austerity" program of reflationary paper-printing to keep the Peruvian economy running. General Saenz' appointment could reflect the winning out of the latter perspective.

Meanwhile, Peru's major creditors — the New York-based international banks — have frantically passed funds "under the table" to Peru so as to avoid default on at least \$200 million due at the beginning of July. This debt roll-over is in direct contradiction to the banks' public stand that they would not lend a single penny to Peru until an agreement with the IMF is reached. As one banker admitted, the banks were forced to back away from a major confrontation for fear of provoking a full-scale social "revolution." The banks' worries have just begun, however, since Peru's ability to win this particular skirmish with the IMF and banks will likely encourage other debt-laden Third World nations.

'The IMF May Cause A Revolution'

The following is an interview with a Peruvian desk officer at a regional bank in the New York area:

Q: Why did the Peruvian Finance Minister Piazza resign?

A: I haven't found that out yet but any Minister of Finance in Peru can't stay on for too long. It's a thankless job. As long as the government won't go all the way, the Finance Minister will be caught in the middle; no one can stay for too long... (nevertheless), as long as moderate generals are in power in Peru, you can feel safe.

Q: But aren't sections of the military opposed to the IMF's conditions?

A: Yes, the military is reluctant to go along with the IMF, and for good reason — they may cause a revolution! So they keep to the middle of the road. They try to get the IMF to compromise. I think the IMF will have to be more lenient with Peru.

Q: What about the \$200 million which Peru needed by July in order to avoid default? Won't this have to be rescheduled by the private banks?

A: Oh, they got that money. U.S. banks gave them

a loan. It wasn't us. I don't know who it was, but a group of banks gave them the money. It wasn't a rescheduling — well, it really was, but it wasn't called a rescheduling.

Q: But the banks' public line was that Peru could get no money until it went to the IMF.

A: Yes, I know. That was our position, but they gave them the money anyway without announcing it.

Q: You say, you weren't in on it. I guess it was the bigger banks, like Chase, Citibank, and Morgan, who are in too deep. They feel they have to put in the money.

A: It was more than that. The big banks now agree that the IMF was not realistic; the conditions were too harsh. Peru can't handle a forced depression without risking revolution. The banks had to support the Peruvian government. I think part of the reason they kept insisting on the negotiations with the IMF is that, for a while, the Peruvians were so upset, they wouldn't even talk to the IMF. The banks had to keep them talking. Look, the government is moderate, they are realistic; they want to end the subsidies but they need time.

Behind The Bylines:

State Department Teaches Press How To Lie At D.C. Conference

"They brought us 2000 miles to tell us they don't know anything," reported a veteran Texas newsman and editor from last week's "Broadcasters and Editors Conference" conducted by the U.S. State Department.

Held in Washington on June 28 and 29, the conference was billed as featuring "in-depth discussion and frank answers" to all foreign policy questions. What the assembled pressmen got, however, was a study in yellow journalism. State Department spokesmen, many of them members of Rockefeller's Trilateral Commission and Council on Foreign Relations, lied, misrepresented facts and pulled "bait and switch" tactics throughout the conference whenever confronted with serious policy questions.

"State Department brainwashing sessions," one journalist dubbed the meeting.

The tone was set at the first day's session by State Department Politico-Military Affairs Bureau chief Leslie Gelb (late of Cyrus Vance's *New York Times*) who simply lied outright, giving a flat denial to the question: "Isn't the U.S. asking the Soviets to give up more than the U.S. (at the SALT talks —ed.)?" Gelb was backed up by Deputy Undersecretary of State for Security Assistance Joseph Nye who declared that West Germany is "in complete agreement" with the Carter Administration's proposed ban on exports of nuclear technology. This despite the fact that most American press have already published numerous articles detailing the Schmidt government's open defiance of Carter on this question.

Nye, in fact, habitually lied through his discussion. In response to a question on the massive domestic resistance to the Administration's attempts to shut down fission breeder development, Nye claimed the Administration fully supports the breeder...the highly inefficient thorium breeder, not the Clinch River breeder that Administration critics are demanding.

Another speaker on this panel, Lucy Wilson Benson, State Department Undersecretary for Security Assistance, denied technical expertise on any matters and simply referred questions to Leslie Gelb. "She never even talks to the Defense Department to find out about these things, and yet she's a power unto herself," said one journalist of this appalling display. At one point, Benson referred a questioner to the "Today" TV talk show to "find out the answer to your question tomorrow."

Another panel featured Richard Holbrooke, Assistant Secretary of State for East Asian and Pacific Affairs and

editor of *Foreign Policy* magazine, to field questions on Administration Asian policy. At the first question on South Korean troop withdrawal, however, Holbrooke suddenly received an "urgent phone call from Cyrus Vance" and hastily exited. He was replaced by a somewhat non-plussed Mr. Oakley, formerly of the National Security Council, who pleaded ignorance on all Asian matters because "I've only been in Asia for a few months...my area is Europe really."

Once science, technology and defense matters had been thus disposed of, Trilateral Commission member Richard Cooper, the State Department's Undersecretary for Economic Affairs, took the podium. "I notice in your biography that you are a member of the Trilateral Commission," queried one midwest reporter. "I have read all their policy papers and what you say sounds just like them. Could it be that David Rockefeller, in order to bail out his banks, is pushing his policies through our State Department?"

"Well I wrote many of those papers when I was on the Trilateral Commission, so wouldn't it be strange if I didn't sound like them?" Cooper parried.

His questioner continued, however, with discussion on that morning's Marquis Childs column advocating the International Monetary Fund bail-out of Rockefeller's banks proposed by Senator Jake Javits. While Cooper expressed vague "disagreement" with Javits, he went on to lie that the Third World debt situation was "not that serious."

The next questioner began by asking Cooper about the half-dozen or so Third World countries already in default on their debt and solicited a response from Cooper to the Soviet's proposed "transferable-ruble" replacement for the IMF. Cooper then admitted that the problems are "very serious" and said: "I'm glad you raised the convertible ruble; we would like to see the Soviets come out with a convertible ruble."

"No, I asked about the transfer-ruble," interrupted his questioner.

"Yes, I think it would be great to have the convertible ruble," Cooper went on ignoring the difference between the Rockefeller banks' proposed convertible ruble scheme for linking sound Soviet currency to the inflated and sinking U.S. dollar, versus the Soviet's specifically proposed transferable ruble plan for international trade and development. With this cheap trick, the panel adjourned.

While much was left unsaid in the official presentations of the State Department's Trilateral Commission

speakers, an informal reception held after the second day's end was more informative in many respects. In this setting, an aide to Richard Cooper approached the midwest journalist who had raised an embarrassing question for Mr. Cooper concerning his Trilateral Commission allegiance in order to make one State Department policy clear: "Let me strongly advise you to stay away from the U.S. Labor Party."

A senior editor gave his appraisal of the "briefing" to the U.S. Labor Party afterwards: "They were all incompetent whiz kids, not one career diplomat among them. They don't know what they're doing. With people like this running the country, we're in big trouble."

* * *

Network Profile

ABC's new News Director, former sports spectacular broadcaster **Roone Arledge**, seems to be trying to change that station's Nixonesque image with the addition of some celebrated old Kennedy hands. Arledge has named former Kennedy press secretary **Pierre Salinger** as network Paris correspondent and former Kennedy aide **Sander Vanocur** to his team of network news anchormen.

* * *

NBC is trying to keep up with the competition. News from NBC headquarters has it that the network's moneymen — **Lehman Bros. bankers, Lazard Freres, etc.** — have given the go-ahead to spend whatever necessary to "be competitive" — i.e., bring network programming up in the ratings. According to NBC spokesmen, that means "more situation comedy...and programs of that genre than (NBC) has ever offered in one season," and lots more flashy one-hour "specials."

* * *

Press Comings And Goings:

Following in the footsteps of his father, **Thomas B. Reston** — son of **Nelson Rockefeller's World War II Office of War Information** veteran and *New York Times* vice-president **James Reston** — will shortly be sworn in as **Deputy Assistant Secretary of State for Public Affairs**. Reston Jr.'s previous public affairs experience was gained on the **Policy Planning Committee of the Carter-Mondale campaign team**. He also served on the transition team of the *New York Times'* favorite Administration. The *Times* itself donated a couple of its "best and brightest" to the Carter government early this year — **Eileen Shanahan** to **HEW** and **Leslie Gelb** to **Department of Defense**.

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