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# **EXECUTIVE INTELLIGENCE REVIEW**

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**EXECUTIVE INTELLIGENCE REVIEW**

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# EXECUTIVE INTELLIGENCE REVIEW

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## IN THIS WEEK'S ISSUE —

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Weeks of Cold War provocations are bearing dangerous fruit...The Soviet Union's leaders are moving **demonstratively into a "hard-line" posture**...from war avoidance toward **war preparation**...that brings the threat of all-out nuclear war **ominously close**...In this week's **INTERNATIONAL** report, you'll read how the Soviets were **maneuvered** into their hard-line stance...and what is **required of U.S. policy-makers** to stop the plunge toward war before it's too late...with the **British press and government** calls for an **immediate U.S.-USSR show-down**...particularly around Africa...and the **reflections** of this British policy of "let's you and him fight" in the U.S....plus the **angry Soviet response** to the pattern of provocations....

\* \* \*

The backdrop to the war push is the deterioration of the U.S. dollar under British-led speculative pressures...highlighting again the **failure of the U.S.** to adopt the policy measures that would undercut the British policies of war and collapse...**ECONOMICS** has the story...including the **late-breaking**

**news of a turnaround** on the dollar, in **Foreign Exchange**...in **Gold**, an analysis of **gold's crucial role** as the best support for the dollar...and why some U.S. leaders have **difficulty grasping that fact**...and a report on the just-released economic indicators that show **the U.S. economy in deep, deep trouble**...

\* \* \*

The **bloody events on Cyprus** demonstrate British operations in action...terrorist **"surrogate warfare"** as the prelude to full-fledged war...How the hijacking and the Larnaca massacre are serving to drive a **wedge between Egypt and the Palestinians** ...to clear th  
whose goal is to split the region into U.S. and Soviet **"spheres" at each other's throats**...Our **MIDEAST** report contrasts the coverage in the U.S. press to other, **more reliable sources**...to show what really happened, and **who was responsible**...plus the immediate ramifications for **Egypt**...and for the raging factional struggle in the **Israeli government**...

\* \* \*

The **cure** for the terrorist disease is presented in a **Special Report** in this issue...**"How to Analyze and Uproot International Terrorism"** by the head of the U.S. Labor Party, **Lyndon H. LaRouche**...a message to European and U.S. security, law

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enforcement, and other government officials...LaRouche describes, in depth, **how terrorist networks are built**...how London developed its "surrogate warfare" capabilities over centuries...the relationship between **zero-growth environmentalism and terror**...and how to clean the terrorist mess up, by going for **the head of the hydra**...see **COUNTERINTELLIGENCE**.

\* \* \*

In the United States, British policy's **first line of offense** is in the Department of Energy...**Energy czar Schlesinger's plotting** against the energy basis of the U.S. economy is updated in this week's **U.S. REPORT** ...highlighting the Schlesingerian **manipulation of the coal strike** as a bludgeon against the dollar and the economy...And, the **fortress mentality** that is being **forced on the President** by Schlesinger and his allies...using scandals, threats, and reams of false information...The **struggle between patriots and Tories** that **must shape the outcome of the hearings on G. William Miller's nomination** to head the Federal Reserve...and how that fight is going in the current hearings on the **U.S. Eximbank**...**Featured:** a dissection of the no-growth counterinsurgency that dominates **both sides of the Administration's so-called urban policy debate**...and in contrast, the **jobs-creating record—and potential—of the Eximbank**....

The **American System**...the **only viable alternative** to Britain's anti-industrial policies...is **aggressively in operation** — in **Lopez Portillo's Mexico**...**LATIN AMERICA** tells how the Mexican President is using a **one-two punch** of political mobilization and economic development...against Mexican monetarists and **their commanders at the World Bank**...a **model** for the rest of Latin America and the Third World generally,...and for Mexico's northern neighbor....

\* \* \*

**Also in this issue:** Schlesinger's caught lying **again**, this time on the question of **uranium supplies**...see the results of a report Schlesinger has sought to **suppress for over a year**, in **ENERGY**...In the same section, Schlesinger's memo ordering Department of Energy support for the **terrorist-environmentalist sun-worship orgy**, Sun Day...In **ASIA**, the Kissingerian "**Chinese Deception**" that the U.S. is putting over on the Soviets...In **Europe**, a parallel operation using **Yugoslavia** as its vehicle...plus a background report from the European Labor Party on **how Italy's terrorists were created**, using the "**linguistics**" and "**counterculture**" operations all too familiar to U.S. readers...

# Fire Schlesinger To Stop War

The news from Moscow during last week's celebrations of the 60th anniversary of the Soviet Armed Forces ought to be very sobering for every American. Every professional analyst, both in Western Europe and the United States, has no illusions on this score: the Soviet leadership has dropped its war-avoidance orientation and has publicly adopted a determined war-preparation posture. They are, however, in our estimation, still keeping the option open for making the U.S., once again, their primary negotiating partner in pursuit of peace.

The principal cause of this dramatic situation is the fact that Great Britain, and British agents, and agents of influence in and around the American Administration have systematically opposed the development of any war-avoidance long-term perspective by the United States so far. These are the same key individuals, such as Brzezinski, Schlesinger, Blumenthal, and Kissinger who are promoting policies to collapse the dollar and cause a depression in the American economy. They are also those very individuals who at every step of the way have sabotaged Secretary of State Cyrus Vance's honorable efforts to facilitate a comprehensive peace settlement in the Middle East.

## *Course Towards War*

On the surface, a review of last week's developments, would indicate that the course toward depression and war is totally irrevocable. The Belgrade Conference on Security and Cooperation broke down amid mutual recriminations. A few days earlier, the newspaper of the Communist Party of the Soviet Union, Pravda, carried an official statement on SALT drawing the final bottom-line for arms control negotiations with an explicit display of Moscow's unequivocal refusal to get bogged down on the British-inspired issues of the talks, such as cruise missiles, the Backfire intermediate range bomber, and the neutron bomb.

Subsequently, in the course of the week-long military celebrations, the entire civilian and military command of the Soviet state, in a series of official statements, announced first to their populations and then, also to the world at large the full return of Marshal Tukhachevski's doctrine of "war fighting in depth." The USSR is internally steeling itself for war-fighting. Its foreign policy posture on all fronts has been modified accordingly to tailor this primary commitment.

During the very same week, the U.S. Labor Party's national mobilization to shape a strategy to defend the U.S. dollar against the British-organized speculative raids, was met by the business and banking community (and certain officials of the federal government) with a sympathetic and appreciative but on the whole pathetically impotent response.

The just released economic statistics for the month of January indicate that the nation is sliding rapidly into

the British-programmed depression. The activities of Treasury Secretary Blumenthal and Energy Secretary Schlesinger around the first's recent visit to Western Europe and the second's involvement in the manipulation of the coal strike are the most important contributing factors for the rapidly deteriorating situation.

## *Implications of Cyprus*

The moment of maximum danger emerged during the George Washington Birthday weekend during which London launched two coordinated new tactical initiatives. First, the terrorist caper in Cyprus and second, the new offensive against the Carter White House. Without going into the details of the Cyprus caper, we summarize its implications below. It should merely be borne in mind that all eyewitness accounts of that event so far point to the fact that the affair was coordinated by British intelligence and its collaborators in Egypt's security establishment around the "Old Boys" network that goes back to the days of British King Farouk, and their Israeli counterparts working under Foreign Minister Moshe Dayan.

The Cyprus incident was stage managed to produce two sets of effects. First, an acceleration of the process toward a separate Egypt-Israeli settlement at the expense of the Palestinians — what is now dubbed as the "Owen Plan" for the Middle East after the British Foreign Minister (and celebrated sadist) David Owen. This separate deal, as Dayan indicated while in Washington, will take the form of a close Egyptian-Israeli military alliance with anti-Soviet content and U.S. weapons.

The second intended effect of the Cyprus caper is to create, by a somewhat more convoluted process, a British-controlled "northern tier" of Greece, Turkey, Cyprus, and possibly Yugoslavia covered with a seeming pro-Soviet veneer.

The breakdown of diplomatic relations between Egypt and Cyprus is indicative of how the ultimate British objective in the Eastern Mediterranean is to create a new area of permanent U.S.-USSR friction. Soviet eagerness to assert themselves in the area can soon turn it into a very dangerous trigger for intercontinental war.

Simultaneously with the Cyprus caper, the British-owned press in the United States commenced a dangerous offensive against Carter himself. Most indicative of these attacks was the Feb. 21 editorial of the New York Post, published by Rupert Murdoch, a British Commonwealth subject. The internal evidence of that editorial indicates that Murdoch is part of a group that has determined to launch a "Watergate" operation against Carter, of a type similar to that which destroyed former President Nixon.

British concerns in this matter are twofold: they are alarmed by the powerful influence that proindustry

"Sunbelt" interests have been exerting over Carter in recent weeks and they are in principle committed to undermining the American institution of the presidency at a time when they are pushing the nation's economy to bankruptcy.

The issues of war, peace, economic recovery or depression and that of internal political stability, have all in the present instance been woven into one: The principal proponents, in the Administration, for a defenseless dollar, for destruction of our nuclear industry and our advanced technologies must be dumped. This primarily means Schlesinger and Blumenthal. In a broader context it includes National Security Advisor Zbigniew Brzezinski and Defense Secretary Harold Brown.

Dumping any combination of these individuals at this time will have the immediate salutary effect of signaling to this nation's friends in Western Europe, Japan, Saudi Arabia, and elsewhere, to take up again their defense of the U.S. dollar and resume their effort to bankrupt London. This by itself will create the momentum to restore the possibility for putting together the context for a long term war-avoidance policy to be agreed upon by both the United States and the Soviet Union.

As part of the immediate remedial measures, President Carter, Vance and others in the Administration must urgently cut through ordinary tactical considerations and push through SALT at all costs. Opinions in the Senate should not be allowed to obstruct the effort. Objections in the Cabinet itself should be ignored. What is required to extricate the nation from the present abysmal trap is the exercise of bold leadership that will force the shaping of new opinion and new consensus. A serious American initiative can get the SALT talks revived quickly and concluded. It will require returning to the agreed upon Vladivostok guidelines and an earnest round-the-clock round of intensive negotiations until the agreement is hammered out. A breakthrough of this sort is needed before the early summer in order to restore the major, exclusive negotiating partner relation status between the U.S. and the USSR. Cabinet members, such as Schlesinger, Blumenthal and certain others who will predictably object to this procedure, should be dumped or fired, preferably the first. It can be done.

—by Criton Zoakos  
Director of Intelligence  
U.S. Labor Party

## Soviet Strategic Hardening Signalled

*Soviet President Leonid Brezhnev received his country's highest military decoration, the Order of Victory, in a Feb. 19 Kremlin ceremony. Presenting Brezhnev with the medal, previously awarded only to commanders responsible for turning an entire front into Soviet wartime victory, Politburo member Mikhail Suslov praised:*

Your outstanding services in strengthening the country's defense, and in the development and consistent implementation of the foreign policy of the Soviet state, reliably ensuring the development of the country in peacetime conditions. You know the great price of victory....

*In a major article in the Communist Party journal Kommunist, Defense Minister Dimitrii Ustinov gave prominence to the military responsibilities of "Marshal Brezhnev," calling the President by his military title. Reviewing the 60-year history of the Soviet Armed Forces, Ustinov wrote:*

In the terrible days of the civil war, the party produced a magnificent pleiade of talented commanders and political cadre, such as Budyennyi, Voroshilov, Kirov, Kuibyshev, Stalin, Tukhachevskii, Frunze and others.

*When Ustinov again mentioned Stalin's name, during a Feb. 20 commemoration of the Armed Forces anniversary, his speech was interrupted by applause. In Kommunist he also wrote:*

A great organizer of the struggle of the Soviet people (during World War II—ed.) was the glorious Communist Party, which unflinchingly followed the Leninist teaching on the necessity of unity of political, economic and military leadership. In the achievement of success, a great role was played by the State Defense Committee.

*The theme of the unity of political and military command has also received wide exposure with the publication, in the monthly New World and the Armed Forces daily Red Star, of Brezhnev's war memoirs.*

*Ustinov was not the only top military officer to recall Marshal M.N. Tukhachevskii, originator of the "theory of the offensive," in recent days. Chief of Staff Marshal N. Ogarkov wrote in a Feb. 19 Pravda article under the headline "Soviet Military Science":*

One great service of Soviet military thought was the development of scientifically grounded views of the character and specifics of the coming war....Soviet military science first resolved the complex problem of breaking out of the so-called 'positional dead end,' by developing the theory of deep combat operations. M.N. Tukhachevskii, V.K. Triandafillov, A.I. Yegorev and others made a great contribution to its development and practical testing. The essence of this theory was establishment of the possibility of simultaneous destruction of enemy defenses across all their depth, with artillery and air strikes....(During World War II), Soviet military art was especially developed, in particular the theory and practice of the deep offensive combat operation.

*The concept identified by Ogarkov in this way carries over today into Soviet war-winning strategy for nuclear war.*

*Affirming again that the Kremlin is anxious to see the "green light," as Pravda put it Feb. 11, turned on again for progress in strategic arms talks with the U.S., Brezhnev addressed a meeting of the Supreme Soviet Presidium Feb. 24. Agreements signed over recent years*

created the conditions for normalization of international relations, said Brezhnev, and today there is the basis for a SALT agreement. But "some people" in the U.S. are throwing up obstacles, he warned. Backing up Brezhnev, the Soviet media have particularly been warning on the deployment of either cruise missiles or neutron bombs in Europe. L. Semeiko commented in Red Star Feb. 10.

It is well known, that one of the U.S. military strategy concepts is the "high nuclear threshold," i.e. use of nuclear weapons at the latest possible stage of a conflict in order to delay as much as possible the infliction of an annihilating retaliatory strike. But the neutron weapon will certainly lower that threshold....Any "flexibility" (referring to "flexible response" strategy—ed.) so far has in fact turned out to be the inevitability, or at least the high probability of the escalation of nuclear war, with the possibility of nuclear destruction of the United States...

*A Soviet news agency commentary quoted in the West German press stated bluntly that any use of the neutron bomb, however "tactical" it was supposed to be, would provoke a full strategic "powerful counterstrike" from the Warsaw Pact.*

## Britain: Time For A U.S.-USSR Showdown

*To use the United States to protect British interests, even at the risk of a U.S.-USSR thermonuclear confrontation, has been the thrust of a torrent of recent articles in Britain's press. Here are excerpts from one of the worst examples, an inflammatory article by Lord Chalfont appearing in the Feb. 20 London Times. Lord Chalfont, London Times Defence Correspondent and British negotiator at the 1963 Test-Ban Treaty talks, entitled his article "The Risks in the Horn of Africa."*

Predictions about international affairs are notoriously unreliable, but I will risk one now, and it is this. If the "statesmen" of the West continue to behave with such extraordinary lack of courage and perception, within a year at most the Soviet Union will control not only Ethiopia but Somalia as well....

This latest exercise in blatant imperialism provides yet another example of a most interesting variation on the theme of colonial expansion — the systematic use by the Russians of satellite or surrogate forces — a technique designed principally to create the impression that what is happening is that one Third World country is coming to the aid of another, and to conceal the fact that what is happening is a classic exercise in naked super-power politics....

What we are faced with in Ethiopia is the latest phase in a carefully coordinated Russian plan. What happened in Angola is now happening in the Horn of Africa. If it succeeds there as it succeeded in Angola, the next target will be southern Africa; and there is little reason to

suppose that the West will have any clearer idea of how to defend its interests there than it has had up to now.... The Horn of Africa, and much of the rest of the continent, is now a focal point of superpower politics and if we do not recognize the fact soon it will be too late....

They (USSR—ed.) should understand that they cannot expect economic cooperation, arms control agreements, and brotherly love in one part of the world while in another they are singlemindedly engaged in damaging our economic interests, threatening our strategic security and undermining our legitimate influence in the developing world.

If the United Nations are as powerless as they seem to be to influence what is happening, then the West must be prepared to defend its own interests, whatever the immediate costs. The risks of intervening in the Horn of Africa may be considerable, but they are as nothing compared with the risks of continuing to do nothing except make faint and spineless noises of protests.

## Press Moot Military Buildup

*New York Times, "Brown Says U.S. Will Strengthen Its Forces in Asia," Feb. 20:*

LOS ANGELES, Feb. 20—Defense Secretary Harold Brown said tonight that the Carter Administration was planning to strengthen its strategic forces in Asia and upgrade the Pacific Fleet because of growing Soviet military strength in the region....

"We are and will remain a major force in the Pacific....It cannot be otherwise. We cannot be strong in Europe and weak in Asia. Indeed our strength in Asia supports our strength in Europe and vice versa. They are two sides of a coin.

"If we don't give Asia its due—if we don't maintain the necessary military forces, as well as enough political and military strength, in the region to hedge against uncertainties—the favorable political balance we now find in Asia could deteriorate rapidly," said Mr. Brown.

Besides the growth of Soviet military power in the Pacific, Mr. Brown cited a handful of "uncertainties" that the United States faces in the area. These include possible changes in Chinese-Soviet relations, the continuing North Korean threat toward South Korea, which could disrupt peace and involve the great powers, possible faltering economic development of less-developed non-Communist nations, and fear that Vietnam "might undertake an adventurist policy against non-Communist neighbors....

"We are a Pacific power—with vital interests and solemn commitments in the region," Mr. Brown said. "Our military presence and planned improvements to our forces are designed to insure that we have the capability to continue to protect these interests and commitments. We cannot fail to do that, nor can we avoid our responsibility to maintain peace in Asia. For these purposes we will need our forces in Asia for some time to come. Everyone should understand that."....

*Baltimore Sun*, "Soviets said to lead NATO in Land, Sea, Air, Buildup," Feb. 21:

The British government said yesterday that the Soviet military buildup is outstripping that of the North Atlantic Treaty Organization in the air, at sea and on land.

The Labor government report said the Russians are spending between 11 percent and 13 percent of their resources on the buildup.

"Soviet forces have in many areas been strengthened in size and quality on a scale which goes well beyond the need of any purely defensive posture," it said....

It gave these examples of increases in Soviet naval power in the Eastern Atlantic and in land power in Central Europe in the past 10 years:

°The number of nuclear-powered submarines increased from 44 to 104, or 136 per cent.

°Missile-armed cruisers and destroyers increased from six to 23, or 283 per cent.

°Fixed-wing maritime aircraft increased from 170 to 220, or 29 per cent

°Battle tanks increased from 7,250 to 9,500, or 31 per cent.

°Artillery increased from 3,200 to 4,400, or 38 per cent.

°Fixed-wing tactical aircraft increased from 1,655 to 1,975, or 20 per cent.

The British also outlined what they said is today's balance of forces between the Soviet-led Warsaw Pact bloc and the NATO countries in the Eastern Atlantic and in Central Europe:

°In surface ships, the Communists have 1.2 vessels for every single NATO warship.

°In submarines the ratio is 1.4 Communist vessels to every NATO sub.

°There are 1.2 Communist troops to every NATO soldier.

°The Communists have 2.7 main battle tanks against each NATO tank.

°In sea-based, fixed-wing tactical aircraft there is parity between the two sides. But there are 2.4 land-based, fixed-wing tactical planes on the Communist side to every one Western alliance warplane.

*Washington Post*, "Belgrade Meeting: Lost Hopes and Stalled Effort at Detente," Feb. 23:

The East-West conference on European security and cooperation here, once looked up with great expectations, will soon become one more ingredient on the pile of generally stagnating Soviet-American relations.

After nine months of debate, it is now clear that there is virtually no chance of any positive resolutions coming out of this 35-nation gathering....

It is those human rights pledges that turned this review

conference into a confrontation between East and West, and especially, though not exclusively, between Washington and Moscow....

"This whole campaign on human rights in the press, and started by the U.S. delegation," says Polish Ambassador Marian Dobrosielski, "has not helped one single person in this respect. Rather, it has hardened positions and increased suspicions. No socialist country can permit itself to be dictated to as to what they have to do with this or that person or group," he added, referring to the American-led campaign to ease pressure on specific dissidents.

"The American tactics, or better said the tactics of 'your judge,'" as the Soviet-bloc refers to (former Supreme Court Justice Arthur) Goldberg somewhat derisively, "have poisoned the atmosphere," another East European says.

"Even if we want to do something, we are reluctant too because it looks as though we are being forced," he said....

...Goldberg has drawn criticism for another sharp attack on the Russians near the final stages on January 27 that is viewed by some here as ending any doubts in the Kremlin to reject any but the most bland final statement and accept no criticism....

"Maybe there have been some initial disappointments and there is a need to rethink tactics," says the new Norwegian delegate. "But Soviets clearly know now that everyone else except their own kind take it seriously and it can't be ignored and it's not coming just from the U.S."...

Goldberg, 69, says everyone knows it is unrealistic to expect the Soviets to allow a conference to dictate their internal situation. "But we had to speak out honestly to maintain our credibility, because the Final Act of Helsinki provides for this, and because it will not deter the process of detente. The SALT talks go on, they signed a grain deal with us, and the tone of talks in Washington is not the same as in Belgrade....

"Does anyone have any doubt about the restraining influence that the eyes of the Western and neutral world has on them," he asks.

"How long—after trying quiet diplomacy—could you sit here and not make a statement on a family reunification case in which the person loses his job because he asks for a visa and then is arrested as a parasite for not having a job."...

Another American, trying to sum things up, says "you can't say it was Goldberg either way on the question of whether we got as much as possible out of this. The delegation is working under White House orders and you couldn't sweep human rights under the rug. It's a part of American foreign policy."

# Labour Gov't White Paper Confirms Confrontation Stance

*The British Labour government's publication of its Defense Policy White Paper for 1978 shows that the Callaghan government has dropped all pretense of a soft pro-Soviet line in its defense policy. While ultra right-wing Tories squawked that the government's defense expenditure did not go far enough towards meeting the Soviet threat, the Labor government's White Paper makes clear there is little difference between the Labourites and Tories.*

*The paper announced that Britain will follow the recommendation of NATO heads of state to increase defense expenditure by three percent, the Callaghan government laid out in stark detail its analysis of the current strategic balance between NATO and the Warsaw Pact countries.*

Beyond Europe, recent developments in Africa, for example, have shown that the Soviet Union is ready and

able to deploy military resources rapidly in support of its political interests in the Third World; this demonstration of conventional capability is a further factor which must be taken into account. There is no sign that more recent developments in the field of détente are leading the Soviet Government to slacken the pace of its military effort.

*As a consequence, the paper reports that:*

The realities of today's world mean that, however high our hopes and desires, we cannot responsibly assume that our efforts for detente and disarmament will be enough on their own to ensure adequate security. A major defence effort is also needed and is indeed a precondition of successful political action. For effective deterrence the Alliance needs to convince any aggressor that the use of force, or the threat of its use for political ends, carries risks far outweighing any like advantage.

## U.S. Leaning To British Rhodesia War 'Solution'

U.S. United Nations Ambassador Andrew Young's declaration Feb. 15 that the new "internal solution" to the Rhodesian crisis will create "no settlement" but will foment a "black on black" war is basically correct. The "solution" was worked out by Rhodesian Prime Minister Ian Smith and a group of Rhodesian blacks long associated with British intelligence networks and is backed by the British Foreign Office. However, since that time, it appears that the U.S. government policy has been swayed toward the British solution. A State Department statement by Undersecretary Hodding Carter, III on Feb. 22 does not differ substantially from previous statements by British Foreign Secretary David Owen on the internal solution. The United States is thus letting itself be propelled into a British-manipulated confrontation crisis with the Soviet Union, an approach also favored by Henry Kissinger, which would extend a string of hot spots from southern Africa through the Horn of eastern Africa to the Middle East.

Here is how U.S. policy on the Rhodesia crisis drifted within the last week:

At a United Nations conference Feb. 15, Young called the internal agreement no settlement, and said he hoped a way would be found to get the Patriotic Front into discussion with the internally based leaders, reported the *New York Times* the next day. "It does not address the issues that have some 40,000 people fighting." There is "evidence there would be a massive commitment of Soviet weapons" to the Patriotic Front, Young said. "What you have done is not a settlement but created a black-on-black war." Young also said, "There can only

be a settlement if the overwhelming majority of citizens of Rhodesia decide to support it rather than continuing to support the armed struggle," reported the *London Guardian* Feb. 16. Young saw little chance that an internal settlement would be recognized by, or get help from, the U.S. or others in the face of military opposition from the Patriotic Front (which has the backing of the region's five front line states bordering Rhodesia and the Republic of South Africa).

The previous day *Washington Post* writer David Otaway revealed the factional line-up in the Carter Administration on the situation. "If Young's advice is taken, the U.S. will stay with the Anglo-American plan and the Patriotic Front and compete with the Soviets and Cubans for its favor. At the same time Washington will give no covert or overt backing to the Smith settlement scheme, even if London eventually does. If the Brzezinski outlook prevails, the Carter administration may well cast the American choice in the perspective of the U.S.-Soviet conflict and opt to support Smith's internal settlement."

On Feb. 17 former Secretary of State Henry Kissinger, a documented agent of the British Round Table, threw his considerable weight behind Britain's hopes for U.S.-USSR confrontation on the African continent. On NBC's Today Show, Kissinger announced that if he were still Secretary of State there would be no problem in Africa since he would have stopped the Soviets at Angola. Meanwhile, between Feb. 15 and Hodding Carter's statement Feb. 22, the U.S. government was silent on the issue, while on Feb. 17 President Carter, in a press conference, echoed the London press by declaring that

the U.S. government "would consider it a very serious breach of peace, endangering even worldwide peace," if Ethiopians cross the border in pursuit of retreating Somalis.

By this time, African sources stated that they saw no effective divergence by the U.S. from Britain's policy. However, the *Baltimore Sun* editorialized on Feb. 19: "The agreement between Prime Minister Ian Smith of Rhodesia and three black Zimbabwe nationalist

movements will not end the Rhodesian insurrection nor win international acceptance.... But the agreement is a substantial step toward black majority rule under a free election."

Hodding Carter issued the following statement Feb. 22: "To the extent that last week's Salisbury announcement offers a possibility of an early end to the white minority's domination of the political process, it is a significant step."

## As Negotiated Settlement Nears: Who Wants To Prolong Coal Strike?

As *EIR* goes to press, the weeks-long battle of President Carter and responsible political and industrial leaders to seek a peaceful, negotiated end to the national coal strike is reaching a decisive moment.

Earlier in the week, negotiators for the United Mineworkers (UMW) and the Pittsburgh and Midway Coal Co., an "independent" coal producer owned by Gulf Oil, reached an agreement on the terms of a tentative contract accord. The pact, according to available information, is a marked improvement over the "absolute final contract offer" of the national organization of coal operators, the Bituminous Coal Operators Association (BCOA), which the UMW bargaining council rejected last week.

According to sources in Washington and elsewhere, the P-M agreement represents the basis for a workable coal contract — a compromise that both the BCOA and the UMW should be able to live with. Both the White House and the UMW immediately recognized this and moved to restart negotiations with the BCOA. But the coal operators balked, refusing to even sit down with the union.

With a potential settlement on the table, the word is out that a clique representing political interests is responsible for stymying the agreement. The grouping is headed by Energy Secretary James Schlesinger, and includes British-linked media outlets and a faction of the BCOA headed by U.S. Steel.

"They are saboteurs," said one Congressional source. "The only thing I can surmise from their actions is that they want to shut down the U.S. economy...."

### *Schlesinger, Leader of the Pack*

James Schlesinger and his DOE are leading this treasonous operation. Schlesinger's game is simple. If a negotiated settlement can be blocked, then President Carter can be backed into taking any one of a number of politically dangerous — and economically unworkable — crisis management measures. Under such conditions, Schlesinger, the would-be energy dictator, will emerge as the crisis manager, able to force allocation of energy supplies as he sees fit. Schlesinger would thus be free to push his forced reductions of energy consumption and a concomitant contraction of the U.S. economy under his "Winter Energy Emergency Plan." According to all knowledgeable sources, any of the so-called crisis management solutions — nationalization, the invoking of the Taft-Hartley Act, binding arbitration — would create conditions of violence and chaos in the coal fields and in no way substantially improve coal supplies in the Mid-

west.

"What we are talking about is treason," said another Congressional aide, referring to the Energy Secretary's actions.

Highly reliable sources close to the negotiations report that Schlesinger has been pushing hard for Carter to "take dramatic action" arguing that the UMW as a union "doesn't really exist...so why bother negotiating a contract." He has warned that disaster "looms next week" if no drastic action is taken.

Schlesinger has every reason to know why the current leadership of the UMW has been undermined. Sources report that several key members of the so-called "reform movement" in the UMW, were close friends of James Schlesinger. Former UMW national aides such as Ed James, Rich Banks, Bernie Aronson — all of whom are linked to the Washington-based Institute for Policy Studies — are responsible for progressively undermining the centralized authority of the national leadership of the union. All helped turn the once powerful UMW into an ungovernable mess (see *Executive Intelligence Review*, Vol. 4, No. 52, Dec. 26, 1977). Sources in the mineworkers union report that Schlesinger played a controlling role in the IPS takeover of the Union, which dates back to the 1960s.

James Schlesinger has always hated the UMW... "He hates all unions and 'dumb' working people," said a former UMW official. "First he helped creeps like Banks and James wreck the union...now he is trying to use the instability in the UMW to wreck the country. This strike is his revenge...."

Others report that while the UMW has "very real leadership problems," anyone who is circulating the line that the union can't negotiate a contract is "out to prolong the strike and wreck the negotiations." These observers, some of whom have held and hold leadership positions in the union, say that the principal source of instability in the coal fields — and the source of potential violence that Schlesinger has often referred to — is the current deployment of IPS networks typified by the so-called Miners Right to Strike Committee which led wildcat activity last summer. If these networks are purged from the coalfields, both the union and coal production will be stabilized. It is these networks who will also try to prevent ratification of any negotiated pact.

"Schlesinger can't say this," said a UMW leader, "because the wildcatters are the descendents of his friends like Banks and James."

### *U.S. Steel, the Saboteur*

This newspaper service has received reliable information from veteran UMW negotiators that the U.S. Steel Corporation is leading the "rejection front" inside the BCOA. U.S. Steel, which is said to also be pulling Bethlehem Steel along with it, couldn't give "a good goddamn about coal production, the BCOA or the country...they are purely out for themselves..." Their plan, these sources report, is to prolong the strike to "string out some of the smaller, marginal people in the BCOA" and drive them under. This "British" outlook coheres with U.S. Steel's expressed policy of consorting with the traitors in the Treasury Department to cartelize the shrinking steel industry — the biggest consumers of coal.

On a second level, U.S. Steel is seeking a "show of strength" by business against the labor movement and means to crush the UMW as a lesson for all labor.

"If the BCOA follows U.S. Steel's lead, they are stupider than I thought," said one source. "Half of them would be wiped out...and if they succeed in destroying the UMW, they will destroy coal production in this country."

This isn't the first time that U.S. Steel has conspired with Energy Secretary Schlesinger to help shut down the nation's industrial heartland. The corporation was the biggest booster of Schlesinger's pilot energy conservation project, Operation Pacesetter, in Pittsburgh. Designed as a vehicle to condition an industrial population to drastic conservation of energy, the program has been a failure despite the best efforts of U.S. Steel Board Chairman Edgar Speer.

The White House apparently understands the "U.S. Steel-BCOA problem." According to sources in Congress, Carter's Special Trade Negotiator Robert Strauss has led a "high pressure-high stakes" deployment against the

## Rage Against Schlesinger Grows

The growing crisis over the coal strike and collapsing dollar have evoked extreme anger against Energy Department Secretary James Schlesinger and secondarily against Treasury Secretary Werner M. Blumenthal, from prodevelopment spokesmen in Congress, industry, political parties and states hit by the strike. Republican spokesmen told this news service, "Schlesinger and Blumenthal are saboteurs and should be impeached," but followed this with, "Don't quote me on this," indicating that while the sentiment to oust the two British-linked cabinet members is there, the fighting determination to follow through with political action has not yet materialized.

Reflecting the anti-Schlesinger sentiment in Congress, Sen. Harrison Schmitt (R-N.M.) attacked Schlesinger and the Department of Energy (DOE) for attempting to stop technological growth and that this has led to an end to economic growth, in Congressional testimony on Thursday. From the industrial community, John Swearingen, President of Standard Oil of Indiana, similarly attacked Schlesinger for his no-growth policies before a recent conference of the National Association of Manufacturers in Washington D.C. In addition, Schlesinger's role in the coal strike evoked the following response from an energy official from a coal state: "Schlesinger's office is giving us nothing but useless and incorrect information. The DOE has played nothing but a negative role in the crisis."

The pro-growth anti-Schlesinger sentiments are also beginning to surface in the nation's regional press. *The Chicago Tribune* on Tuesday printed an attack on the "New liberalism" by *Tribune* writer

Andrew Greeley which praised the National Association for the Advancement of Colored People for "Dealing itself out of the no growth liberalism of James Schlesinger and the Department of Energy." "The overwhelming majority of the American people reject quotas, zero economic growth, and the legalization of marijuana," said Greeley, who then described Schlesinger, Warnke and Califano as "Bright-eyed zealots with their body count quotas."

In addition, the *St. Louis Globe Democrat* published an editorial supporting the Japanese and West German disdain for the economic and energy policies of Blumenthal and the liberals who "want to play out the funny-money game to the end until the bubble bursts and their game destroys the value of the dollar."

Meanwhile rumors are circulating on Capitol Hill that President Carter may be preparing to fire Schlesinger, according to a recent column by Larry Kramer which appeared in the *Washington Post*. "Some of the more liberal members of the House have been dropping hints that Department of Energy boss James Schlesinger may be on the way out, at the invitation of the White House," Kramer wrote. While Kramer indicated that the reason is that Schlesinger has been secretly lobbying for deregulation, Kramer quoted a White House staffer who said that the White House is upset with Schlesinger for the opposite reason. "Although Powell said that Carter has been pleased with Schlesinger, other White House staffers contradicted that analysis," Kramer wrote. "Said one, privately, 'We are uncomfortable with him. He still hasn't changed his views and doesn't seem willing to compromise.'"

rejection front, openly threatening the obstructionist steel companies in particular. If anybody can crack U.S. Steel and the BCOA, Strauss can, said one aide to a coal state Senator. "They'll break by weekend — regardless of how rotten they are..."

Strauss is being backed in his pressure campaign against the rejection front by key coal state Governors Jay Rockefeller of West Virginia, Julian Carroll of Kentucky, and Milton Shapp of Pennsylvania. The three went to the White House late in the week to assure the President that they stood behind a negotiated settlement based on the P-M accord and felt that the coal operators were "acting against the interests of the country."

#### *Media "Policy Shapers"*

It is the media — especially the *New York Times* and *Washington Post* — who have given credibility to these sabotage operations and who according to several reports, are "wearing the President down." "I hate to say this," said one Capitol Hill staffer this week. "But Carter could make a tragic mistake in the coal strike because he reads the goddamn papers..." The press, he stated, has been playing up every Schlesinger leak about the collapse of negotiations, giving the President the impression that "He must assert his leadership through some bold gesture.... There is this sense created that there is a steamroller out there calling for Taft-Hartley or something like that and that Carter can either ride it or wind up under it..."

The problem with Carter, said an aide to a coal state Governor, "is that he has been trained to listen to public opinion.... That's dangerous, especially when the public is being misinformed by the media. If he is going to nationalize anything he should nationalize the *Washington Post* and shut it down.... If Carter can just keep clear of Schlesinger until this weekend we can have a negotiated settlement... it's that close."

—L. Wolfe

## Schlesinger Is Responsible For The Coal Crisis

Secretary of Energy James Schlesinger is personally responsible for continuing the sabotage of energy supplies due to the national strike of the United Mine Workers. He has been instrumental in planning the crisis, has interfered with state and regional efforts to mitigate the effects of coal shortages, and has and is undermining the efforts of President Carter and honest state officials to settle the strike through negotiations.

Schlesinger's role in the coal crisis requires an immediate congressional investigation. The points of evidence provided below strongly suggest that Schlesinger violated the law — and the U.S. Constitution — in his actions around the coal crisis.

#### *Charge: Planning the Coal Crisis*

\* Schlesinger has been given sole responsibility for federal policy in dealing with energy crises. The September 1977 document of the Department of Energy's Winter Energy Emergency Plan (WEEP) task force provides

absolutely no alternative but confrontation to deal with a "severe crisis" due to a coal strike. Coal allocation or other measures are not included in WEEP.

\* According to WEEP: "Implementation of coal allocation by the federal government could exacerbate labor-management relations and hinder negotiations to end the work stoppage. In the event that a prolonged strike should seriously diminish stockpiles and threaten vital services, a back-to-work order under Taft-Hartley would probably be more appropriate than allocation."

\* It has been stated by federal and state government officials, including the Department of Labor, that Taft-Hartley, at best, would do nothing, but, if federal troops were used to try to enforce it, bloodshed and violence could result.

#### *Charge: Undermining Presidential Initiatives*

\* On the ABC-TV program Issues and Answers on Jan. 29, Schlesinger responded to questions about federal intervention into the coal strike by saying that "Taft-Hartley had not been addressed yet." This put the President in the position of having to call a press conference the following day to reassure the industry and union that this was *not* under active consideration.

\* On Jan. 31, the Department of Energy ordered cutbacks to the nation's three uranium enrichment plants, indicating that WEEP was in Phase 3, though the activation of WEEP was being categorically denied by Energy Department officials. In early February, the department admitted privately that WEEP would be their plan for intervention, outlining nothing but Taft-Hartley.

\* On Saturday, Feb. 11, President Carter announced that he was instructing the Energy Department to draw up federal guidelines for coal allocation. State officials had made clear their plans for large-scale industrial shutdowns by mid-February if there was no settlement in the strike. The Economic Regulatory Administration, under David Bardin, began drawing up the guidelines.

\* At this time, the Energy Department has yet to complete the guidelines that the President requested. The department is insisting that coal cannot be allocated until *after* Taft-Hartley is invoked. This is in direct conflict to the President's instructions.

\* On Feb. 13, Assistant Energy Secretary John O'Leary stated to the press that the problems in coal allocation "are overwhelming" even within states. This would only lead to violence and tension, he intoned. The federal government could do virtually nothing to help mitigate the increasingly serious effects of the strike. Ignoring such predictions, the governors of the states of Ohio and Indiana began to ensure the safe movement of coal the same week.

\* On Feb. 14, Energy Department officials, who refused to be identified, insisted that neither of the President's requested actions of moving coal or power sharing would have any likely effect. The department put out the statement that there would not be sufficient transport capability to move the coal, and that violence could not be avoided. On the same day, Governor Bowen of Indiana began the movement of coal without incident.

\* Since the President brought the negotiations into the White House last week, Schlesinger has not offered public support for the Executive's initiatives.

### *Charge: Sabotaging Regional Efforts*

\* In October 1977, Ohio, West Virginia, Tennessee, Pennsylvania, and other midwestern states began preparations for monitoring supplies and moving stockpiles. Various state officials complained at that time that federal guidelines were imprecise and understated the potential crisis.

\* On Feb. 1, David Bardin held a meeting at the Energy Department with 100 representatives of government and industry from 12 midwestern states. The Ohio delegation, facing serious power shortages and possible industrial shutdowns, charged that the federal government had failed to act to end the strike. They complained that federal coal stockpile figures were misleading since they did not take serious local and regional situations into consideration.

\* On Feb. 13, the Energy Department sent "technical experts" to Canton, Ohio and the East Central Area Reliability (ECAR) headquarters to "help" manage the crisis. According to responsible experts, the department's people have been making "asinine suggestions,"

"insulting people's intelligence," and making it more difficult for the specialists to do their work.

\* Similarly, representatives in West Virginia Governor Jay Rockefeller's office have indicated that the 10 percent statewide power cut made early in February was based on information supplied by the Energy Department which was found to be incorrect upon independent analysis. The cutback was then rolled back to only be in effect in a small area of the state.

\* On Feb. 15, a meeting of the federal-state task force was held in Cleveland, Ohio and led by Energy Under Secretary of Institutional and Governmental Affairs Sam Hughes. Since the task force was not to meet again for two weeks, and from the experience the state agencies had had with the department up till then, there was little expectation of any significant results. Governor Bowen's office expressed fear that the department might try to force states to take "hasty actions" which could be destructive.

—Marsha Freeman

## Fight For Control Of White House

"President Carter has come to one of those forks in the road where he may have to choose which way he will go," said James Reston in his *New York Times* column Feb. 24. "Sometimes, as Robert Frost says, the choice between the road not taken and the road taken makes all the difference." Reston's recommendations? Carter should end the coal strike by imposition of the Taft-Hartley Act and enact a hard-line U.S. foreign policy for the Middle East and Africa.

Other options to the dilemmas Carter now faces, were posed by a Washington insider. "The Administration has to make big decisions soon," he declared. "The key is trade and development policy. That issue affects East-West relations, the fate of the dollar, the question of nuclear power."

That President Carter is indeed at a critical point in his presidency is not at question. Faced with the two key issues that will determine the fate of the U.S. economy—the collapse of the dollar and deteriorating relations with the Soviet Union over the Middle East, Africa, the Strategic Arms Limitation Talks, Carter's actions will decide the direction the Administration will take. There are two policy-making groups in a position to influence the Administration, one being those around Office of Management and Budget Director McIntyre, Special Trade Negotiator Strauss, Presidential Assistant Hamilton Jordan, Attorney General Griffin Bell who are committed in varying degrees to a policy of technological development, industrial expansion, energy growth—including development of nuclear power. Although this group lacks strong programmatic direction, they understand that a firm commitment to a policy of economic growth is fundamental, not just for a sound U.S. economy but for a stable world peace as well.

Their initiatives have so far been stymied by Energy Secretary James Schlesinger, Treasury Secretary

Blumenthal, and National Security Council chief Zbigniew Brzezinski who, working closely with Henry Kissinger, are determined to steer the Administration into a strong anti-Soviet Cold War posture, coupled with a military build-up and austerity.

### *The Coal Strike*

The immediate focus of the battle for control of the White House is the coal strike. How the strike is settled and when will reflect who has a significant margin in controlling economic policy. James Schlesinger is determined to escalate the economic dislocation caused by the strike in order to begin use of the emergency powers of the Executive for allocating energy supplies and shutting down industries. He and his press collaborators such as James Reston, have been urging invocation of the Taft-Hartley and other crisis-management measures. Taft-Hartley is recognized by all knowledgeable people as useless in the present situation, as the coal miners have previously disobeyed the law. "Any one who promotes Taft-Hartley either wants to sabotage an agreement or is duped," one Capitol Hill source said. In effect, Schlesinger's proposals aim at keeping the strike going.

The *New York Times* and the *Washington Post* have daily attacked Carter in editorials and articles for being weak in the face of the coal strike. Reston's Feb. 24 column is exemplary: he warns Carter that if he fails to use the Taft-Hartley law, then "the confidence of the country in his leadership will obviously decline." When the Pittsburgh and Midway Coal Companies settled with the coal miners and the White House began using this settlement as the basis for ending the entire strike, the press then cautioned Carter against putting pressure on the other coal operators to accept. He would lose the support of the business community, they said. Senator

Henry Jackson (D-Wash.), just returned from a trip to the Peoples Republic of China, issued veiled threats that he will hold up the Administration's energy program in his capacity as chairman of the Senate Energy Committee if Taft-Hartley is not invoked.

Carter has so far refused to go along with Schlesinger's policy. Instead he directed that the negotiations be brought directly into the White House and he has stood firm behind support for a negotiated settlement.

#### *Mideast*

The same political blackmail is being applied to force Carter to go along with the exceedingly dangerous separate peace "solution" in the Middle East and to jettison a SALT agreement. The Jewish Lobby, with Brzezinski and Vice President Walter Mondale, are all warning Carter that he will lose the considerable political support of the Jewish community if he presses for a comprehensive Middle East peace. Mondale and Brzezinski told the President that Congress would reject a SALT agreement along the lines negotiated in early February. These threats were backed up by cold warrior columnists Evans and Novak.

#### *Press Darts*

Biased news coverage and outright slanders

discrediting Carter's associates have bolstered Schlesinger and Brzezinski's efforts to control policy. This week the press hit hard at:

*\*Hamilton Jordan*—On Feb. 19 the *Washington Post* highlighted a story that Jordan had spit at a young woman who refused his advances in a singles bar. The *New York Post* kept the story alive throughout the week. When the White House released a report deying the allegations, *New York Times* columnist William Safire attacked the White House for responding to the charges.

*\*Bert Lance*—Driven from office through a press campaign of slander and innuendo, the Georgia banker retains influence in the White House. This week the *Washington Post* and William Safire took pot shots at Lance for his efforts to buy into Financial General Bankshares. The Security and Exchange Commission has also begun an investigation of this at the request of some shareholders.

*\*Griffin Bell*—Criticism of the Justice Department's dismissal of Philadelphia Federal Attorney David Marston continues. *New York Times* columnist Anthony Lewis devoted the entirety of his Feb. 20 column to criticism of Bell and Justice Department on that issue.

## Lance Held Hostage To Promote Miller Confirmation

Informed Washington sources now believe that Textron chief William Miller may well be confirmed as chairman of the U.S. Federal Reserve despite the mammoth "credibility gap" opened up by his testimony before the Senate Banking Committee concerning a \$2.9 million "sales commission" paid by Textron's Bell Helicopter subsidiary in Iran. The sources say that if the dirt on Miller, who was personally selected and sold to President Carter as Fed nominee by Vice-President Walter Mondale and Treasury Secretary Werner Blumenthal, is fully exposed, the City of London political-financial intelligence networks behind Mondale and Blumenthal are threatening a renewed all-out scandal mongering attack on Carter's close friend, banker Bert Lance.

On Feb. 22 the Senate Banking Committee heard the results of a six-week staff investigation conducted in conjunction with a parallel probe by the Securities Exchange Commission; then decided to recall witnesses, including Miller himself, for public testimony before the committee on Feb. 27 and 28.

At his first appearance before the committee, Miller had testified that he had no knowledge that Air Taxi, the Iranian sales agency to which Bell Helicopter paid the \$2.9 million, was secretly owned by Gen. Mohammed Khatemi, former commander in chief of the Iranian air force, who was instrumental in promoting the sale of 500 Bell helicopters to the Iranian government. Yet the investigation revealed that, according to members of the

U.S. State Department, Defense Department and Central Intelligence Agency, it was "common knowledge" that Khatemi was associated with Air Taxi, and indeed had been named in public records as an owner of the firm between 1957 and 1965. This was corroborated by William French, a former Bell sales representative in Iran, who asserted that Bell corporate officials were also informed of the Khatemi connection. Moreover, the probes discovered that Khatemi received a \$300,000 payment from Air Taxi after the helicopter contract was negotiated.

Nevertheless Banking Committee chairman William Proxmire announced last week that the decision to recall Miller "is not a signal for the White House to withdraw the nomination" and the committee staff was indicating that without the appearance of a "surprise witness," it was unlikely that the new round of hearings would produce ironclad proof that Miller was lying. At last week's Banking Committee review of the investigation, Blumenthal supporter Sen. Donald Riegle (D-Mich.) dismissed the whole affair as "a fishing expedition" and strongly defended Miller. Although he knows very well who Miller is, Muckraker Proxmire, one of Blumenthal's top "antibusiness" operatives, has consistently ignored the political scandal of Miller's commitment to industrial "asset stripping" real estate speculation, Felix Rohatyn's regional banking swindle Encono, and similar City of London policies, in order to concentrate on the "corruption" issue.

## Stevenson Hearings — Forum For U.S. Export Battle

The Senate Banking subcommittee on international finance provided a forum for sharply conflicting views on U.S. trade policy when it held its second in a series of hearings on the future of American exports and the status of the dollar Feb. 23.

Pushing a proposal which has little to do with furthering U.S. exports and everything to do with the current British efforts to foment a Cold War, were subcommittee chairman Adlai Stevenson (D-Ill.) and ranking Republican John Heinz (R-Pa.). Both called for the Jackson-Vanik amendment restricting U.S.-Soviet Bloc trade to be rescinded on the condition that the Comecon nations agree to join the International Monetary Fund-World Bank nexus.

This not-so-subtle attempt at blackmailing the East into joining the crisis-ridden western monetary system is a tired old proposal floated previously by the Trilateral Commission, among others. Stevenson's backing of this

line coupled with his failure to push an aggressive export policy at his hearings — despite his previously stated intentions to do so — can probably be explained by one Chicago industrialist's assessment of the Illinois Senator as "a sewer who spews whatever backwater happens to be in the pipes."

Despite Heinz's and Stevenson's proposals, the session was marked by several prodevelopment presentations, including one by John Mathis of Continental Illinois Bank who called for a large scale investment in U.S. port facilities as a step toward beefing up U.S. export trades.

The highlight of the session was Sen. Jack Schmitt's response to testimony by a George Washington University researcher proving that the decline in U.S. exports stems directly from declining rates of investment in research and development and new capital formation. In response, the New Mexican Republican forcefully called for the U.S. to embark on a policy of exporting "advanced energy systems." This is the only way, said Schmitt, that the U.S. as well as the Third World will be able to achieve economic recovery. Schmitt also lambasted the Department of Energy for its consistent sabotage of such a development strategy.

## Jack Anderson Sued For Column On NCLC

*A \$20 million libel suit was filed Feb. 17 by the National Caucus of Labor Committees against Jack Anderson. Also named in the suit are United Feature Syndicate, the distributors of Anderson's "Washington's Merry-Go-Round" gossip column; and Cox Enterprises. The legal action stems from Anderson's Jan. 29 column falsely depicting the NCLC as a group of "armed" fanatics.*

*The suit, filed in Georgia Superior Court of Fulton County, names United Feature and Cox Enterprises as defendants since neither organization would accept the NCLC's official response to the Anderson slander. The refusal of United Feature and the newspaper chain backed by Cox Enterprises to run the NCLC's response has also left both journalistic ventures open to the censure of their peers.*

*Already the Professional Standards Committee of the National Conference of Editorial Writers has formally requested that United Feature circulate the NCLC's response to each of the 970 newspapers subscribing to the Anderson column.*

*When United Feature representative Sid Goldberg was told by the Professional Standard Committee that a libel suit had already been filed, he claimed to be "stunned."*

*Professional ethics have already led 13 other newspapers to accept and print the NCLC reply to Anderson's column.*

*Here are excerpts of the complaint:*

NCLC vs. Anderson, United Feature,  
and Cox Enterprises

...Defendant Cox (Enterprises) engages in publishing

a daily newspaper named the *Atlanta Constitution*, which paper has a large circulation in the greater Atlanta area.

7. On January 30, 1978, the Defendant Cox printed, published and caused to be circulated in the *Atlanta Constitution* an article purportedly written by Defendant Anderson....

8. The said article is false, malicious, and defamatory in that by implication and innuendo it intended to state and did state that the Federal Bureau of Investigation is investigating the NCLC, which statement is untrue and was untrue at the time it was published and was known by the Defendants, and each of them, to be untrue at the time of publication.

9. The said article is false, malicious, and defamatory in that it by clear and concise language states that "thousands of fanatics, their minds twisted with hate have formed themselves into radical cults" and by innuendo implies that the NCLC is such a radical cult and composed of fanatics who are armed and who intend to assassinate public figures.

10. The said article was calculated to and did hold Plaintiff and the members of the NCLC up to scorn and ridicule and did injure Plaintiff and the members of the NCLC in their reputation, business, and credit and did cause the commission of physical assaults and threats against Plaintiff and the members of the NCLC.

11. That the said Defendants, and each of them, were motivated in the writing, printing, publication and circulation of the said article by hatred, malice and a desire to harm the said Plaintiff and members of the NCLC.

12. That the Defendants, and each of them were requested to retract the said article and wilfully and

wrongfully refused to print, publish, and circulate a retraction.

13. That the Defendant Cox, by and through its agents, after being put on notice of the falsity of the said article, refused to publish a statement by Plaintiff or members of the NCLC rebutting the said article, all to Plaintiff's damage....

#### Count Two

16. Defendant Anderson, through his agent, was put on notice that the material which formed the basis of the said article was false all prior to its writing, dissemination, publication and circulation.

17. Defendant Anderson maliciously wrote the said

article knowing that all investigation of the NCLC by the Federal Bureau of Investigation has ceased and terminated and that neither Plaintiff nor any member of the NCLC was or ever had been charged with any Federal crime for the incidents that Anderson writes has occurred or for the Federal crime of conspiracy in plotting the assassination incidents that Defendant Anderson writes might occur....

19. Defendant United Feature Syndicate is an organization that disseminates Defendant Anderson's writings for publication in other newspapers and specifically in Defendant Cox's publications in Atlanta, Georgia....

## What's Happening To The Administration's 'Urban Policy'?

Despite widespread press accounts of deepening fissures in the Carter Administration at both the cabinet and departmental level over its so-called urban policy, thus far, there is a consensus that an "urban policy" will *not* mean real economic growth and the development of high-technology jobs in vital industries. It is Vice President Walter Mondale's top collaborator in the White House, Domestic Council head Stuart Eizenstat, who plays the role of mediator in the ongoing inter-departmental battles, to ensure that no side takes a position in favor of national economic development.

After weeks of preparation, Eizenstat finally presented a White House policy statement on the stalled urban program. After rejection of a call for massive funding for "distressed cities" drafted by Pat Harris, urban and Regional Planning head and HUD Secretary — twice rejected by the "fiscally conservative" President — Eizenstat presented a statement that stands as a masterpiece in semantics. Even the *New York Times* declared that the wording was so vague as to satisfy all warring factions. Thereafter, the Domestic Council chairman was credited with arriving at a "compromise."

The said compromise consisted of changes from the language of previous drafts, excluding suburbs from its definition of "distressed" areas. It also eliminated language which would have directed all government aid to cities; according to the new statement, federal monies will go to "cities and urban areas."

The manipulated character of the debate — the policy-sameness of the debaters — can be confirmed by the following summary description of departmental "factions" and what they propose that Mr. Carter submit to Congress this March as policy on housing and labor.

### Department of Housing and Urban Development

The Department of Housing and Urban Development is

staffed, from its highest executive echelons on down, by personnel trained in the counterinsurgency methods which gained John F. Kennedy's "New Frontier" poverty-sharing programs notoriety for costliness and gross inefficiency. Top HUD personnel, including Assistant Secretaries Jay Janis and Geno Baroni and Neighborhoods Commission chairman Gale Cincotta, are either current or former executive members of leading "self-help" housing and urban organizations explicitly opposed to actual urban or national development. Hence, the Community Development Act of 1977, signed into law last April, literally deleted all reference to the concept of growth, while, at least on paper, committing the nation to "conservation" as the alternative.

While Harris has been forced to keep a lower profile after widespread reports of her falling out with both the White House and the Office of Management and Budget over HUD's original astronomical fiscal 1979 budget request, Janis and Deputy Secretary Bob Embry and Baroni have become HUD's front men, making demands that Harris herself cannot now risk politically.

Baroni heads the task force assigned to create the shock troops — the "community organizers" — capable of controlling increasing dissatisfaction over housing conditions in both inner cities and suburbs. Baroni's tactics are similar to those of Health, Education and Welfare Secretary Joe Califano, one of the prime technicians behind JFK's "New Frontier." Despite sensationalist press accounts of a split between Harris and Califano over where to allocate urban money (Califano says "to the people," Harris "to the cities"), this breakdown of HUD shows the debate to be a phony. While power-hungry Califano would certainly like Pat Harris's job under a new superagency incorporating both HUD and HEW, their policies are nearly identical.

#### HUD's Priorities

High on HUD's list of priorities is a mammoth "rehabilitation" program, through direct subsidies to

tenants, otherwise known as "sweat equity." In this arrangement, tenants slave, literally without pay, to rebuild the devastated ghetto buildings that they live in. One deliberate side effect of the plan is to cut out the Building Trades unions. Harris's insistence on this program, with a \$37.5 billion price tag, is undoubtedly linked to the 70 percent default rate on HUD mortgages in New York City, as recently reported by real estate industry sources. Similar situations exist in every older U.S. city. Ghetto tenants tied to their apartments like feudal serfs will presumably not risk defaulting.

A planned major focus of HUD policy is a plan designed to control the mortgage industry, forcing it to prop up the real estate and budget deficit bubble now plaguing the economy. Under the guise of fighting racial discrimination and "redlining," savings and loan banks are targeted for heavy regulation and scrutiny, as well as numerous requirements forcing them to undertake a certain percentage of bad-risk mortgages. The basic workplans for this operation are being developed by the National Training and Information Center of Chicago, the Center for Community Change, the National Coalition Against Discrimination in Housing, and the Potomac Institute, as well as Ralph Nader's Public Interest Research Group.

A final and formally integral feature of HUD's proposed program is an "urban bank," or Urbank, to finance this calculated devastation of the cities. Opposition from all sides, however, has already forced HUD to at least temporarily drop the plan, while HUD allies in the Senate begin discussions on letting the cities — first New York — go "officially" bankrupt.

## Department of Labor

As Congress continues to debate the Humphrey-Hawkins jobs bill (which passed the House Subcommittee on Labor and is scheduled for floor debate Feb. 22), the Department of Labor is moving to refine its labor-intensive jobs policy. Among its main components is a strong emphasis on "solving" youth and black unemployment. Backed up by a series of doctored reports by the Congressional Budget Office, the late Hubert Humphrey's Joint Economic Committee, and the Bureau of Labor Statistics, the Department of Labor recently stated that it would do more to "specifically target" government employment programs to youth and minorities.

A colloquium of corporate foundations and think-tanks, including the Rockefeller, Ford, and Field Foundations, the Manpower Research Demonstration Corporation, and the Vocational Foundation, have engaged in high level talks on these questions with Secretary Marshall and Robert Taggart, Deputy Secretary for Recruitment and Training. Out of these discussions have come the Administration's decision to develop a policy of "public and private cooperation," designed to attract more conservative business layers who are otherwise opposed to deficit spending and public works jobs.

In Carter's January budget message, he announced a new \$400 million allocation for "public initiative for private sector employment." So far, even the most in-

## The Devil's Dictionary Being a Glossary of Current Terms on Urban Policy

In order to make it easier for our readers to decipher most press accounts of the continuing Administration "debate" on urban policy, we provide here a glossary of terms currently in use.

*Urban policy* — A plan to bankrupt all U.S. cities, using New York City as a model. Being debated now is precisely what methods to use to arrive at the desired goal, how best to create myriads of cheap, unskilled labor while destroying trade unions, and how to cheaply finance the whole operation.

*Targetting* — A term commonly used in determining which groups or areas should be the victims for experimental or "model" programs. This idea is pushed by Eli Ginzberg, labor productivity and manpower expert, and his protégé in the Administration, Labor Secretary Ray Marshall, who does not want to be accused of throwing away a lot of money for programs which don't work, as the OEO and other Kennedy-Johnson programs are said to have done. Right now, the Department of Labor wants to "target" 16-20 year olds with slave labor programs, while HUD wants to "target" money to "distressed cities," "neighborhoods," and "communities" (see glossary for definitions).

*Neighborhoods and communities* — These are polite terms for ghetto areas, or areas *targetted* to become ghettos. Included in the current usage of the term is the goal of forming Gestapo-like units called "community organizations" to use the disbursement of HUD funds to police the "community."

*Distressed cities* — These are cities with every reason to be distressed, having no services, higher tax rates, and vast unemployment.

*Public-private cooperation* — A slightly revised term from the 1930s, meaning corporatism, i.e., fascism. Playing on the profile of conservative disdain for public works or "the dole," this is a soft-line method of achieving labor-intensive employment goals through government-sponsored "incentives to business."

dustrially minded national media and public spokesmen have endorsed the plan. While the Department of Labor and Stu Eizenstat publicly insist that the plan is not worked out, government sources report privately that the types of jobs being discussed are emphatically not industrial spots. Instead, jobs planned include rehabilitating decrepit ghetto apartments, installation of "energy conservation" products, and renovation of obsolete warehouses for later use for cheap, labor-intensive light goods manufacture scheduled to compete with dying industries such as the garment industry.

### *Minimum Wage Debate*

A prime concern of Marshall and the reports cited above is the ruse that the current minimum wage level decreases the likelihood that employers will hire youth. The Congressional Budget Office, headed by Brookings Institution associate Alice Rivlin, goes so far as to advocate the elimination of the minimum wage, or the establishment of a separate minimum wage for youth.

The DOL, under the guidance of manpower planner Eli Ginzburg, also plans to introduce a shorter work week, "job sharing," and the creation of more "part-time" jobs for youth and women, at the expense of older workers and men holding full-time positions. Ginzburg is also currently employed by the U.S. Congress to study modifications in the methods used by the Bureau of Labor Statistics, concentrating on dropping seekers of part-time jobs from unemployment statistics, and

thereby superficially lowering the unemployment rate.

### *The Administration's Welfare-Workfare Package*

The issues at stake in the Administration's welfare package are integrally tied to its labor policy. The Carter welfare-workfare bill, introduced by Sen. Daniel Moynihan (D-N.Y.) in the Senate and Democratic Rep. James Corman in the House, is a disaster designed not only to wipe out America's labor unions, but to formally create a labor pool of desperate welfare recipients required to accept any job at minimum wage (a feature now accepted by the House Subcommittee on Labor). Labor Secretary Marshall has undertaken the task of suckering "Sunbelt" conservatives into being the prime sponsors of this bill, which is totally alien to their, and the nation's interests.

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## Washington Week

### *"He Don't Get No Respect"*

At the nomination hearing of William Webster, newly nominated director of the FBI, conservative GOP Sen. Orrin Hatch of Utah was praising Webster for his supportive comments of J. Edgar Hoover. Said Hatch, "Your support of Director Hoover was gratifying to hear. Hoover has been the target of a campaign of vilification by the soft-heads and nitpickers in our society. We have too many soft-heads and nitpickers, especially, here in Washington, and even on this committee. What do you think, Jim (Abourezk)?"

Abourezk: You're not implying that there are softheads on this committee?

Hatch: I think I am.

Abourezk: You're not going to name any names, are you?!!!

Hatch: I respect you too much, Jim, to mention any names.

### *"I Beg Your Pardon?"*

A spokesman for one of the Assistant Secretaries at the Energy Department recently held forth on the following subject:

"I often feel that the soft areas have a greater application than is often thought. We are looking internally into the soft areas, because all of the external studies showed that there was nothing there."

### *"I Resent That Insinuation"*

At a recent White House press feeding, members of the fourth estate were clamoring to know when Attorney General Bell would resign over the Marston affair. Jody Powell replied: "I think that Bell handled himself better than other parties in this matter," (implying the press).

Press: Who do you mean, who? Who?

Powell: I'll leave that up to you.

Press: Why do you make innuendos that you can't back up?

Powell: Judging from how this story has been played in the press recently, I thought that was how things are supposed to be done.

# How Nixon's Eximbank Policy Created Jobs For U.S. Industrial Workers

The AFL-CIO's charge that "the Export-Import Bank exports away jobs" is a lie.

President Nixon's campaign for Eximbank funding created millions of skilled manufacturing jobs for U.S. workers in the first half of this decade. These jobs are fast disappearing — precisely because Nixon's Eximbank policy was abandoned in 1975 in favor of the British-inspired protectionist and trade war proposals now being spouted by the U.S. trade union leadership and the liberal wing of the Democratic Party.

During Nixon's 1970-1974 campaign for increased Eximbank financing and exports, the growth of American exported goods zoomed. U.S. manufacturing jobs dependent on exports rose apace. This greatest surge in exports in U.S. history saved the U.S. economy from ruin.

But this fact has been carefully hidden by the likes of the British-allied leadership of the AFL-CIO. In 1974, the AFL-CIO demanded that the Department of Labor not print information on the positive effects of exports on employment unless the department also printed tables showing the "losses of jobs because of imports."

To this day, despite the British operation that has enforced collapsing Eximbank funding and U.S. exports since 1975, nearly one out of four U.S. manufacturing jobs is dependent on exports. Altogether, the export sector is the largest manufacturing employer in the country, surpassing even auto and steel.

The U.S. Labor Party thinks Congress and the White House should revitalize Nixon's Eximbank policy — on a much larger scale. If the USLP's proposal to increase the lending ceiling of the bank from its inadequate \$9 billion annually to \$200 billion is implemented as rapidly as possible, *more than 8 million high-skill manufacturing jobs can be created in the U.S. over the coming months.*

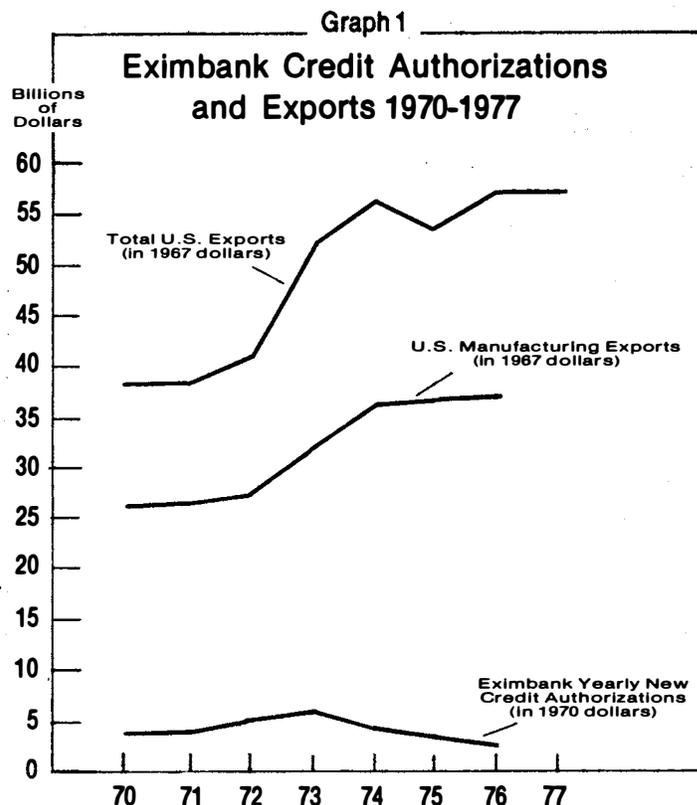
The principle which made the Eximbank an effective financing instrument for the 1970 to 1974 growth of U.S. exports was Hamiltonian dirigism: using the state apparatus to foster economic growth.

Nixon may not have been fully conscious that this was the principle he was using — and might even deny it today. Nonetheless it is true that the Eximbank provided the key margin of credit — 12 to 15 percent of all export financing — to kick the 1970-74 export growth into gear. Its invigorated operation made effective such theretofore little-used government trade-financing agencies and programs as the Overseas Private Investment Corporation and the Domestic International Sales Corporation. Further, expanded Eximbank funding in the 1970-1974 period generated an atmosphere of confidence in which the U.S. and other nations knew that if loans were hard to come by the Eximbank could clinch a trade deal by providing a U.S. government guarantee — the soundest in all the world — for one-quarter to one-half of the insurance or loans necessary. This imparted to the private banking system the confidence to lend for trade in record amounts.

Today, the U.S. Labor Party's Eximbank proposal would accomplish a revitalization of U.S. high technology trade and enlarge on a project that Nixon Administration insiders say was on the drawing board before Nixon was hatched from office. That proposal would utilize the Eximbank's powers to double world trade growth by expanding the Eximbank's lending ceiling and establishing an Eximbank office in Luxembourg, while at the same time tying the bank to a gold-based monetary system. This would knock out London as a world speculative center and would force the huge volume of footloose world dollar credits into productive use.

## Nixon's Program

President Nixon's 1970-1974 yearly increases in new Eximbank financing set off a chain-reaction growth process. The steep increases in Eximbank financing led to a boom in U.S. exports of manufactured and high-technology goods, which in turn prompted overall exports to shoot upward. U.S. dependent manufacturing skyrocketed, and the world eagerly gobbled up U.S. high-technology and agricultural exports and demanded more.



Source: Eximbank, U.S. Dept. of Commerce

*Total U.S. exports and U.S. exports of manufactured goods surged in the 1971-1974 period, following with a year's lag time the surge in Eximbank financing.*

Nixon's Eximbank push was undertaken in collaboration with Eximbank President Harry Kearns, and with Kearns' successor, William Casey. With their backing, Nixon increased the volume of new yearly Eximbank trade credits as fast as he legally could.

The Eximbank financed exports consisting of everything from nuclear reactors for the Philippines, to fertilizer plants for Egypt. In May, 1972, during his trip to Moscow, Nixon opened up expanded East bloc-U.S. trade, to be financed exclusively through the Eximbank. Overall, the Eximbank fueled export growth by increasing its yearly new authorizations of trade credit by a staggering 73 percent between 1970 and 1973 (see Graph 1).

As a result, U.S. manufactured goods exports rose from \$27.0 billion in 1971 to \$37.0 billion (constant dollars) in 1974. And because U.S. manufactured goods make up a hefty 70 percent of U.S. exports, total U.S. exports jumped by 48 percent in the same period, rising from \$38.1 billion in 1971 to \$56.1 billion in 1974. High rates of export growth, spurred by financing from similar Export-Import-type banks, occurred in other advanced sector countries at the same time (see Chart 1).

*Sabotage From London*

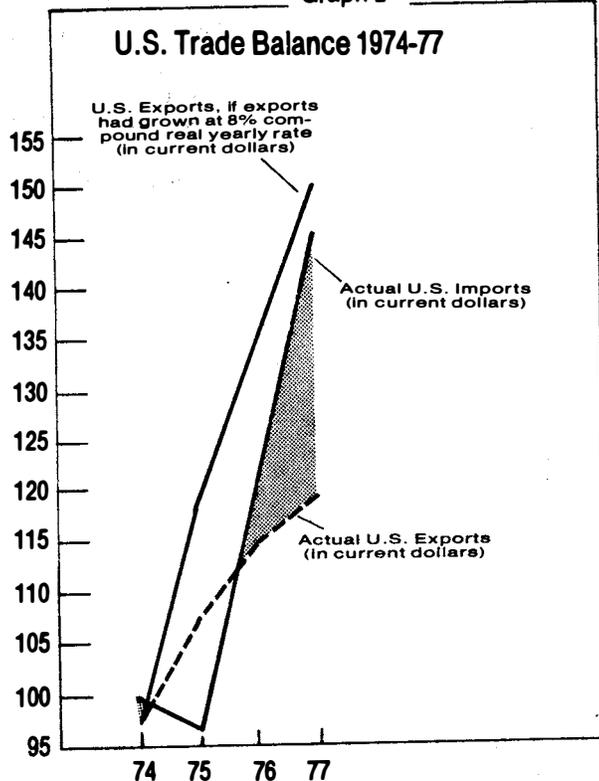
In 1974, when U.S. exports were booming, the British launched their ferocious drive to cripple and deindustrialize the U.S. economy. A first objective, to halt

high-technology export growth, was achieved virtually immediately: between 1975 and 1978, U.S. export levels stagnated.

How was this City of London sabotage accomplished? Beginning in 1974, the British forced Eximbank's new yearly credit authorizations for trade to fall, snapping the export-growth chain reaction process. All would have been chaos but for the rearguard action fought by U.S. industrialists. Using outstanding, as well as whatever new, Eximbank financing they could muster, and utilizing also short-term, often expensive and risky loans from the commercial banks, U.S. industry prevented the British from forcing U.S. exports into a nosedive.

But the limited effort of U.S. industry could not avert disaster indefinitely. In 1977, the U.S. ran a staggering trade deficit. It can be demonstrated that stagnant U.S. export levels were the cause of the deficit, and not the rising price tag of imported oil, as Schlesinger's Department of Energy printouts claim. Consider this: Between 1971 and 1974, U.S. exports grew at greater than a 12 percent compound constant dollar rate annually. Had U.S. exports between 1974 and 1977 grown at an 8 percent

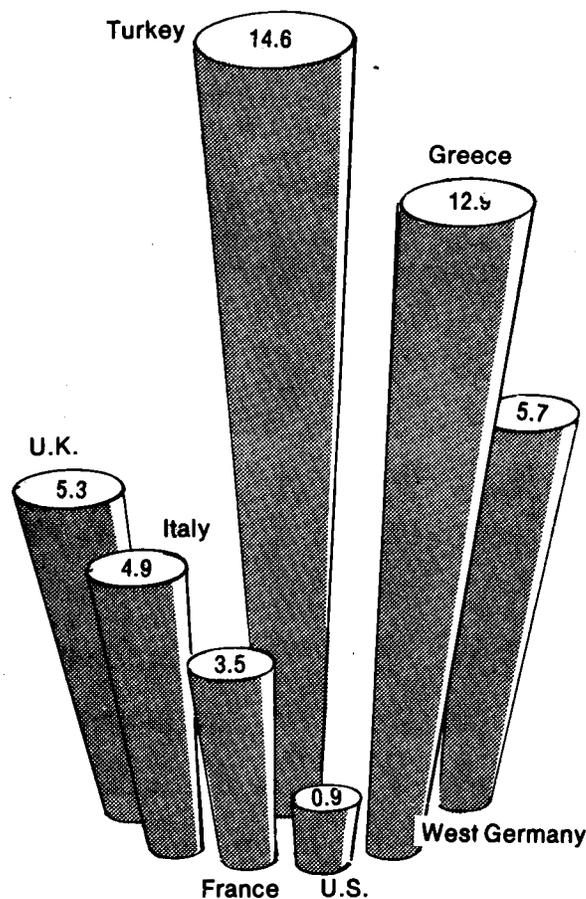
Graph 2



Source: U.S. Dept. of Commerce

*In 1976 and 1977, the U.S. would have run a trade surplus, instead of a massive deficit, if U.S. exports had been growing at an 8 percent real rate of growth. Instead, 1977 saw a trade deficit of \$26.5 billion, shown as the shaded area on the graph.*

Percentage of Each Nation's World Exports Sent to East Bloc in 1971



Only someone corrupted by a graduate degree from Wharton School of Economics, or blinded by British Intelligence lies, could not see in 1971 the immense export potential available to expanding U.S.-East Bloc trade.

compound real rate of growth, only 1977 U.S. exports still would have outstripped U.S. imports. The U.S. would have run a \$6.2 billion trade *surplus* instead of the staggering actual \$26.5 billion deficit (see Graph 2).

*The Eximbank and Jobs*

In 1971, U.S. goods produced for export accounted for a modest 14.1 percent of total U.S. production. This ratio leapt to 23.2 percent in 1974, a startling 65 percent leap in just three years. With the British-induced stagnation from 1975 to 1978 in U.S. exports, this growth ended, but the pattern of growth indicates the staggering impact of Nixon's increased Eximbank financing on the economy. Nearly one quarter of the factories making steel, machine tools, aerospace products, etc. are open because of exports. The pattern of 1971-1974 growth in U.S. manufacturing jobs dependent on exports is the same.

Available estimates show that between 0.9 million and 1.7 million U.S. manufacturing jobs were added because of exports between 1971 and 1974; that today there are between 2.4 and 4.4 million manufacturing jobs dependent on exports; and that the portion of manufacturing jobs that exist because of exports is between 12.6 percent and 23.0 percent of all American jobs. Even C. Fred Bergsten, the Brookings Institution hatchetman who is now Assistant Secretary of the Treasury for International Affairs, has recently been forced to admit that "one of every five jobs in this country produces for export to other countries."

Moreover, the high-technology industrial backbone of the U.S. economy is the most heavily dependent for its prosperity on exports. The percentage of export-dependent jobs in high-technology sectors can be estimated as follows: Industrial Machinery, and machine tools, 20 percent; Chemicals and related products, 15 percent; Electrical equipment, 15 percent;

Instruments and related products, 18 percent; Primary Metals, (steel, finished copper products), 15 percent.

*What the USLP's Eximbank Proposal Can Do*

The Eximbank financing proposed by the USLP will have a profound effect on manufacturing job creation in the U.S. Estimates provided by the Eximbank, and corroborated by information from the Department of Labor and the Department of Commerce, show that tens of thousands of manufacturing jobs are created by each \$1 billion worth of U.S. exports sold on the world market. In the following high-technology industries, the figures run like this: crops and agricultural products, 62,092 manufacturing jobs created; electronic equipment, 56,230 jobs created; chemical products, 18,278 jobs created; iron and steel products, 36,849 jobs created; farm machinery, 34,795 jobs created.

If the USLP proposal to raise Eximbank funding by \$190 billion annually were passed by Congress, 6.6 million high-paying skilled manufacturing jobs would be created in the U.S. due to a \$190 billion increase in manufactured exports for world development. Another 0.5 to 1.0 million manufacturing jobs would be created in the U.S. in new feeder industries (such as in the nuclear field), or in expanding existing plant and equipment to meet the increased production capacity requirements caused by the increase in exports. Finally, perhaps another 0.5 million jobs would be created overseas for American engineers, scientists, and construction workers to build and man new development projects.

The total high-paying, skilled, capital-intensive jobs for Americans created by the USLP Eximbank proposal would be between 8.1 to 8.6 million over the next one to three years. The USLP proposal would also create on the order of 4 to 8 million manufacturing jobs in the countries receiving U.S. exports.

—Richard Freeman

Chart #1 Ratio of Exports to Total Production of Goods					
	United States	France	W. Germany	Japan	Italy
1971	14.1	36.9	41.0	26.5	44.6
1972	14.3	37.8	42.3	24.9	47.6
1973	17.7	40.3	45.7	22.4	44.3
1974	23.2	50.3	55.3	30.4	53.9
1975	24.1	47.2	52.9	N.A.	55.0
1976	22.8	N.A.	55.4	N.A.	58.4

Source: U.S. Dept. of Commerce, International Economic Indicators, Dec. 1977

*Production of goods for export peaked for the industrialized nations between 1971 and 1974. The USLP Eximbank proposal would allow countries to expand exports in cooperation, not in competition, with each other.*

# Dollar Collapse Almost Uncontrollable

The U.S. dollar was hit by a continuous round of dumping from Feb. 20-24, but picked up at the end of the week to 2.05 deutschemarks. Rumors that the Federal Reserve had intervened drove both the dollar and the stock market up late Friday. But well-placed business and government sources in West Germany stated this week that nothing stands in the way of a decline in the dollar's value to below the 2 deutschemark level. This parity is widely recognized as the point at which the dollar ceases to be the reserve currency for financing international trade and loans.

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## FOREIGN EXCHANGE

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Similar predictions are circulating in New York, where one banker stated that the U.S. currency will stabilize briefly at the 2.02 level during next week, until a new round of dumping drives it below the 2 deutschemark level.

If opportunities exist for the U.S. Administration to salvage the dollar from its demise, they exist in the direction of a concerted political drive by the U.S. government to put the nation's economy onto a course toward a dramatic recovery. The impact which an expansionist economic recovery program would have on so-called "market forces" was clearly shown on Feb. 24, when a wire report citing the head of U.S. Steel and the chairman of the Senate public works committee that the coal miners' strike would be settled within a few hours, snapped the dollar upwards by 4 pfennig to 2.05 DM.

Shortly afterwards, an announcement of the imposition of exchange controls and an obligatory 40 percent deposit on all foreign accounts by the Swiss Central Bank set off a minor panic among "bear" holders of short-term positions against the dollar.

At writing, European forex markets are being kept open past hours to permit the "bears" to cover their short positions in face of the prospect that action to fish the dollar from the bottom may be underway.

### *Who's Out to "Get" the Dollar System?*

The consistent support operations by the West German and Japanese Central Banks throughout the week (from \$50-200 million per day) are simple results of the knowledge in informed circles that no sensible alternative to the dollar system exists at this point. The attacks on the dollar are being led by a pack of London

merchant banks, who have moved in, according to confidential reports, with \$6 billion in short-term positions against the dollar, and are forcing desperate European and American corporations to join in on their dumping rounds.

For the London merchant banks, the "bear" raid on the dollar interlocks a concerted effort to break the back of the U.S. economy. Energy Secretary James Schlesinger's efforts to prolong the coal strike for a minimum of another three weeks is consciously aimed to produce bankruptcies and layoffs throughout U.S. heavy industry, which will finish off both the economy and the dollar.

A number of New York commercial bank spokesmen emphasized in interviews this week that as far as American business is concerned, the dollar is undervalued. The same spokesman rejected as incompetent various London scenarios to meet this crisis by competitive "trade war" or protectionist measures, or by sending the U.S. out onto the open capital markets to finance its current account deficit with foreign bonds.

At this time, however, these sentiments have not yet succeeded in changing Washington policy positively. American business representatives have been effectively cut off from deliberation with officials. Also operative is an increasing "Watergate" climate engineered by London to paralyze President Carter.

### *Push for Diversification*

The refusal of U.S. forces to defend both the economy and its currency is forcing particularly West Germany and Japan to adopt emergency defensive measures to protect their trade flows. This threatens to replace the dollar system with a chaotic "basket of currencies" vulnerable to continuous raids on London-controlled markets.

In desperation, West German corporations are reported by the financial press to be cashing in their dollar receivables as fast as they can get rid of them. In addition, up to 70 percent of West German trade is now being billed in marks.

The West German Central Bank is concentrating its interventions on the forward markets, attempting to hold the dam against this dumping. In January, West Germany registered a \$200 million balance of payments deficit (in contrast to a December \$2.6 billion surplus), as its currency increasingly takes on the characteristics of an international reserve.

Similar processes are taking hold in Japan. Neither of

these economies is large enough to sustain the burden of massive international circulation of their currencies, inviting the prospect that once London has reduced the U.S. to ruins, it will target the West German and Japanese economies for the same treatment.

In both countries, there is the widest support for any move by the U.S. to "collaborate with them to support the dollar and stabilize the international monetary system," as one New York banker admitted this week. Ironically, if West Germany and Japan were to confront the emergency by Central Bank agreements to introduce gold reserve backing for their currencies in the intermediate term, this would permit them to fulfill the dollar's role pending a U.S. commitment to introduce a gold-backed monetary system.

The U.S. will not make any such commitment unless Schlesinger and Blumenthal are removed from office. The urgency of this action was underlined this week by reports that Kuwait has begun to stop accepting dollars as payment for oil, and is "diversifying" its reserves. Moves out of the dollar in the Gulf region not only further weaken the dollar, but encourage cliques in that region which favor a London-guided course of setting up Kuwait as a new financial bubble center for squandering Arab investment funds.

#### *Some U.S. Forces Wake Up*

In a speech delivered Feb. 23 before the National Energy Resources Organization, U.S. Senator James

McClure (R-Idaho) indicated that an important layer of U.S. spokesman may be preparing a concerted political move to force the Administration to take action in support of the dollar. Concentrating on the impact of U.S. negligence abroad, McClure stated: "I have the impression that most dollar-surplus foreign nations are searching desperately for alternative investments. It is our good fortune that, so far, they have failed to find any. But, I believe it would be a serious mistake to assume that they will continue to fail. A far wiser and more responsible approach would be to restore confidence in the dollar."

He added: "The Administration has...committed a major international blunder by deliberately working for a devalued dollar. I am amazed that so-called economic experts would still believe that devaluing our currency helps the economy. You would think that England's example would have been sufficient."

There is no evidence at this time that McClure's statements were coordinated with the Administration group which is pushing for immediate settlement of the coal strike. Nor is there evidence that the Swiss Central Bank imposition of controls on the Swiss was undertaken in consultation with the U.S. Federal Reserve. However, this grouping outlines the forces which need to adopt a common policy, including introduction of gold as a recognized reserve, to pull the rug out from under London's bears.

## Correcting Mr. Connally:

# Gold Is The Best Support For The Dollar

Speaking before a Harvard University audience last week, former Treasury Secretary John B. Connally warned — in response to a question from NSIPS — that reintroducing gold into the world monetary system would threaten the dollar's role as a world reserve currency.

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### GOLD

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Not only is Mr. Connally dead wrong, but gold is fast becoming the single chance the dollar has to remain a reserve currency. That sounds paradoxical to men like Connally who took the dollar off the gold standard in 1971, thereby falling into a trap rigged by the Edward Heath government in Britain and the London-controlled Willy Brandt government of West Germany. Both Nixon and Ford Administrations devoted great effort towards keeping gold in a monetary deep freeze, and Republican officials react badly to the word's mention.

#### *The Color of Our Money*

Apparently, these people — who had no idea what hit them in 1971 — don't understand what kind of mess we have run into. The dollar going off gold meant only one thing: instead of balancing the U.S. payments deficit with shipments of real goods in the form of exports or transfers of monetary gold, the U.S. would pay off in paper IOU's — to be precise, \$150 billion of them, — in the form of Treasury securities or other dollar obligations held by foreign governments.

Even though it stuffed the world with dollar paper, that arrangement could hold only as long as our trading partners, now our creditors, could expect that the mighty U.S. economy would pay up in the form of exports at some future point. But two things brought the problem to a head. First, accumulating debt choked off U.S. export expansion to the developing sector, to the point of putting us in deficit with the world's poorest countries during 1977. Much worse, British agent-of-influence U.S. Treasury Secretary Michael Blumenthal's public posture of dumping the dollar has queered the deal.

Blumenthal's sabotage has made foreign govern-

ment's dollar holdings the international equivalent of a rubber check rather than a claim on anticipated future U.S. production. To prevent the waves of dollar-dumping from bidding up the price of their currencies, foreign governments have had to buy up these dollars. The West Germans alone bought an amazing \$10 billion during the last quarter of 1977 alone. Japanese purchases including the last couple of weeks, are probably comparable.

That cannot and will not go on much longer. Every corporate treasurer who does international business knows that. Unless there is a dramatic change in American policy, *the dollar is through* as an international currency, because the unspoken post-1971 agreement to support it has been shattered.

#### *Currency Shifts, Monetary Chaos*

At this writing, already major indicators are that the dollar has stopped functioning as a reserve currency, that is a currency in which foreigners finance trade and settle their accounts. West German banks are already preparing to take over the financing of West German trade in German marks, which would effectively put continental Europe on a Deutschmark standard. At a somewhat slower pace, Japanese banks are planning to do the same. A major market in international long-term funds, the so-called Eurobond market, has shifted operations almost entirely out of the dollar, and into marks and yen. That is, \$20 billion a year of the most stable type of international lending can no longer be done in dollars, because the dollar is too untrustworthy to borrow or lend out for more than a few months.

Speaking almost literally, the dollar is now collapsing of its own weight. The huge international reserve position in dollars, now unwinding, has become a limitless fund for new attacks on the dollar. The unevenness of the shift out of the dollar makes it all the messier. The closest allies of the U.S. monetary heavyweights like West Germany and Saudi Arabia, continue to support the dollar officially, but the vast inflows of dollars into West Germany, for example, create equivalent amounts of new deutschmark liquidity — and enable hosts of corporations and smaller central banks to get out of dollars and into marks. As the West Germans gradually yield ground to the successive attacks against the dollar, more and more players in the game abandon the dollar.

The momentum of these developments points in the general direction London wants: a welter of competing international currencies, the deutschmark and yen puffed beyond their means into international currencies, an inflationary spiral benefitting no one — except the London manipulators.

#### *The Role of Gold*

Gold is the potential storm-anchor in the situation. That is urgently the case not because a gold reserve base exerts some magical monetary power, or because gold is "real" and paper reserves shaky. The dollar can no longer be supported by the old monetary means. The

patchwork arrangements of the early 1970s are finished for good.

Remonetization of gold, on the contrary, would be the instrument of a political agreement among central banks to take control of international capital movements and shutdown the speculative operations in any number of currencies. The dollar is not functioning as a reserve asset. But the world still holds dollars as a reserve. Cashing in of these dollars for "more stable currencies" — which has only just begun — produces a speculative hurricane the likes of which the world has never seen, and, in the process, destabilizes the mark, yen, and so forth.

Central bank gold operations would bring on line a new, universally acceptable monetary reserve, and put international liquidity firmly in the hands of the central banks. At present, liquidity is the plaything of a London-directed financial rabble. First, the Western European and Japanese central banks would be in position to direct available international funds towards trade expansion. Activation of gold reserves would apply the dirigism Alexander Hamilton brought to the U.S. economy, to the international markets, sweeping privately held funds out of currency speculation and into hard-commodity trade and investment. Secondly, the immediate pressure would be off the dollar, for the elementary reason that governments, private banks, and other participants in gold reserve transactions would no longer have to "hedge" against their holdings of dollars. Effectively, a huge portion of world dollar reserves would be *frozen*, pending the sorting out of the U.S. internal situation. Third, and much more than a side benefit, London would immediately collapse.

The West Germans — in the person of central bank chief Otmar Emminger — have already suggested in public that the U.S. employ its gold reserves to support the dollar, following a proposal originally raised by Swiss National Bank President Fritz Leutwiler. As usual, there are two ways to go about this — an American way and a British way. Various British-prompted commentators, such as Alain Vernay in the Paris daily *Le Figaro*, have already leaked the London side: get the U.S. Treasury to sell gold on the public market to raise funds in order to support the dollar. Under present circumstances, that would be pure insanity. Tossing gold to the panicky rabble in order to raise marginal amounts of support-funds would only add to the chaos, and drain the Treasury's gold stock.

The key is *political control* of liquidity. Due to the sabotage of Blumenthal and others, central banks have lost control of dollar liquidity; but they can regain control, over and against London, by activating their gold reserves. Backed by a strong export and energy production program, the United States can link up with a European gold system. It is to the advantage of the U.S. and the dollar if Europe move first. In that sense, the Germans have a right to ask to see the color of our money.

—by David Goldman

# No Doubt About It: U.S. Economy Collapsed In January

The U.S. economy collapsed in January and now stands on the edge of a new Great Depression unless immediate action is taken by the Carter Administration and the business community. With the economic indicators released by Washington this week no sane economist or businessman can question the seriousness of the present situation. Excuses about the weather and comparisons to last year just no longer hold up.

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## BUSINESS OUTLOOK

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The most startling of the disastrous figures is that the ratio of inventory to sales fell to the 1951 level. This indicates that after the holiday season no stocks were replenished because merchants expected a collapse. Auto sales, a key economic indicator, have been far below expectations since the introduction of the 1978 models in November.

During January, industrial output fell 0.7 percent, housing starts were off 29 percent, and retail sales fell 3.1 percent. In the week that ended Feb. 11, retail sales plunged another 6.4 percent. Also darkening the picture is the continuous rise in short-term interest rates and the decline of deposit growth and savings at mutual savings banks. Rising interest rates and reduced revenues at savings banks indicate that the housing industry faces a very difficult year in 1978. In New York State alone savings outflows in January totalled \$127 million following a \$98 million outflow in December. In January 1977 these same banks recorded a net inflow of \$246 million.

The overall effects have been to feed the actual U.S. collapse, and just as critical, to promote a crisis of confidence in the Carter Administration. The U.S. business community is petrified that the Administration has no sound policy to pull the economy through. This, combined with some very real economic problems is causing U.S. industry to withhold capital investment plans, creating a self-feeding crisis.

### *The 1978 Depression*

The manipulations against the dollar and the economy by Secretary of the Treasury Blumenthal and Secretary of Energy Schlesinger could not succeed unless major weaknesses existed in the U.S. economy.

The press has cited the harsh winter weather as the cause for the disastrous economic downturn and compared the situation to last year when a similarly harsh winter and poor economic showing was followed by a recovery. But the major difference between today and a year ago is that it is now a year later. Following last winter's downturn, the Fed was able to restart the economy by renewing its pump priming policy through increases in the monetary base. This, and the continued increases in the consumer installment debt bubble,

allowed for a paper recovery. This continued the recovery since the 1974 recession based primarily on the creation of a hot air bubble of speculative investment and debt. The U.S. is now finding that this bubble can no longer be supported without destroying the economy entirely.

During the recent period, the Federal Reserve has again been furiously pumping funds into the system. Over the past eight weeks alone the Fed has been increasing the monetary base at a 14.5 percent annual rate.

This increase in the money supply feeds inflation and further weakens the dollar. To keep the market off balance the Fed has been raising short-term interest rates, now at 7 percent, creating a see-saw effect, one day pumping funds into the system, the next, raising interest rates to counter inflation.

According to Lacy Hunt, chief economist at Fidelity Bank in Philadelphia, the consumer debt bubble, another of the major sources of hot air, has passed its peak. The high ratio of installment debt to personal income, combined with the general rise of inflation, he said, is the cause of the fall-off in auto sales not the cold winter. This is borne out by the fact that while sales of U.S. cars were down significantly, sales of lower priced foreign autos were rising. The factors cited by Hunt cause consumers to reduce their purchases of high cost items such as cars.

The effects of this squeeze are being immediately felt by two auto makers, Chrysler and the American Motor Company. Yesterday Chrysler announced an unexpected fourth quarter operating loss of \$59.4 million and predicted another loss in the current quarter. Depressed earnings for the next two years are anticipated by the company's management. AMC has all but thrown in the towel and is rumored to be seeking a foreign buyer to take over the company.

Hunt says that for these reasons the current collapse of the auto sector signals that the collapse of the entire economy will hit within a year.

Rising interest rates, resulting from Fed policy, and the huge amounts of government borrowing needed to fund a budget deficit which threatens to reach \$130 billion, including off budget requirements, pose a serious threat to the economy. The consumer debt bubble and the housing market are very sensitive to interest rate changes. Rising rates cause money to move out of savings into fixed income securities, causing a shortage of mortgage money and a rise in mortgage interest rates. This will assure that the housing industry does not recover from the January collapse, a collapse felt equally in southern regions unaffected by winter weather. Furthermore the cost of money to all industry will increase, preventing any chance of a resurgence of capital spending, and money will continue to leave the stock market in favor of high yielding "safe" investments such as Treasury notes.

— Joseph Stein

# Britain's Cyprus Plot Threatens Middle East Cold War

The British intelligence terrorism on Cyprus last week achieved a partial success in driving a wedge between Egypt and the Palestine Liberation Organization and thus pushing President Sadat toward an abandonment of his strategy for Palestinian "self-determination" by signing a separate peace with Israel. But, according to most observers, the Egyptians cannot afford to break with the PLO entirely or Sadat "would be overthrown in 24 hours," in the words of a high-level New York banking source.

The orchestrated riots and demonstrations against the Palestinians in Egypt, and the emotional, provocative speech by Sadat attacking the Palestinians as "assassins," have certainly boxed the Egyptian President further into a corner. The conspirators against Sadat, which include British and Israeli intelligence and a powerful faction inside Egypt itself linked to the daily *Al Akhbar* and Prime Minister Mamdouh Salem, intend to take advantage of the fact that Sadat's recent peace initiative has failed and inexorably drive the Egyptian President toward a separate deal.

The consequences of a bilateral Egypt-Israel pact, even if King Hussein of Jordan suicidally joins the deal, are widely recognized to be disastrous. A near-irreversible breach would be opened in the Arab world, pitting Egypt, Jordan, Morocco, and Sudan against a "pro-Soviet" Arab bloc led by Syria, the PLO, Algeria, Libya, and others. In the view of a former Arab diplomat, the immediate consequence would be the eruption of an

expanded civil war in Lebanon, reflecting the Egypt-Israel alignment against Syria and the PLO. According to several reports, the Soviet Union — which just gave President Assad of Syria a military reception in Moscow — is prepared to back its allies with military force if necessary.

Saudi Arabia, politically aligned with the Rockefeller faction and John Connally in the United States, is terrified of the consequences of an Egypt-Israel pact. The Saudis, said a high State Department official, are not prepared to back Sadat in such a venture. Because of the immense influence wielded by the Saudis in both Egypt and Jordan, this official believed that it is virtually impossible for either Sadat or Hussein to go along with the plan.

Nevertheless, in Sadat's desperation there is no guarantee that the Egyptians might not lunge toward such a deal. Israel, under the influence of Foreign Minister Moshe Dayan, is refusing to deal seriously with Egypt's demand for Palestinian "self-determination," and the United States has not shown sufficient sympathy for Sadat's plight. Further, Sadat's channels to the Arab world have been cut off at least since 1975.

The chaos that would result from such an act of desperation by Sadat, including his overthrow, would be worsened by an expected sharp rise in British intelligence-orchestrated guerrilla activity and terrorism throughout the entire eastern Mediterranean, including the Arab world, Cyprus, and Turkey.

## The Larnaca-Sebai Affair

On Saturday, Feb. 18, Egypt's Youssef Sebai was gunned down in a Cyprus hotel during a meeting of the Afro-Asian Peoples' Solidarity Organization (AAPSO) by two men later identified as Palestinians, one reportedly carrying an Iraqi passport and the other a Kuwaiti passport.

The two men had, oddly, spent *four days* in Cyprus before the assassination and had been seen at Cypriot nightclubs during the week. One was suspected of earlier involvement in the killing of leading Palestine Liberation Organization moderate Said Hammami in London last month.

At the hotel itself, security was remarkably lax, with at least 20 Cypriot security officials present failing to provide any meaningful protection for the meeting. This is especially noteworthy in view of the fact that Sebai's name had appeared on "hit lists" issued by extremist Palestinian rejectionist groups because of his qualified

support for Egyptian President Sadat's November trip to Jerusalem.

The *New York Times*, on Feb. 21, admitted the lack of security at the Nicosia Hilton:

*The contention here (in Nicosia — ed.) that the Cypriots had mismanaged their response to the terrorists was supported by an Egyptian hostage who escaped at the outset of the incident and complained that security precautions had been sloppy at the Nicosia Hilton Hotel, where the shooting of Mr. Sebai took place . . .*

*He contended that Cypriot authorities, despite prior assurances, had provided almost no protection for Egyptian participants in the conference. After he was seized by the gunmen, he said he saw two Cypriots, presumably security men, start to pull pistols from their pockets and then decide not to intervene.*

*The interpreter . . . said he had bolted through a side door while the gunmen were marching the group from the conference room to a coffee shop. "The police didn't arrive at the hotel and start deploying around the building for at least 30 minutes after the shooting," he said.*

## DID EGYPTIAN INTELLIGENCE KNOW?

According to Greece's *Eleftherotypia* newspaper, Sebai had delivered a scathing attack on imperialism one hour before his assassination, including a call for unity among the Arab states and an implicit criticism of Sadat's diplomatic moves toward Israel.

This fact, plus the fact that Sebai was allowed to travel to Cyprus virtually unprotected by the Egyptian authorities despite the assassination threats against him, have led certain observers to surmise that tainted networks inside Egyptian intelligence played a key role in setting up his assassination. This point was explicitly made Feb. 21 in the Greek newspaper *Apogevmatini*:

*The Cypriot government, according to information given to us, had serious suspicion that from the Egyptian side there was some kind of involvement in the assassination of Sebai, who was a close collaborator of Sadat but who remained till the end an ardent supporter of the Palestinian movement. He was pro-Soviet and was considered a successor of Sadat in the event of a change in the Egyptian policy.*

*Palestinian circles in Nicosia openly claim that the secret agencies of Egypt were the assassins of Sebai and not some Palestinian organization.*

## WHO WAS YOUSSEF SEBAI?

Before his recent role as an internal Egyptian opponent of a separate peace with Israel, Sebai had a long history as an Arab nationalist spokesman. In the early 1950s, he became a propagandist among the Egyptian intelligentsia for Nasser's Free Officer Corps after they seized power. By the latter 1950s, he was responsible for helping establish AAPSO as a spokesman organization for the Third World Nonaligned movement. Maintaining his ties into the East Bloc, and amongst the Egyptian intelligentsia during the early years of Sadat's rule in Egypt, Sebai was named Minister of Culture during the 1970s and later an editor for the Cairo newspaper *Al Ahrām*.

## PLO RESPONSE

As soon as news reached Beirut of the Sebai murder, PLO leader Yasser Arafat labeled the assassination "an act of treason against the Palestinian cause." The PLO officially offered to send a team of commandos to help capture the murderers and work out the release of hostages taken, but this was, for reasons still unexplained, not allowed by either the Lebanese or Cypriot authorities.

But the PLO *did* send a group of 17 leading PLO members to help with the negotiations, as was alluded to

by Cypriot President Kyprianou during a Feb. 21 press conference:

*"There were no armed commandos," Kyprianou stressed, "but a Palestinian representation which arrived from Beirut on Saturday. The delegation was sent here by Mr. Arafat at the request of the Cypriot government in order to convince the two assassins to free the hostages and surrender."*

Later, Arafat denounced "foreign intelligence services" for the Cyprus affair. The Italian newspaper *Il Giorno* reported that the terrorists were involved in Hammami's murder, for which the PLO explicitly blamed British intelligence and Scotland Yard.

A PLO spokesman reportedly linked the affair to the terrorist network supported by Iraq and led by Abu Nidal, a Fatah renegade in Baghdad. Abu Nidal, who reportedly has contact with top British terrorists Wadi Haddad and "Carlos," is thought to be a British agent and has been sentenced to death, *in absentia*, by a PLO court.

In Egypt, by early Feb. 19, British networks had already begun to organize the crowds in a far-from-spontaneous anti-Palestinian frenzy. Prime Minister Mamdouh Salem hastily blamed "the Palestinians" for the assassination, while mobs in Cairo chanted slogans like "Death to the Palestinians."

## THE ROUTE THE TERRORISTS TOOK

After murdering Sebai, the two terrorists took 30 AAPSO delegates hostage, releasing 19 of them in exchange for safe conduct to Larnaca Airport. During the transfer of the terrorists and their prisoners from the Nicosia Hotel to Larnaca, security continued to be startlingly lax. On several occasions, the terrorists turned their backs to police standing close by, giving ample opportunity to the police to overtake them. However, the police did not make a move.

At Larnaca, the terrorists, with 11 hostages and a crew of four, took off with a commandeered Cyprus Airlines jet. The British interface in the commandeering of the plane was evidenced by the fact that the pilots of the plane were British nationals who had *volunteered* their services. The two Britons, Sam Melleng and Bill Cox, were reportedly "vacationing" in Cyprus.

The next stage of the scenario was clear: The terrorists would land in a Rejectionist Front country, opening the way for an Egyptian commando attack, Entebbe-style, into a neighboring Arab country. Such a catastrophic move would polarize the entire Arab world, isolating even further the already isolated Sadat and exacerbating tensions between Egypt and the Rejectionists — in particular, Syria.

The Arabs, however, refused to bite at this British scenario, and one-by-one closed their airports to the Cyprus Airlines jet. Libya refused landing rights to the plane, as did Kuwait, Somalia, Ethiopia, South Yemen, and Greece. Only Algeria offered landing rights, but then revoked permission, forcing the plane, now short of fuel after seven hours of flight, to land and refuel in Djibouti.

During the terrorists' 10-hour stay in Djibouti, plans to

launch a French commando raid against the terrorists in Djibouti were under active consideration, according to French intelligence sources. While in Djibouti, the terrorists notified the Cypriots that they would return to Cyprus to negotiate a safe passage to another country. Cypriot officials contacted Sadat, who then deployed Egyptian commando units to Djibouti. However, by the time the commandoes flew to Djibouti, the terrorists had already departed for Cyprus. The Egyptian commandoes then shadowed the plane to Larnaca and landed shortly after the terrorists touched down.

In a press conference later in Nicosia, President Kyprianou was asked about "the Egyptian plane that went to Djibouti first before landing in Cyprus." In response, Kyprianou said: "We also have the same information that indeed the Egyptian plane went to Djibouti. Why the operation did not take place in Djibouti but in Cyprus, I don't understand."

## BLOODBATH AT LARNACA AIRPORT

While President Kyprianou and his officials were negotiating with the hostages at Larnaca, Egypt secretly set into motion the plan for a large-scale commando attack on the plane to free the hostages.

All the varied reports of the confusing events at the Larnaca airport make it clear that the Egyptian forces who attacked the plane acted entirely without the knowledge or permission of the Cyprus government. Therefore the Cypriots acted within their own national sovereignty in preventing the Egyptian action.

The Egyptians claimed that they had notified Cyprus that a commando squad was on its way to Cyprus to help capture the terrorists. But according to Cypriot officials, the Egyptians had said only that an Egyptian minister was traveling to Cyprus to help negotiate a release of the hostages, and when the Egyptian C-130 military plane arrived on Cyprus, a Cypriot minister went out to greet the plane—only to find it full of commandoes! President Kyprianou said later that at that point his government had specifically forbidden the Egyptians to disembark and carry out any military operations.

Later, in a speech in Egypt, President Sadat himself admitted that his government had not notified the Cypriots of the dispatch of the commandoes. The earlier reports had said that it was Prime Minister Mamdouh Salem who was handling the negotiations with the Cypriots at the time, implicating the Prime Minister in the conspiracy from the Egyptian side; Salem, as is well known, is an Interpol-connected police intelligence official.

Kyprianou was explicit on this matter:

*"But, we had also the bloody events at Larnaca, which cost the lives of so many people. Never did the Cyprus government give its consent for the Egyptian action at Larnaca airport. On the contrary, in all our contacts we made it abundantly clear to the Egyptian representative that we banned any action by the armed group which had arrived at Larnaca without our consent. Unfortunately the action was taken despite the promises made to the contrary, and the government forces had to intervene with the well-known results."*

Although initial press reports of the Larnaca affair indicated that the Egyptians had been gunned down in cold blood by Cypriot troops as they attempted to stage the rescue, it quickly became clear that this was not the case. It is certain that the Egyptians emerged firing from the C-130, and that many of their shots were wild, even striking the airport control tower where President Kyprianou had to take cover. Kyprianou and other officials on Cyprus announced later that at the point the Egyptians emerged from the plane, the terrorists were about to agree to surrender and were about to disembark.

At this point a British disinformation campaign was launched to obscure the events at Larnaca. Here is a report on the Larnaca affair from a high-level U.S. intelligence source:

*"The British are involved in the affair. The presence of British government officials and press people, as well as the British interface with layers of the Cypriot armed forces, corroborate this.*

*The Cypriots were the first to fire. They had numerous vehicles in the vicinity of the Egyptian commando plane. They moved up to the nose of the plane and began firing with 50-caliber machine guns. The reports that there was a PLO commando unit fighting alongside the Cypriots is totally contrived.*

*The deputy chief of police, Stavros Stokkos, was primarily responsible for controlling the operation. He was arrested and fired by Kyprianou following the fiasco. The order to open fire on the Egyptians came from the radio tower and whoever was in charge of the operational command. The prime suspect is Vassos Lysarides.*

*Kyprianou thought he would be negotiating with the Egyptian Minister of Information, who was supposed to be on the Egyptian commando plane but wasn't. Numerous telephone calls from Sadat and Egyptian War Minister Gamassi to Kyprianou indicated that the Egyptians would supply military assistance; however, communication problems between the Cypriots and Egyptians were enormous.*

*The entire operation, from the assassination of the Egyptian journalist to the shoot-out at the airport, was a set-up and a trap. The British were actively present: five British journalists were arrested by the Cypriot government for interfering with the Cypriot police. They were, in the main, providing disinformation and causing a great deal of confusion.*

*With the ignominious collapse of the Egyptian commando effort, it is likely that Egyptian intelligence networks will conduct operations against the Cypriot government. This could create a tremendous rift in relations among all Arab governments and destabilize the region. Overall, Sadat appears to be conforming to profile...."*

## KYPRIANOU CLEANS UP

After the affair was over, Kyprianou cracked down on a network of British agents in the Cypriot security forces and the press that had aided British intelligence in the

operation, as the following report from the *Washington Post* Feb. 23 says:

*Cypriot President Spyros Kyprianou...suspended Cyprus' deputy police chief, Pavlos Stokkos, "for communicating false information regarding the events at Larnaca Airport and for negligence in the execution of his duties."*

*The Cypriot government also arrested John Bierman, a British foreign correspondent based in Cyprus, and formally charged him with publishing a false report relating to the Larnaca Airport battle.*

*Bierman, in an eyewitness dispatch to the Reuters news agency, had reported seeing a Greek Cypriot officer, while driving an Egyptian soldier at gunpoint toward the terminal building where dozens of foreign reporters and cameramen were watching, fire "two shots at the Egyptian, who fell, apparently badly wounded."*

The role of the "vacationing" British pilots of the plane was revealed in several commentaries. First, the pilots spread reports, unconfirmed by other sources, that PLO official Abu Maizar was "fraternizing" with the terrorists aboard the plane during the negotiations, despite the strong PLO condemnations of the assassination and hijack.

A Somali hostage later told the press that, in fact, *the pilots themselves had cooperated with the terrorists and had returned weapons to the terrorists during the siege!*

But most damaging were the reports that PLO troops had taken part in the attack on the Egyptian commandoes, a report calculated to provoke a deep split in PLO-Egyptian relations. Apparently the pilots, again, were a key source for these rumors, spread in particular by the *Washington Post*.

In contrast to other press accounts of the fighting at Larnaca airport, and despite denials by President Kyprianou, the *Washington Post* has continued to insist that Palestinian forces participated in the assault against the Egyptian commandoes. Excerpts pertaining to the alleged PLO participation at Larnaca follow:

Washington Post, Feb. 22:

*An elite squad of armed Palestinian guerrillas fought alongside Greek Cypriot National Guard forces in Sunday night's gun battle in which an Egyptian commando force was decimated at Larnaca airport, well-informed sources said today.*

*The Palestinians' participation in the Larnaca airport battle is likely to further increase tension between Cyprus and Egypt.*

*The Palestinians' exact role at Larnaca airport and the number of casualties they may have inflicted on the Egyptians were not immediately clear.*

*But the sudden appearance of the unexpected opposition clearly worsened the Egyptians' disarray, according to foreign pilots watching the battle at close quarters....*

*The government also contends that the PLO men arrived here unarmed, yet news photographs show identifiable PLO members with their familiar Soviet-made Kalashnikovs. This classic guerrilla weapon is also*

*a favorite among the private militia of Cypriot Socialist leader Vassos Lyssarides, whose followers were also seen at the airport.*

Washington Post, Feb. 23:

*Washington Post special correspondent Joseph Fitchett reported from Nicosia Tuesday that well-informed sources said that a squad of armed Palestinian commandoes had fought alongside the Greek Cypriot National Guard.*

*The Cypriot government yesterday termed the report "malicious and totally untrue," and said "there were no Palestinian commandoes at Larnaca Airport."*

*The Washington Post stands by Fitchett's report.*

New York Times, Feb. 23:

*The role of Mr. Arafat's Palestinian representatives remained unclear. There have been reports that they fought with the Cypriots against the Egyptians. Interviews with a dozen witnesses failed to produce one who had actually seen any Palestinians firing guns.*

*Mr. Michaelides, the Cypriot Speaker, said that (Arafat's) Palestinian (representatives) had arrived (from Beirut) unarmed.*

*Mr. (Christodoulos) Benjamin, the Interior Minister, said that even if the Palestinians had obtained guns later, they could not have fired them at the Egyptians.*

*"All civilians, including the Palestinians, were in the terminal area and between them and the Egyptians was a line of National Guardsmen," he said. "The Palestinians would have had to shoot through our troops to fire at the Egyptians, and they would have turned around and shot back."*

According to U.S. intelligence sources, Lyssarides, who is also chairman of the Afro-Asian Peoples Solidarity Organization and who headed up negotiations with the terrorists, is suspected of direct involvement in setting up the Cyprus terrorist affair. It is significant to note that Lyssarides was not trusted by former Cypriot President Archbishop Makarios in the final months of his life. Lyssarides is also distrusted and despised by the Cypriot Communist Party (AKEL).

## CYPRIOU PRESIDENT ON PLO

Kyprianou himself responded to the charges of PLO involvement in the affair at his press conference later in the week:

*Q: Were there any other armed commandoes in the Larnaca airport who collaborated with the Cypriot government?*

Kyprianou: There were no armed commandoes, but a Palestinian representative who arrived from Beirut the previous day, that is on Saturday (Feb. 18—ed.). The delegation was sent here by Mr. Arafat at the request of the Cypriot government in order to convince the two assassins to free the hostages and surrender.

*Q: Are the reports by a foreign news agency (Reuters-ed.)*

*that national guardsmen executed some Egyptian commandoes in cold blood accurate?*

K: Those reports are totally untrue. The subject, however, will be investigated by the police authorities in order to find out which reporters provided the reports.

*Q: Mr. President, how do you explain the fact that two high-level Egyptian officers arrived in Cyprus last Saturday to lead the commando attack and do you consider this an orchestrated plot against the Cypriot government?*

K: The fact that two responsible officers arrived in Cyprus the previous day, that is Saturday, meant that they knew something about what was going to happen in Cyprus on Sunday. I don't want to reach any conclusions but I would like to underline that this subject is added in the various questions which need to be answered.

*Q: Mr. President, to what extent were the events of Sunday part of a broader provocation plan to hurt the Cyprus issue as well as the relations between Cyprus and the Arab world?*

K. There is no evidence to justify such a conclusion. Nothing can be excluded, however, in this kind of affair.

## SADAT BREAKS DIPLOMATIC RELATIONS WITH CYPRUS

Immediately after the bloody shootout on Sunday, Feb. 19, in which 15 Egyptian commandos were killed and 14 others wounded, Cypriot President Kyprianou made a personal appeal to Egyptian President Sadat urging him to meet with him in an effort to restore relations between the two countries. "I would like to appeal to President Sadat to do his best to calm down the atmosphere in his country and to try, with me, to restore the old relations and the old friendship," Kyprianou said. At the same time the Cypriot leader made it understood that he holds the Egyptians responsible for the bloodshed since he had agreed with Sadat himself that the rescue of the hostages and the arrest of the two terrorists would be left to the Cypriots.

On Wednesday, Feb. 22, the Egyptian government, ignoring Kyprianou's appeals, officially announced that it had ended diplomatic relations with Cyprus and that Kyprianou is no longer recognized as the President of the Cypriot Republic. Sadat reacted to a controlled environment, calling Kyprianou a "dwarf", and after the funeral of the killed commandoes, he said that "Kyprianou must pay the price for the treacherous

decision which resulted in the martyrdom of my sons."

President of Cyprus Kyprianou in an announcement Feb. 24 said that he fully understood and respected "Sadat's strong feelings and his present justifiable psychological state," and added that "I wish to express once again the profound and sincere desire of the Cyprus people to maintain the closest and friendliest relations with Egypt."

## THE OUTLOOK FOR MEDITERRANEAN PEACE

Coming on the eve of the March 10 Karamanlis-Ecevit summit to discuss a resolution of the Cyprus problem, Sadat's decision to sever relations with Cyprus and most importantly withdraw his recognition of Spyros Kyprianou as the legitimate president of the island republic, threatens to fuel Turkish intransigence. Thus, the chances for a renewed crisis and superpower confrontation in the eastern Mediterranean have been heightened.

Already the leader of the Turkish community in Cyprus Rauf Denktash, who also does not recognize Kyprianou, praised Sadat's decision and said that Egypt is welcome to move its embassy from the Greek to the Turkish sector in the island. A Cypriot diplomat warned of the possibility of a wave of terrorism being set off in Cyprus in "reprisal" of Kyprianou's handling of the Larnaca affair.

The Greek press reports that Sadat's hard-line posture vis-a-vis Cyprus is blocking initiatives taken by Greek Prime Minister Karamanlis, United Nations Secretary-General Kurt Waldheim, Yugoslav President Tito and French President Giscard d'Estaing to mediate restoration of relations between Cyprus and Egypt. Egyptian officials in the Foreign Ministry were taken by surprise by Sadat's hasty decision and expressed hopes to repair relations with Cyprus, one of Egypt's closest friends in the Mediterranean, in the coming weeks. "Sadat seems to be in a brook-no-challenge mood right now," one senior official said. "He is ready, just out of sheer frustration over Israeli intransigence in the negotiations, I think, to strike out every which way, hitting friends as well as enemies."

According to the *Washington Post*, Greek Premier Constantine Karamanlis appealed to both sides to clear up the "misunderstandings." He said it was "evident that both governments became involved in an adventure because of events beyond their control."

# Who's Behind Egypt's Rampage Against Palestinians?

The faction behind this week's riot and press attacks in Egypt against the Palestinians, not surprisingly, consists of the old British colonial networks inside the country. The roots of this faction go back to the pre-Nasser, Farouk era when Britain had a controlling voice in the press, military, and security apparatus. Although Nasser had succeeded in cleaning out most of Britain's networks from the country since 1952, the situation has seriously deteriorated since Anwar Sadat's arrival on the Egyptian political scene in 1971 and his subsequent

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## EGYPT

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conciliatory tone toward the City of London. Most recently, Sadat, no doubt under extreme pressure from these colonial networks, legalized the Neo-Wafd party, a reconstituted version of the former notorious Wafd party of King Farouk. The Wafd was the symbol of corruption and British colonial domination which Nasser outlawed in 1952.

According to their strategy, the British "old Boys" led by Prime Minister Mamdouh Salem and the "ultra-nationalists" of the *Al Akhbar* editorial board are attempting to blame the terrorist incident on Cyprus which resulted in the death of Youssef Sebai, Sadat's personal friend and noted editor of Egypt's semiofficial daily, *Al Ahram*, and the death of 15 Egyptian commandos on the Palestinians in general and the Palestine Liberation Organization (PLO) in particular.

By airing the completely unsubstantiated report that the PLO fired upon the commando squad in collusion with the Cypriots, these British agents would then have the pretext to sever Egypt's support for the PLO. Once Sadat's commitment to a just solution to the Palestinian problem can be broken, the way is open for an Egyptian-Israeli separate accord.

Whether Sadat will acquiesce to this anti-Palestinian campaign is still unknown. There are indications that he cannot go back on his word to solve the Palestinian issue, but he dangerously pandered to this hysteria last week by attacking the Palestinians in two separate speeches and breaking off diplomatic relations with Cyprus. London's networks are banking on the fact that they can progressively isolate Sadat and break him down psychologically, while simultaneously churning out the anti-Palestinian propaganda.

The first startling sign of anti-Palestinian ferment took place at the burial of Youssef Sebai during which the PLO representative Said Kamel had to be protected by Egypt's security apparatus against reprisals from the angry mobs. Then, on Feb. 22, at the burial of the slain Egyptian commandos, Sadat delivered his first major diatribe against the Palestinians who, he said, acted like "terrorists and murderers while Egypt was fighting for a Palestinian state." Simultaneously, the rightwing press

ran cartoons of PLO chief Yasser Arafat with his hands dripping blood while uncontrolled mobs roamed the streets of Cairo burning Arafat in effigy.

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*An expert on Mideast affairs for the U.S. academic community analyzed the present situation as leaning heavily toward a separate peace.*

*Q: What groups within Egypt were responsible for the Cyprus affair and what effects will this tragedy have on Palestinian-Egyptian relations?*

*A: I don't know whose idea it was exactly. It is apparent that the Security Forces in Egypt are very anti-Palestinian. For example, I know Palestinians that have lived in Egypt for years because of their businesses there. When Sadat made his trip to Jerusalem, they were rounded up by the Security Forces for no reason at all. Sebai was known to have had very strong links with Security.*

On another level, you have the upper echelon generals in the military apparatus. Those are the ones who came to power when Sadat reorganized the government in 1974-75. Actually these old generals have been in Egyptian political life since the time of King Farouk. On the lower level you have about 400 officers who are split down the middle on the question of policy. Many of them have not been promoted because of their Nasserite beliefs. But to reiterate, the upper military structure and the Security Forces are the ones that pull the strings in Egypt.

*Q: Do you think that Sadat is headed for a separate peace?*

*A: He will sign a peace treaty with the Israelis although he will never call it a separate peace. Sadat is in a box. He has no more options to play and the U.S. can't put any more pressure on Israel, at least this Administration will not do it. In my opinion forget it, the Palestinians will never get that much from Sadat. It is not a question of whether he wants to deliver or not, he just can't operate because of the constraints upon him.*

## STATE DEPT. REJECTS SEPARATE PEACE

*A high-ranking State Department official who specializes in Mideast affairs dismissed the idea of a separate peace outright:*

*Q: Do you see the prospects of Sadat going for a separate peace with Israel particularly in light of the spate of anti-Palestinian attacks coming out of Egypt recently?*

*A: A separate peace? No, I don't think there is much of a chance of that now. Everybody knows that the Egyptians would end up being worse off as a result of such a move. First of all, the Saudis would most probably cut off foreign aid to the Egyptians which accounts for about 25 percent of Egypt's needs. Second of all, while the*

average man in the street in Cairo might want such an arrangement, the leadership in Egypt is solidly behind an overall framework for a solution. They know that they cannot be so clear-eyed and eager for peace overnight.

Furthermore, there may be some anti-Palestinian noise coming out of Egypt now but believe me I would be shocked if Sadat really departed from his support for the Palestinians in the context of a settlement. The Palestinian role is Sadat's fig leaf, he needs them as much as they need him. The thing to keep in mind now is that Sadat is popping mad at what happened at Larnaca. He's mad at the Cypriots and at his own boys. But that doesn't change his fundamental position on the terms for peace.

Also keep in mind that the Saudis and other moderate Arabs including King Hussein know that any break with the Palestinian cause would polarize the Arab world, pitting radical against moderate, which the Saudis want nothing to do with.

## SADAT WON'T SELLOUT PALESTINIANS

*Corroborating this analysis is an interview with an Egyptian banking official who also dismisses the separate peace option for Egypt.*

*Q: Do you think Sadat is being forced into an isolated position after the Larnaca incident which might have some eventual connection to a separate peace?*

*A: Absolutely not. If Sadat sold out on the Palestinian question, he would be overthrown in 24 hours. Sadat knows what the basic demands of the Arab world are: Palestinian self-determination and return of the occupied territories. Any Arab leader knows that Sadat cannot make concessions on these two issues. Besides Yasser Arafat and Anwar Sadat are very close friends.*

## War In Israel Over Separate Peace

A group of leaders in Israel's ruling Likud coalition and in the opposition Labour Party are engineering a cross-party destabilization of the government of Prime Minister Begin. Their aim is to weaken Begin's centralized leadership and build a national consensus for a separate peace with Egypt rather than a comprehensive regional settlement.

### ISRAEL

Said one Israeli source, "Any number of issues could divide and wreck the Begin coalition." A break, he said, could come through the defection of Cabinet members belonging to the pro-Labour faction of the Democratic Movement for Change, several of whose leaders are close to U.S. National Security chief Zbigniew Brzezinski.

The forces around Begin currently include Defense Minister Ezer Weizman, Finance Minister Simcha Ehrlich, and Energy Minister Yitzhak Modai, and the Labour Party group around former Foreign Minister Abba Eban. This group seeks to get the peace talks with Egypt back on track as a crucial step toward expanded regional negotiations, and to continue the power of Israel's extremists and Dayan's intelligence-military networks.

In special Cabinet sessions called by Weizman to end Israel's controversial policy of establishing settlements in Arab lands, Dayan has blocked against Weizman with expansionist Agriculture Minister Ariel Sharon and with extremist ideologues such as Zevulun Hammer, Minister of Education and former head of the fanatic Gush Emunim group. At the same time, Dayan has adopted a profoundly "pessimistic" posture on the possibilities of regional peace talks and has charged both Egyptian President Sadat and Jordan's King Hussein with "intransigence." Dayan is fueling a mood in Israel that only a Kissinger-like "interim arrangement" with Egypt can succeed.

Yet, remarkably, Dayan suddenly announced before Israel's Parliament Feb. 22 that the government should make "substantial changes" in its policy in regard to the Palestinians and that the Palestinian issue was the "core" of the difficulties in the current negotiations—a 180 degree shift in position! London's *Financial Times* Feb. 23 described Dayan's statements as "extraordinary" and "in conflict" with Begin's positions.

The logic behind this double game is Dayan's hope to create an axis with Labour Party chief Simon Peres, who has been making moderate-sounding statements since his meeting in Europe last week with Sadat. The meeting, arranged for social democrat Peres by Second International leader and Austrian Chancellor Bruno Kreisky, was, in fact, an attempt to entrap Sadat into looking to "the moderate" Labourites over the "intransigent" Begin. The trap is having its effect. In an interview with Egypt's *October* magazine last weekend, Sadat said he regretted that Labourite Golda Meir, who unlike Begin is a staunch supporter of the British, was no longer Israeli Prime Minister.

The Labour Party is simultaneously conducting a number of campaigns against Begin's "lack of leadership." Labour ideologue Shlomo Avineri, an international spokesman for the Second International, charged Begin in a Feb. 20 *Jerusalem Post* op-ed with "acting like he's still fighting the British madate" rather than leading a sovereign country and with sending so many of his ministers overseas that Israel has a veritable "government-in-exile." Avineri's castigations of the Begin government's expanded dealings with South Africa were the next day echoed by leaders of the Labour-led national trade-union confederation, the Histadrut, at a national convention.

According to the Israeli source, these eruptions threaten Israel with "chaos and confusion"—unless "the possibility emerges that Weizman can pull together a coherent group around himself."

Energy Minister Modai, a potential Weizman ally, told a Chicago audience during a three-day U.S. trip this

week that Sadat "would not back down" from his demands for an overall peace and urged that Israel develop its diplomacy appropriately. Modai advocated joint nuclear-energy development projects with the Egyptians and other Arabs based on U.S. nuclear exports, following the lead taken by President Nixon in the 1960s.

Another potential Weizman ally, Eban associate Yossi Sarid, this week demanded in Israel's Parliament that Dayan resign because of his "security leaks" on Israeli arms shipments to Ethiopia. Sarid's demand was voted down by the ruling coalition's majority.

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## The Report Schlesinger Wants Suppressed:

# Why We Need The Fast Breeder Now

This news service has obtained a copy of a report that industry and journalism sources say James R. Schlesinger has, so far successfully, personally attempted to suppress for more than a year. It is the final draft report, "Problems of U.S. Uranium Resources and Supply to the Year 2010," that has been readied for national publication by the Committee on Nuclear and Alternative Energy Systems (CONAES), under the auspices of the National Research Council of the National Academy of Sciences and National Academy of Engineering.

Schlesinger, whose tendency toward outrageous lying has come under public scrutiny more than once in the past year, is now flying in the face of these estimates. Going against the advice of experts in his own department, Schlesinger has dictated that the widely disputed estimates of last year's Ford Foundation-Mitre Corp. Report should prevail as the official basis for all government estimates of available U.S. uranium supplies. Contrasted to the reliable and reasonable CONAES estimate of 1,760,000 tons, Schlesinger is basing policy on availability of some 3,780,000 tons, which CONAES estimates has a 3 percent probability of being recoverable. Moreover, Schlesinger uses the widely exaggerated Mitre estimates to make his argument that there is no economic problem in postponing development of the fast breeder reactor and uranium reprocessing facilities until the next century, if not longer.

The CONAES report is in fact in the public domain. Substantial portions of it were submitted to the *Congressional Record* last August as testimony given before the House Science and Technology Committee chaired by Congressman Walter Flowers (D-Ala.). We report on the substantial conclusions of that study here because it is urgent to show the danger in Schlesinger's present policy of effectively halting development of the Clinch River and related fast breeders, as well as uranium reprocessing technology, under the demonstrably fraudulent argument that these "plutonium cycles" lead to the proliferation of nuclear weaponry.

### *How Much Uranium Can We Depend On?*

The fundamental conclusion of the study is quite simple. The United States has finite and very limited uranium resources, inadequate to meet the nation's expanding industrial energy needs much beyond the turn of the century. Furthermore, without a vigorous commitment *now* to commercial development of fast breeder technology that can begin to come on line within the next five to ten years, the implications of the CONAES report are, bluntly, that the United States will lack fuel suf-

ficient to run even its existing projected capacity of nuclear light water reactors (LWRs).

The CONAES report, which was prepared with the collaboration of industry, university, and government sources, concludes that the best estimates of economically recoverable uranium resources in the U.S. is on the order of 1,760,000 tons of a uranium oxide called yellowcake, recoverable at a cost of \$30 per pound of ore. It also concludes that in terms of already discovered and defined uranium ore, the U.S. has only from 480,000 tons to, at best, some 640,000 tons of yellowcake at a so-called forward cost of \$30 per lb. The report estimates that global uranium reserves, including those of the U.S. are only 2.4 million short tons at \$30 per lb.

The implication becomes dramatically clear once the reader knows that reserves are sufficient in the U.S. to fuel only some 300 LWRs before total depletion shortly after the turn of the century. The Ford Administration had estimated, on the basis of highly conservative projected national energy demand, that the U.S. would need 500 reactors on line by the year 2000. The Nixon Administration, which reflected a much more vigorous domestic and international climate of industrial growth, projected a figure of 1,000 reactors for this period. Clearly even with a moderate expansion of nuclear-generated electric power in the nation's presently under-powered electric grid, there will be a dangerous shortfall of uranium within 20 years or less.

The expert scientists and engineers in the international nuclear energy community have spent a year in a so far futile refutation of Schlesinger's false higher estimate of uranium reserves. They rightly point out that not only is the rest of the world not agreeing with this assessment, but that if commercialization of fast breeders and reprocessing is effectively delayed two more decades, domestic utilities will cease investing the billions of dollars of capital into construction of further needed conventional nuclear plants today if they cannot be assured of abundant uranium fuel supplies at economical prices for the life of the reactors. Thus, by killing the breeder-reprocessing cycle, Schlesinger, with the added help of the current 10 to 12 year delays in licensing the construction of a reactor, is in fact killing the current development of nuclear light water reactors as well.

As a number of Midwest utilities currently facing massive power cuts due to the ongoing coal strike have said, failure to develop nuclear power resources is already being heavily felt. The policy of postponing the breeder indefinitely by using the fraudulent claim that there is abundant uranium for conventional reactors constitutes major sabotage of domestic U.S. industry.

Further, by placing a tourniquet on the possibility of vastly expanding the future supply of existing uranium through reprocessing and breeding, Schlesinger is directly adding to the international cartel-type control of strategic uranium, led by the London-based Rio Tinto Zinc consortium, which has forced the price of uranium sky high in the last four years. Breeders and reprocessing would break that swindle wide open and assure ample, cheap uranium fuel well into the future.

CONAES adds that even with its estimates of available uranium, the situation is not so casual, or controllable, as Schlesinger and the Administration would have us believe. They point out that there is an eight to ten year interval between the time of discovery and the actual construction of costly milling and production capability for uranium. Current levels of exploration, they say, are grossly inadequate and not getting reasonable support from the federal government to insure adequate discovery. CONAES estimates that a *tenfold* increase in exploratory drilling is necessary to provide discoveries adequate even for Department of Energy demand forecasts for nuclear plant capacity. Thus, major shortfalls by the year 2000 relative to the U.S. Energy Research and Development Administration and Department of Energy's 1976 requirements estimates are inevitable under the current Schlesinger program. Moreover, there

is nothing in the fiscal 1979 Energy Department budget submitted by Schlesinger that addresses this growing critical shortfall problem.

The above does not even begin to account for the growing problems in recovering domestic uranium supplies under increasing environmental restrictions and growing efforts of organizations like the Council on Energy Resource Tribes (CERT), "militant American Indians" who according to estimates by the Interior Department could be sitting on fully 50 to 60 percent of total U.S. uranium reserves.

There is evidence of growing opposition to such energy blackmail from Schlesinger and his Ford-Mitre associates. In the current House Science and Technology Committee hearings on the Schlesinger budget, a number of Congressmen have declared that it is time for a competent study "carried out by scientists and not sociologists" to determine the actual recoverable uranium fuel supplies of the United States. They were undoubtedly referring to the fact that the Ford-Mitre study panel was preponderately made up of men like Joseph Nye, now a State Department official primarily responsible for shaping Administration nonproliferation policies; his prior professional experience was as a professor of public affairs at Harvard.

—William Engdahl

## U.S. Energy Czar Backs Terrorists' No-Growth Woodstock

Energy Secretary James Rodney Schlesinger has issued orders to his agency to use government resources for the promotion and funding of environmentalism and its terrorist-linked purveyors in the United States. In a memorandum issued to all department personnel, Schlesinger has urged his department to sponsor public relations activities to promote the proposed nationwide environmentalist "celebration" on May 3, "Sun Day." By his action, Schlesinger has offered tacit government support for the rapid expansion of antigrowth activities in this country and has conveniently chosen to ignore the fact that environmentalism is the major recruiting ground for terrorism.

Schlesinger is decidedly stretching his mandated authority by undertaking to sponsor the Sun Day celebration. Congress has as yet taken no action to "officialize" Sun Day, although on Feb. 7 five Congressmen announced that they will introduce a resolution into the Senate and the House of Representatives that would officially proclaim May 3 Sun Day. Actively engaged in pushing through the resolution are Charles Percy (R-Ill), Gary Hart (D-Col), Richard Ottinger (R-NY), Leo Ryan (D-Cal), and James Jeffords (R-Vt). Press reports indicate that 300 more Congressmen are lined up to help pass the bill.

Sun Day, according to its leading sponsors, is planned to be the biggest rallying point for the U.S. left and environmentalists since the May 1970 Earth Day

celebration, which marked the official channeling of the left into an environmentalist movement and which was heavily funded by the Ford Foundation.

The terrorist component of the Sun Day celebration is all too clear. Denis Hayes, member of the Sun Day Board of Directors and chairman of the Worldwatch Institute, is best known for his authorship of nuclear terrorism scenarios as well as his role in organizing the Earth Day festivities. Also prominent on the list of Sun Day sponsors is Congressman Ottinger. The Ottinger Family Fund, a well-known private foundation, shares its executive director with the Stern Family Fund, which is a major funder of the terrorist command center, the Institute for Policy Studies in Washington, D.C., and of various out-right prototerrorist organizations. A third noteworthy member of the Board of Directors is David Brower of the Friends of the Earth. This organization has provided a "legitimate" cover for anti-industrial and antinuclear terrorism both in Europe and the United States.

The clear intention to use the Sun Day celebrations as a seeding ground for terrorism is carefully overlaid in the brochure outlining the purposes of this day of primeval sun worship. Suggested activities include: "In Chicago, plans are underway to build a huge community greenhouse. Farmers in the Midwest will be able to see a traveling slide show depicting agricultural uses of sun, wind, methane, and other fuels available right on the farm. . . . One person has suggested the world's largest

solar clothes dryer — a coast-to-coast line to be set up on May 3.”

In his memorandum to the Department of Energy (excerpted below), James Schlesinger stated that “the broad objectives of Sun Day are consistent with major objectives set forth in the NEP (National Energy Plan).” Just where those objectives will lead is also outlined in

the Sun Day brochure: “Solar technologies are not ‘exotic’ — many of them predate the oil, gas, and nuclear technologies that surround us today. Windmills, solar panels, wood stoves and small hydro dams have been with us for centuries . . . Now they are just waiting to be put to widespread use.”

Department of Energy  
Washington, D.C. 20585

January 25, 1978

MEMORANDUM FOR PRINCIPAL STAFF - HEADQUARTERS AND FIELD

FROM: JAMES SCHLESINGER  
SECRETARY



SUBJECT: DOE SUPPORT OF "SUN DAY (MAY 3) ACTIVITIES"

Sun Day, May 3, 1978, is being planned by a broad coalition of consumer, labor, church, environmental, and university groups — as a community-based focus on the Sun as the source of renewable energy supplies (sun, wind, biomass, ocean program, etc.). It seeks to:

A. Generate citizen interest in solving the Nation's energy problems; and

B. Increase community energy self-sufficiency through conservation and the use of renewable resources. . . .

The broad objectives of Sun Day are consistent with major objectives set forth in the National Energy Plan. The Department of Energy (DOE), therefore, supports the concept of Sun Day and those activities associated with Sun Day which are compatible with the NEP. . . .

Each DOE office and employee should consider how they can assist the NEP supported activities of Sun Day. Consider offering kinds of assistance such as: . . .

- Hosting “open houses” of our facilities and renewable energy demonstration projects;
- Provide direct support in terms of energy outreach programs — prepare information packages or exhibits for all DOE and government facilities hosting the public during Sun Day “Week” and for Sun Day offices, community based energy information centers and public interest groups;
- Provide or fund radio and TV spots on NEP-supported issues;...
- Provide “speaker’s bureau” support and make its availability known in advance to local government and civic groups;
- Prepare DOE articles and reports on renewable energy resources for the full range of general public publications;...
- Establish feedback mechanisms to ensure our responsiveness to the concerns citizens express during Sun Day. . . .

# How To Analyze and Uproot International Terrorism

*The following analysis was released by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. on January 26, 1978.*

In the interest of the United States and its allies, I cause various kinds of relevant information to be made available to European security agencies responsible for antiterrorism. This includes information received from reliable sources which wish that information transmitted. It also includes evaluations and knowledge developed through the specialized capabilities of myself and my associates.

There have been many complaints against my own and my associates' activities to this effect, complaints from the associates and sympathizers of the terrorists and "zero-growthers."

Some of this information is "sensitive," and therefore is not and should not be publicized outside appropriate channels. Certain sources must be protected from public identification. Innocent people in the same milieu with terrorist-linked persons must not be subjected to avoidable injuries to their reputations. Sound working hypotheses of a criminal investigation, however sound, ought not to appear in public print except as strictly necessary for preventing criminal activity.

Nonetheless, some of this information transmitted to security agencies ought to be given the widest public circulation. The public has the right to be informed of the basic facts concerning international terrorism. Public knowledge of the nature of the terrorist problem is also essential to provide appropriate state agencies with the mandate for the measures those agencies must employ to fight terrorism effectively.

The following report is exemplary of the sort of information developed by myself and my associates which ought to be made public.

Through reliable, and partially through confidential sources, we have received briefing-information concerning the objectives of British intelligence agencies behind the new, current phase of international terrorism. Those British agencies — unless prevented — intend to mount the worst wave of terrorism to date — inclusive of Italy, France and the Federal Republic of Germany — and to lay a trail of false evidence leading to East Germany, Czechoslovakia, and other East bloc nations. This false trail will emphasize the nominally "leftist" self-designation of certain British networks, and will also employ British intelligence networks in the East bloc and certain "Third World" nations.

Although the intelligence services of some of the targeted nations know that British intelligence is behind the terrorism, those intelligence services complain justly that their governments so far refuse to give them the needed authority to go after British intelligence networks as such. This misguided refusal by governments is based on fears which are variously diplomatic, financial and internal-political. The leadership of certain parties — such as the Socialist Party of France, the Lombardi-Craxi leadership of the Socialist Party of Italy — are deeply involved in international terrorist networks and also agents-of-influence of British intelligence services. Thus, any open attack on British intelligence means some degree of internal political crisis, because of the reaction by parties and fractions of parties under British influences.

This is complicated by the fact that elements of the United States policy-establishment are British agents-of-influence — e.g., Henry Kissinger, Walter F. Mondale, William F. Buckley, et al. Although the electoral base for these forces is between 20 and 30 percent of the U.S. electorate, British agents-of-influence have a disproportionate penetration of elements of the U.S. Executive branch. Hence, honest Americans are sometimes obliged to employ indirect means for assisting our European allies in the fight against environmentalism and terrorism.

The following report covers two vital features of British intelligence's international terrorist networks. First, the general way in which terrorist-controlled networks are organized. Second, the crucial features which must be isolated to determine whether or not the terrorist and terrorist-sympathizer organizations are British or not.

The point is that terrorism can be stopped at the source if appropriate political penalties are applied to suitable elements of British networks. Strike the hydra in the head, and the rest of the British-terrorist network is rather easily mopped up. As long as governments pursue the diplomatic course of pretending that the international terrorism problem is not British, the terrorism problem will simply become worse and worse.

## How Terrorist Networks Are Organized

The majority of terrorist networks are set up in a manner intended to defy tracing responsibility to the source. British intelligence networks control elements of political parties, universities, professional associations, trade union organizations, corporations, and so forth. In addition, British intelligence creates various kinds of or-

ganizations, such as "environmentalist" groups, "peace movements," and so forth. British intelligence then penetrates these organizations with a different sort of organization. These latter are organizations which have a nastier quality than the organizations they penetrate. However, usually, most of the operatives of this second set of networks have no direct knowledge of the network's control by British intelligence.

That is the simplest form of the type of British intelligence network relevant to the terrorist problem. More complex arrangements are simply that: more complex applications of the same method of splitting and cross-penetrating one's own covert-use organizations.

The effect of this arrangement is principally twofold.

First, the pumping of material resources through a "peace movement" or "environmentalist" organization, or a section of a party, trade union and so forth is not in itself a visible offense. However, the effect is to place part of those resources at the disposal of the other organizations which penetrate the first. (A study of the material aid flowing into the Hamburg Maoist *Arbeiterkampf* ("Workers Struggle") and KBN groups would reveal this pattern.) With a witting, complicit British agent or agent-of-influence in the first organization, the pathway is eased for such penetration operations of the second.

This illustrative case represents a two-layer "safe-house" arrangement for inserting the terrorist-network operation. Now, the penetrating organization is itself penetrated by the British-intelligence network which runs the terrorism.

For example, in tracing the connection to the Longo Mai "commune" in France, our sources first encountered camps in Belgium involving documents leading directly to Second International zero-growth ideologue Sicco Mansholt. From these Belgium camps selected, profiled participants were led into sex-and-drug camps in France (in one case, adjoining the Pyrenees.) After a subject's extended conditioning in these sex-and-drug camps, the subject was recruited to the Longo Mai camp, where terrorist weapons training was given. The Belgian end of the terrorist operation was directly linked to Riccardo Lombardi of the Socialist Party of Italy, and to the British Mafia operation in the south of Italy. Furthermore, through financial networks centered around Geneva, safe-houses for terrorists were operating for Longo Mai graduates and other terrorists, in the region north of Lake Geneva, as well as the old British Special Operations Executive safe-house in the south of France near the Italian border.

A terrorist operation in West Germany, such as the kidnapping and murder of industrialist leader Hanns-Martin Schleyer, is thus staged from the indicated French-speaking region of Switzerland, in which region "green border" operations into adjoining areas of France are relevant.

Among the available sources of funds for such operations is the British-controlled international drugs and arms traffic. From the "silver triangle" in the British West Indies, an indicated \$8 billion annual valuation of combined heroin, cocaine, and marijuana is conducted, with a large portion of the funds "laundered" through Eurodollar market banks. The magnitude of British intelligence-coordinated international drug traffic —

through Hong Kong and Singapore as well as the British West Indies circuits and Canadian British-intelligence channels — is estimated to equal the level of the petrodollar flow of surplus funds.

Thus, although the terrorists have so far run chiefly under a "left" cover, the operation is directly connected to the neofascist networks, including the British Mafia and "Corsican Brotherhood."

The available model case for British terrorist operations is given by U.S. intelligence services' monitoring and neutralization of a projected "Black September" terrorist operation against the United States scheduled for early 1974. The results of that investigation were matched with British-Peking operations in Canada and with British-intelligence drug-running into the United States through the Canadian provinces of Ontario, British Columbia, and the city of Montreal. In this matter, with considerable helpful information supplied to us by several concerned security services, we were able to get directly to the core of the British intelligence operation.

The "Black September" operation, which we have exposed previously, was summarily as follows.

Captured Soviet arms were shipped, in U.S. wrappings, from an airfield depot outside London. They were received in Toronto, Canada, at the premises of a Yemen Airlines office. There, the weapons, destined for "Black September" operations in the United States, were inspected under the supervision of a top British agent, an old British Special Operations Executive operative, whose regular assignment is the interface between U.S. Maoist organizations and Peking. The fact that a U.S. intelligence operative penetrated this aspect of the operation most probably led to the operation being scrapped.

U.S. intelligence penetration of the network was made possible through initial penetration of the Ku Klux Klan (also created by British intelligence in the 19th century, with participation of former Confederate Treasurer Judah Benjamin, a Rothschild agent allied with August Belmont.). This penetrated a joint Maoist-Ku Klux Klan-linked gun and drug-running operation in the Reading, Pennsylvania area. This was a cutout arms depot for explosives and weapons, which supplied various terrorist groups in the U.S., including the Weathermen. (Later investigation of this connection turned up Henry Kissinger's authorization of covert gun-running into Lebanon.)

The Maoist network associated with Ku Klux Klanners in operating the Reading-area arms depot was both a part of the drug-networks of the Institute for Policy Studies, and a Maoist group under the leadership of the same William Hinton who worked closely with Canadian-based British intelligence in his travels to and from Peking, China. Not only did Reading lead to the Black September base in Toronto, but the same British Special Operations Executive agents in charge of the Black September operation were otherwise linked to Reading through William Hinton's Maoist activities.

Although the Institute for Policy Studies' links to British intelligence usually operate under a left-to-liberal denomination (London Institute for Race Relations, Holland's Transnational Institute), the connection to the

Ku Klux Klan in the Reading area is not untypical of the neo-Fabian's rightwing affiliations. Major funding of the now-liquidated CounterSpy-Fifth Estate operation, to which Philip Agee's name is most notoriously associated, came through the Eli Lilly Foundation, which like Milton Friedmann, is usually associated with funding "extreme right-wing" organizations.

Just as EEC Commissioner Roy Jenkins's circles were associated with the creation of the London Institute for Race Relations, so Winston Churchill III is presently a central figure in maintaining British intelligence's "conservative" networks. British "liberal" networks are of major importance, as are British fascist networks. British intelligence comes in all colors of the nominalists' political spectrum in every part of the world.

The importance of this fact is that the British are able to set up what are ostensibly violently antagonistic "right," "left," and "liberal" networks in various nations, and then to abruptly deploy these in coordinated fashion for concerted effect at a point of British intelligence's choosing.

For example, the bulk of the "black nobility" in Italy — the descendants of the "Black Guelphs" of the 14th century — are presently working hand-in-hand with the Italian Maoists, Trotskyists, and terrorists, with the Mafia, and with the networks of Socialist Party figure Riccardo Lombardi, in Henry Kissinger's projected 90-day "Chile Scenario" for Italy.

Except in such cases as the cited "Black September" operation, security services seldom get through the tangle of cross-penetrating cut-outs through which British intelligence deploys its international terrorism.

### Cutting Through the Screen

Although it is unavoidable, indispensable, to attack the terrorist problem as such, no general success can be gained by limiting countermeasures to this level of approach. On that level one is fighting a hydra's many, proliferating tentacles. One might strike the hydra in the vital center, kill it, and then the arms are easily eliminated. The "Old Man of the Mountain," Hassan ibn Saba, (leader of the Ismailis in the late 11th and early 12th century — ed.) were he alive, would have none of the conceptual difficulties which have weakened the effectiveness of most European security agencies to date in dealing with this problem.

It is a slander that Hassan ibn Saba's "Assassins" were indiscriminate killers. On the contrary, the Ismaili assassins were a counterterror force, whose targets were always selected most carefully to eliminate key oppressors of the Middle East populations. For example, the Assassin's unfortunately unsuccessful effort in sending 40 agents to attempt to eliminate Ghenghis Khan. What sort of morality is it which states that nations and persons have no right to efficiently defend themselves against brutal murder of the sort represented by British international terrorism today?

Assassination of a key figure behind terrorism is not recommended of course, except to stop an impending crime which can be stopped in no other way. Such desperate measures need not be required if other, political means are used in time.

I am informed that Gottfried Wilhelm Leibniz (17th

and 18th century German philosopher, mathematician, and Humanist — ed.) understood this correctly.

It is the political measures for stopping terrorism we propose here. Only if the public press creates such a clamor against British responsibility for international terrorism, so that British interests are penalized generally as a result of this scandal, can one create so large a penalty for Lazard Brothers, Barings, N.M. Rothschild, Winston Churchill III, et al., that they will abandon their terrorism as a practice made visibly contrary to their most vital interests.

The essential motive behind British terrorism and environmentalism is identical with British opposition to the Luxembourg market, British slanders against the Dresdner bank, and then the British terrorists' murder of Dresdner's head Jürgen Ponto, British efforts to wreck the U.S. dollar and loot the U.S. economy, British efforts to sabotage Middle East peace, British efforts to ignite a global confrontation around a British-created war in the Horn of Africa, and British efforts, aided by British agents in high positions within the United States, to crush the economies of West Germany and Japan with a hyperinflationary depression.

The British loudly, shamelessly advertise such objectives in the press controlled by the same Barings, Lazards, and Rothschilds who control the Round Table, the Royal Institute for International Affairs, and the London International Institute for Strategic Studies. These ruling British forces, the avowed enemies of the entire human species, shamelessly declare war on the human species, and yet the governments of the nations targeted for victimization profess to be incredulous when we insist that the Royal Institute for International Affairs, the policy-arm of British MI-5 and MI-6, is behind international terrorism and environmentalism. This incredulousness despite the fact that every organization generating those policies for which the terrorists act is a creation of British intelligence networks. They profess to be incredulous even though every known link of the terrorists comes back to a British intelligence network doorstep.

The problem is not that they lack facts, but that they are afraid to face those available facts which lead overwhelmingly to the proper conclusion. Indeed, the British laugh at these governments' failure of nerve on just that point. It is the politicians who block relevant intelligence and security forces from pursuing leads pointing to British intelligence networks. It is fearful politicians who prevent their governments from developing the sort of anti-British counterintelligence capabilities needed to cope with the terrorist problem.

The citizens must give their governments the courage to take the necessary measures, the courage to face the facts so abundantly available.

Let me put it this way. Were I a head of state of any principal European nation, I would clean up the terrorism problem in short order. It is not that means do not exist, but that the combined will and perception to properly employ those means is wanting in the political leadership. I am not without sympathy for the problems of Presidents and Prime Ministers in this connection; fully knowing those problems, at least their nature, I insist that the existence of nations demands a correspond-

ing courage by national leaders.

There are two kinds of facts which are crucial to determining British responsibility for international terrorism from case to case. The first, not conclusive by itself, is "Who benefits?" The second, which is decisive, is "What is the national origin of the state of mind of the terrorist? To what national interest and national philosophical outlook does that state of mind belong?"

For example, the zero-growth ideology is endemic in many nations, but, among developed nations, is characteristic only of the national ideology of Great Britain. This is most conclusive in dealing with organized groups which represent themselves as "leftist."

The Marxian socialist movement among factory workers and their supporters has always been, somewhat like Marx himself, progrowth, protechnological progress. Among Marxists, it was the failure of capitalism to continue the process of technologically advancing expansion of the economy which classically defined the point at which objective ripeness for socialist transformation appears. When the sociology of this view among working people is taken into account, it is impossible for socialist political groups concerned with the interests of working people to "independently" endorse zero-growth ideas, let alone condone violence against technological progress. Among today's "leftists" some alien intervention has occurred.

The zero-growth or Malthusian outlook has a long history, which aids us in rigorously assessing the inner national loyalties of those who espouse it. Its ancient form, continuing to the present day, is what was known during the time of Aristotle as "the Persian model," and otherwise known as the "oligarchical principle." Excepting the oligarchical strata to which this view is endemic, it has never appeared spontaneously among any urbanized section of the population except among lumpenproletarian strata ... *over a period of approximately two and a half thousand years!* Industrialist-capitalist, skilled and semi-skilled workers, and scientific-professional strata are incapable of secreting such oligarchical or zero-growth views as characteristic of their strata.

This policy is associated over two-and-a-half-thousand years with an alliance of landlord-oligarchies with those financier-oligarchies which practice usury rather than productive investment. These oligarchical forces have always based themselves on the most backward rural strata plus the lumpen strata of urbanized regions. Since the accession of the Welfen (Guelph) house to the throne of England, and Welfen alliance with the House of Orange, Holland and England have been the leading national bastions of Welfish or "Malthusian-irrationalist" policy. Continental Europe and the United States have been anti-Malthusian, except to the extent that Anglo-Dutch networks have imposed or insinuated a contrary policy.

In the modern world, any section of urban populations which adopts a Malthusian outlook is ipso facto an agent of Anglo-Dutch ideological influence, whether wittingly or not. Since the British military expedition led by Marlborough at the beginning of the 18th century, and more emphatically since 1815, the British and their Dutch allies have built up deep networks linked to London in every nation of continental Europe in particular.

As the case of the "black nobility" of Italy illustrates, these British networks have coopted the vestiges of the old Welf-allied networks of Europe going back approximately a thousand years in some instances.

It is this feature of British networks which most completely escapes the powers of comprehension of the security agency which seeks to uncover networks it presumes to have been established ex novo during a recent few years or a decade or so. Family traditions and associations, in some cases going back more or less consciously 1,000 years, are the inner aspect of the British intelligence networks. These old families are the hard core of that oligarchy of financial and feudal traditions which is the inner core of British intelligence today. The Welfish monarchies of Britain and Holland are being used as that international oligarchy's present home base, the national royal powers through which the exertion of the oligarchy as a whole are provided a coordinating focus and conduit of national power.

These families are embedded in various institutions of each nation. Despite individual and other defections from the oligarchical traditions among these families, the core which continues to adhere to that oligarchical tradition represents aggregately a large force for Anglo-Dutch corruption in the governments and major private institutions of power in various nations.

Around these families are gathered a secondary layer of plebians. These plebians of the next-to-inner circles include leading intelligence and political families going back a generation or two, certain families with a legal-professional tradition, and so forth and so on. Around these there is an outer layer of agents, trusted, deemed useful, but not really on the "inside." Henry Kissinger is typical of this sort. Around these strata, another layer of agents, and so, down to the pathetically demented individual environmentalist or terrorist.

Apart from the determination of the oligarchy to dominate the world, the larger mass of the oligarchical faction is characterized by personal, heteronomic ambition to rise to the hierarchy. Reality, the consequences of policy for the human species, is not an object of concern. What is of concern is competition to make a reputation for oneself within the oligarchical hierarchy, usually at the expense of some competitor. They are vicious, paranoid sycophants.

Most of the agents of these networks are largely unwitting of the network as a whole. They are corrupted persons, who usually know only that certain contacts and possible contacts have the power to improve or worsen the individual's state of affairs, that such contacts have influence which reaches more or less mysteriously into high places. They sense themselves — usually without knowing — to be part of a mysterious power independent of governments, with an entirely distorted perception of the reality this involves. By step-by-step conditioning of their perceptions, various elements of such networks can be induced to adopt "belief systems" and do deeds at the discretion of the oligarchy as a whole.

Thus, the British intelligence system does not operate in the main on the basis of a standard table of organization. It operates through manipulations, such that the individual down the line is induced to adopt beliefs and perform deeds without being aware of the way in which

this is arranged.

Today, British-networks' control of major portions of the press, of radio and television broadcasting, of mass entertainment, book distribution, foundations which shape the policies of universities, and so forth, are the most essential "Rahmen" of British terrorism. Certain prominent newspapers and magazines do not themselves issue instructions to terrorists in the ordinary sense of instructions, but they do shape the public perception of developments in a manner which is absolutely indispensable to the kind of international terrorism Britain presently deploys.

The development of the form of linguistics associated with Rand Corporation associate Noam Chomsky and related development of controlled schizophrenia at the Tavistock Institute, are an essential part of British international terrorism. These brainwashing methods, proposed by Bertrand Russell during the 1920s, and developed in part by Russell, Karl Korsch and R. Carnap during the 1930s, are the techniques now used for "programming" journalism in the way required to develop the controlled environment of public opinion indispensable to the kind of international terrorism we face today.

The terrorist operation depends upon a predictable response from a major portion of the press and other "communications media." In addition to this, without the buildup of the fraudulent "environmentalist" doctrine by a corrupt press, without press build-up of fascist Maoist and other bandits as "leftist," the present form of international terrorism could not function.

Yet, excepting such chic individuals as Feltrinelli, there is no direct connection between the Baader-Meinhof gang terrorists and the complicit press. The connection exists, if one traces the training of journalists to such locations as the BBC or other parts of the British intelligence network, if one traces the financial connections of certain newspaper and magazines, the pedigrees of certain publishers and editors, and if one also traces the connections leading back to Lazard Brothers in London for the terrorist networks. The corrupt press and the terrorists apparently are not directly connected, except through a common "mother" squatting at the London Round Table.

Not only can such connections be established, but it can be shown that there is a close correlation between orders issued from London and shifts in behavior of both the terrorists and the corrupt media. Both are acting in parallel according to the current "party line" issued from London.

## Clean It Up!

I have had personally approximately 10 years of continuously fighting British international terrorism, beginning with events around New York City in 1968. I had then the advantage of seeing the direct connection among Herbert Marcuse, the Ford Foundation, the Institute for Policy Studies and the systematic creation of the Weatherman terrorists. Over the intervening years, through collaboration with my immediate associates, and later with other forces combatting the same evil, I have a better scientific knowledge of the British mentality than perhaps any other living person, and therefore a better analytical understanding of British international terrorism than anyone outside the inner ranks of British intelligence itself. I know the enemy, how he operates, how he thinks, and how he can be decisively defeated. Vis-a-vis most world leaders, I find them, relative to myself, bumbling amateurs in this matter. I know from much experience what is crucial in detecting and defeating British intelligence operations, including international terrorism. What is crucial is epistemology, *Erkenntnistheorie*. One must evaluate terrorist problems in terms of the way in which the enemy and his dupes think, and one must define countermeasures based on that same knowledge.

You can not defeat terrorism if you tolerate "environmentalism," for one thing. By tolerating "environmentalism" you are not only maintaining the support-in-depth of terrorist operations, but you are refusing to establish the epistemological-political criteria, the political discrediting and containment of "environmentalism," which is indispensable to isolating the British networks behind the terrorists as such. Every time a government makes a compromise with "environmentalism," that government is setting itself up for a new wave of international terrorism, by virtue of the fact that only an anti-environmentalist mobilization of the majority of the population gives governments the political means to contain and root out the terrorists themselves.

If one wishes to stop terrorism, these steps are indispensable: (1) expose British responsibility for international terrorism; (2) ruthlessly oppose environmentalism in favor of nuclear energy-centered, high-technology exports to the developing sector; (3) act in concert to bankrupt the City of London merchant banks, the forces behind terrorism; and (4) root out, with all force required to accomplish that, all international traffic in hard drugs and marijuana, imposing heavy penalties for individual use of marijuana pending the elimination of the general drug problem.

# Yugoslav-Soviet Relations Deteriorate

A sharp increase in anti-Soviet polemics in recent weeks from Yugoslav press and official spokesmen signals a grave deterioration in bilateral relations. Moreover, it contributes dangerously to an international climate forcing the Soviet Union into a hard-line "rejectionist" mode, as evidenced by the virtual deadlock at the Belgrade Conference on European Security and Cooperation this week.

An unidentified Yugoslav political editor interviewed at the conference by the *Baltimore Sun* Feb. 16 welcomed what the *Sun* called an "erosion of cohesion" within the East bloc delegations. Maybe this "erosion" of the bloc mentality has been too rapid for the Soviets to accept, the Yugoslav source admitted.

Coming at a time of considerable instability in Eastern Europe, already a source of great concern to the Soviets, such statements only serve to heighten Soviet paranoia. To the Soviets these remarks signal that circles in the Yugoslav leadership who have favored good relations with the Soviets are being eclipsed by others who verge on a Maoist hysteria towards the "superpowers," and the USSR in particular.

Yugoslav League of Communists (LCY) Presidium Executive Committee member Todo Kurtovic attacked what he called the "revival of Cominformist ideas" in the Soviet Union, Czechoslovakia, and Bulgaria, and called on the Yugoslav press to mobilize worldwide public opinion against it, in a speech printed in the daily *Borba* Jan. 11. "Cominformism," in Yugoslav jargon, refers to Soviet efforts to dictate the policies of other Communist Parties, dating back to the 1948 Cominform attack on Yugoslavia which precipitated the Tito-Stalin split.

Another Presidium Executive Committee member, Dobrivoje Vidic, made the surprising charge that the cause of the Vietnam-Cambodia conflict is "existing tendencies toward hegemony" and the "theory of limited sovereignty," in *Borba* Jan. 13. The implication is that Vietnam — a Soviet ally — is responsible for the conflict.

## *Struggling Against 'Superpower Technology'*

The episode of the Soviet Cosmos-954 satellite triggered a flood of "antisuperpower" hysteria in the Yugoslav press, which perceived a plot by the U.S. and USSR to keep the rest of the world in the dark about the "dangers" of high technology. The daily *Politika* commented Feb. 5 that the "two superpowers do not want to ponder much over what is involved here, even less to inform us better about this. Believe it or not — they like to protect one another in certain of their secret activities...they have suddenly begun, according to some strange 'gentlemen's agreement,' to sympathize and to

defend each other....The competition over who will be a greater gentleman in the 'nuclear club' defies the law of logic..."

The paper *Ljubljana Delo* satirized the superpowers' alleged response: "Citizens of the world, disperse peacefully. Do not be too curious and do not be frightened. Everything is under control...."

## *'Deflecting the Needle'*

That this rhetoric has had an impact is clear from Yugoslavia's foreign trade statistics for 1977, which showed an unexpected decline in exchanges with the Council for Mutual Economic Assistance (Comecon) countries over the previous year, whereas trade with the western countries and the developing sector rose. Exports to the Comecon nations fell 6 percent, leading Radio Free Europe to suggest Feb. 2 that "some sort of political magnet is perhaps deflecting the needle."

Yugoslavia has been conducting intense negotiations with the European Economic Community in an effort to improve its economic situation with Western Europe, but continuing difficulties have blocked progress. *Borba* reported Jan. 26 that the present situation is "intolerable" due to Yugoslavia's \$2.5 billion foreign trade deficit with the EEC: "Representatives of this community, too, know this but the necessary measures to solve the existing problems are not being taken. Quite a few statements have been made to the effect that the economic exchange must be adjusted in our favor, but when the time comes to do something concrete, then difficulties appear." Yugoslav negotiator Janko Smole called the EEC's proposal unacceptable, since it merely calls for Yugoslavia to wait until an overall restructuring of the funds of the European Economic Bank is completed.

## Yugoslavia Brings The 'Skinner Box' Into The Factory

Since the beginning of 1978, the Yugoslav economy has undergone radical changes in its system of determining workers' wages. The present plan — a "Yugo-box" version of B.F. Skinner's "token economy" methods of rewarding desired behavior — is a vicious assault on what remains of rational economic deliberation in Yugoslavia, and on the cognitive powers of the country's labor force.

The new system abolishes fixed salaries and institutes a complex "brownie-point" system which varies from

factory to factory. Every workers council, or Basic Organization of Associated Labor (BOAL), determines its own criteria for payments, such as working conditions, worker qualification, seniority, responsibility, experience, quantity, and quality of labor. An "internal commission," composed of members of the BOAL, meets with an "external commission" of local government officials to determine the number of points each worker receives.

Official pronouncements on the new plan hail it as the realization of "democratic self-managing pluralism of interests" and "liberating self-management." Yet, particularly in the context of the increasing decentralization of Yugoslavia's economy, the result will be to institutionalize heteronomy and incompetence.

In an article worthy of publication by the 19th century British Fabian Society, a member of the Central Committee of the Yugoslav Presidency, Mika Spiljak, discussed the new system in the Serbian weekly *Nin* Dec. 11, 1977: "Each BOAL must find its own criteria, its own elements...if an ideal system is sought, it will not be found...." He rejected any centrally formulated criteria for determining wages: "A shoe factory needs its own system of criteria, a hat factory another, while a ship-building factory yet another, and so forth...." He advanced the "revolutionary conception" that there are "no ready solutions," but criteria which develop spontaneously, "in the actual process of working them out."

#### *British Overtones*

The "Yugo-box" program is a concrete example of the new "self-managing pluralism" advocated by Vice-President Edward Kardelj, and published as a political platform for the upcoming 11th Party Congress under the title *Directions for Development of the Political System of Socialist Self-Management*. Kardelj is the original theoretician of the decentralized "Yugoslav road to socialism." According to inside sources, whenever Kardelj is in London he stays with Sir Fitzroy Maclean, a top British intelligence operative in Yugoslavia during World War II.

The entirety of Yugoslav postwar economic thought has been shaped under British influence. A generation of the country's economists were trained by the Belgrade Institute for International Politics and Economics, whose former director, Leo Mates, is a member of the semi-official London International Institute for Strategic

Studies, the leading conduit for British intelligence policies.

The brownie-point system itself is similar to schemes introduced to the coal mines of Britain and the United States by Dr. Eric Trist, formerly of the Tavistock Institute in London, to involve workers in maintaining high levels of speedup to compensate for a lack of capital investment.

#### *Gimmickry in Chaos*

It is precisely Yugoslavia's severe economic difficulties that have led even well-meaning economists and officials to consider gimmicks like the brownie-point system. With a half-billion dollars in foreign debt due in 1978, unemployment as high as 25 percent in areas like Macedonia, and continuing difficulties with its foreign balance of payments, the country has found it increasingly difficult to devise a workable plan for capital-intensive growth and development. This has led some officials to blame "lazy workers" for the low productivity of labor — such as Mika Spiljak, in the article cited above, who called the old fixed salary system "an Eldorado for bad workers...no longer do we ask if someone is black or white, a nice guy or not, but whether he works or not. Now we can fight laziness, the lazy ones, and unwillingness to work." This twisted caricature of the Yugoslav worker as a "lazy Balkan" is a *British* colonialist conception of the "native" who must be patted on the head and rewarded for his every effort!

Under the new system, the very foundation of professional and skilled competence will be undermined, since workers' educational background will no longer automatically signify a higher pay rate. In the past, a worker or employee could expect a salary commensurate with his or her educational status. Now decision-making will be "democratically" placed in the hands of those who lack an understanding of the economy as a whole and its relationship to world economic and political processes, and are thus incompetent to make effective judgments.

Underlying this is a thinly veiled plan to triage the state-supported educational system, which was advocated last year by Finance Minister Dr. Boris Sefer, who suggested that Yugoslavia has "too many universities."

— Mira Petrovic

## How Cuccia Created Italy's Anarchists

Giulio Andreotti's months-long effort to form a new government in Italy has been characterized by numerous instances of public and private sabotage, political maneuvers, and counter-maneuvers. As much a part of that sabotage has been an unprecedented wave of terrorist violence, anarchy, and chaos in the streets of Italian cities.

There has been nothing "spontaneous" in any of this, just as there has been nothing spontaneous in the

emergence of the youthful anarchist organization, "Autonomia Operaia" ("Workers' Autonomy"), which is at the center of the terror.

Since 1972, the Autonomi have been created and expanded by British intelligence networks and financial networks, to function as just such a destabilizing force "on call" in Italy. In that sense, the number one "autonomo" is Enrico Cuccia, the head of Mediobanca and the personal agent of Eugene Meyer's London-based

banking group, called Lazard Brothers in England, Lazard Freres in the U.S., and LF, Inc. in France. Cuccia is the financial and "black operations" administrator of the British-owned intelligence networks that created the Autonomi.

In what follows, we shall identify and describe this "black operations" machinery on three levels.

First, Umberto Eco, the archetype of the sociologist, linguist, and similar species of academic-celebrity intelligence operatives who manufactured the "autonomi" anarchists, and now explain them as a "legitimate sociological phenomenon."

Second, Carlo Ripa di Meana, the *eminence grise* of Italian journalism, who ensured sufficient press coverage, in the right doses, at the right time, of an appropriate lying character, to provide the Autonomi with recognition and the appearance of radical political legitimacy.

Finally, the gutter-scum Marco Sigiani, a kind of Italian Leroi Jones. Sigiani is the street organizer and on-the-spot theoretician for the gaggles of teenage autonomi potheads whom he deploys for Cuccia, for the interests of what must be characterized as a foreign power.

## Cuccia's Eco

The scenario for the Autonomi may have been drawn up in London. But the "belief structure" imposed on the mass of youth from which the Autonomi were distilled, originated in Italy — more precisely, in Bologna. The man responsible was one Umberto Eco, one of the nation's more celebrated academic careerists, with a "radical" image proximate to that of Herbert Marcuse in the United States.

Umberto Eco, for purposes of formal identification, is the chairman of the Department of Music, Art, and Drama ("Spectacles") at the University of Bologna. But privately, in his own imagination, Eco is the Italian Sydney Webb, overcome with the prospect of manipulating the masses. Eco imported and popularized the theory of "linguistics" in Italy, and is famous primarily because he is Italy's foremost "linguist." One must first understand "linguistics" to understand the Autonomi.

There is no legitimate scientific field called "linguistics." Linguistics as it is associated with Noam Chomsky of the Massachusetts Institute of Technology, the Institute for Policy Studies, and the Rand Corporation, is based on models of grammatical structures which allegedly simulate belief structures of actual people — that is, a reality-belief "transform" formula that is absurd from the standpoint of human development and the development of human language. Chomskyan models impute a "deep logic" to human mental life, utterly false, yet applicable for the case of a mind from which everything has been abstracted but neuroses, as in brainwashing. The Chomsky model gives "linguistic structure" as a map for the assumed formal-neurotic belief structure of the victim, permitting new logically derivable beliefs to be grafted onto the neurotic prejudices and beliefs of the victim of such linguistics applications of intelligence agencies.

Eco introduced and propagandized Chomskyan belief structure doctrine through his "63 Group" (1963) of structural sociologists and other idiot-academic celebrities. He used such linguistics to proffer the radical belief structure which emerged with Italy's extraparliamentary, agent-led New Left in the following period. Eco likewise became promo man for the British crown's Rolling Stones and Brigitte Bardot contributions to Italian cultural life. All such features of "linguistics" were brought to bear in the synthetic belief structure given to the new creation of the 1970s, *Autonomia Operaia*.

For some time, Eco has authored a regular column in the weekly *L'Espresso*. Apart from explaining terrorism and anarchism as "legitimate sociological phenomena," his writings range over a broad field, reflecting his belief that he who controls what is "fashionable" — in dress, art, music, everything — controls the nation by controlling the fantasies and ego-ideals of the population.

In the 1960s, Eco was the editor of a journal, *Quadrici*, whose object was to make the New Left protest movement's agent-leaders fashionable. Among other activities for which he is known was an unsuccessful 1968 effort to create a cross-party coalition led by Communist Pietro Ingrao, the Christian Democrat Donat-Catin, and the Socialist Riccardo Lombardi. It was to be called the "Instantaneous Party," and its program was to be zero economic growth and local community control — the typical pro-London "Center-Left" configuration with a typically "Fabian" fascist program.

But his biggest project has been the Autonomi, who, like so much else that is degraded in what is "fashionable" in Italy today, originated in Eco's lecture hall at Bologna University. There the famous professor addresses a thousand students at a time, on "language" — and "communication" — the "key to social change."

Out of these classes, factions of protégés dedicated to spreading his ideas emerged and deployed into the promotion of what Marshall McLuhan would call "media." They began publishing journals in incredible variety, organizing street theater, film, or such old-fashioned forms of "tactile communication" as orgies.

In the words of one of *Autonomia Operaia's* leaders, Bifo Berardi, the object of the Autonomi tendencies spun out of Bologna University was to use language "to paint red the shape of life, to transform the color of the metropolis and the language of all relations in order to make unbearable capitalist slavery." The movement was designed to fight for "human rights" like...the right to oversleep.

The movement that emerged from Eco's lecture hall in the early 1970s sought to create a "new language," as Berardi explained in an interview. They sought "a new model of communication" which included wall-writing, guerrilla theater, and the many journals — for instance, *Foemenix*, published by the "Organized Union of Satanic Vampires" — which fill their pages with "poetry" written in the style that one who has studied the deleterious mental effects of heavy drug use will readily recognize. Also included in this proliferation of "communications media" was a proliferation of "free" or "pirate" radio stations. The most prominent of them today is "Radio Alice"; it is run by Eco's creature Bifo Berardi.

Radio Alice styles itself an “underground resistance” station, broadcasting reports, communiqués, and marching orders to Italy’s youthful “resistance fighters” whenever a terrorist act or other notable incident occurs. This gives some insight into the fantastic details of the “belief structure” Eco developed for the Autonomi. They are not psychotic lumpenized anarchists in modern democratic Italy — they are the reborn partisans of the 1940s, fighting against a new Nazi occupation army. They are courageous and romantic “guerrilla fighters.”

Maintaining and deepening such fantasy is the job of “pirate” or “free” radio stations such as Umberto Eco and his protégés created. And all Radio Alice broadcasts invariably reflect the latest prescriptions for propaganda and “communication” given in Umberto Eco’s lecture room.

#### ALSA Studio

In the early period of the 1970s, a kind of coordinating agency for the spread of such “media” by Eco’s creatures already existed in what is called the ALSA Studio, Inc. Created in 1968, this institution was to provide the main impetus to the spread of the counter-culture throughout Italy. It became a meeting place for each of the types of agent-professionals required for such a project as the Autonomi. Associated with Eco and his protégés through ALSA, for example, have been Carlo Ripa di Meana; Felice Accame and Marco Pannella, leading Radical Party advocates of drug proliferation and polymorphous perversity; and Marco Sigiani, field agent and cofounder of *Autonomia Operaia*.

At the time of ALSA’s founding, the so-called Situationist International, a British intelligence project originally based in Paris, was the vanguard of anarchism and counterculture in Italy. Its leader was Gianfranco Sanguinetti, of the noble Sanguinetti British intelligence family, and a close friend of Enrico Cuccia’s own mentor, Banca Commerciale chief Mattioli. Sanguinetti is an associate of Eco, of Accame and Pannella, of Carlo Ripa di Meana, and even the lowly Marco Sigiani.

Not coincidentally, the first thing that the ALSA Studio did was to publish a book, and then another book, on Sanguinetti’s “Situationist International.” The books, like that alleged organization itself, were mere pretexts for popularizing the Situationists’ Chomsky-Eco counter-cultural belief-structure, which was to be imposed on radical youth generally.

The quality of political world-view being imposed would have been evident to any unsuspecting tourist who happened to walk through the Piazza Duomo in the center of Milan, on some pleasant afternoon in the summer of 1968. There could be seen a small gaggle of “Situationist” theatrical guerrillas exhibiting on placards their protest against the United States’ Southeast Asian war: “Bourgeois! Tonight You Will Have a Nice Supper of Roast Vietnamese Baby!” This is a small sample of the “language” which “transforms all relations” to make “capitalist slavery unbearable.”

It was the same blood-curdling schizophrenia transmuted from “politics” to “art and culture” that the ALSA Studio sent flooding out through Italian media. ALSA produced a series of television ads for children

with an accent on “super-violence.” It produced a pornographic version of Snow White and the Seven Dwarfs, and other such animated cartoonery.

It is responsible for the meteoric rise of Paola Pitagora, who starred as the archetypical “madonna”, in a 1972 television series based on the 19th century novel, *The Betrothed*, which had an impact in Italy comparable to the “Roots” series in the United States. Immediately afterwards, Paola posed for pornographic pictures featured on front pages throughout Italy — something whose significance can only be appreciated in terms of the “madonna-whore” complex characteristic of the Italian cultural profile. ALSA created, more recently, Franco Battiato, Italy’s first “ecological singer,” and the Area rock-and-roll group with what it accurately called “mind-destroying” rhythms.

And then came drugs. The ALSA Studio sponsored publication of *Il Re Nudo* (The King With No Clothes), whose sole theme is to popularize, legitimize, and spread the use of “mind-destroying” drugs. Reportedly, it was Marco Sigiani, in the context of the 1967-68 student upsurges, who recommended to Eco the selection of Andrea Valcarenghi, son of a Communist Party functionary, as the man to become the drug-proliferation celebrity of Italy. In any case, Valcarenghi was arrested for drug use during a 1968 student demonstration, spent time in prison, and upon release was turned over to the ALSA Studio, where in 1972, he took over the editorship of *Il Re Nudo*. *Il Re Nudo* has since organized contests for drugs, concerts for drugs, festivals for drugs, and has been so successful in pushing and dealing to the nation in this way that parts of even the pro-drug “ultraleft” have accused ALSA and *Il Re Nudo* of being “exploiters.”

To legitimize the spreading “counterculture,” the respectable media had to be employed, and for this, we turn from Eco to another Cuccia creature.

#### Ripa di Meana

“Count” Carlo Ripa di Meana — Ripa for short — is widely respected as a senior newsman and symbol of “culture” in Italy. A writer, a reporter, a publisher, he is linked to the Einaudi Foundation, of the Einaudi British intelligence family. He is a member of the Italian Socialist Party, of the faction led by Allen Dulles’s old Action Party head, Cuccia’s Ricardo Lombardi. He maintains the so-called Turati Circle, a Lombardi-Socialist Party think tank. He publishes or has published several literary and sociological reviews featuring linguistics and structural sociology, including the latest works of the London Tavistock Institute. And he is known to numerous prominent publishers, advising them on what might best be published about the Autonomi, for example.

Ripa has private talks with Agnelli and his editors at *La Stampa*, with Prince Caracciolo and his editors at *L’Espresso*. He also often meets with one of the committee of sponsors of *L’Espresso*, Adolfo Tino, another old Action Party man whose more important job currently is as president of Cuccia’s Mediobanca. Perhaps Ripa meets with Cuccia himself, for Ripa, like Eco who authors a column in *L’Espresso*, has a great deal to do with just what kind of false portrait is

presented to the public of autonomi and related terrorist violence.

Ripa di Meana is best known as the director of the culture festival, the Venice Biennial, which is in turn best known for the way the festival was used in 1976 to blow up a détente-oriented foreign policy of the new Andreotti government by focusing on the objets d'arts of Soviet "dissidents."

Ripa was qualified to use the festival in this way because, until 1956, he had himself been a Communist, in the sense that Giorgio Amendola of the British intelligence Amendola family is today a Communist — a British agent in the Italian Communist Party. Ripa functioned as an official of the International Student Union. He was even the editor of the *Young Communist*. He was actually a contact-man for Anglo-American intelligence networks in the Soviet Union and, in particular, Czechoslovakia. In 1956-57, around the events in Hungary, he left the party, at the same time that many agents, including Antonio Giolitti, also left. Giolitti is today a Ripa di Meana associate in the Socialist Party's Lombardi faction. Ripa's old connections to Czech and other "dissidents" reappear from time to time in the form of "dissident" books smuggled into the West with his help, and so forth. And those connections reappeared in 1976 at the Biennial Fair in Venice.

Ripa recently authored a book, *The Audiovisual Government*, in which he credits himself with a significant role in the fall of the first Andreotti government in 1973. This involved a mass agitation that he developed around the long-time state radio-television monopoly RAI-TV. That monopoly prevented numerous independent stations from coming into being, and therefore prevented the counterculture filth which British intelligence was designing from receiving a wide airing.

So Ripa launched a campaign to change all that, and with the help of motions and censures against the Andreotti government by Ugo La Malfa in parliament, he did. The government monopoly of RAI-TV, and RAI-TV's monopoly of Italian television, was broken. Numerous "free" stations now proliferate, and ALSA's trash may be seen and heard daily by everyone everywhere.

Thus among the projects of Umberto Eco for which Ripa's agitation cleared the way was the scheme for the proliferation of "pirate" radio and television stations, like Radio Alice.

Among Ripa di Meana's own projects, with Giolitti and others, was a campaign for the radical goal of a "technocratic" society. Ripa was among the first to propose the theory of the "managerial revolution" which was popularized in the United States by ex-Trotskyists James Burnham and *National Review* editor, William "F. for Fabian" Buckley. Not evil, exploiting "capitalist owners," but "technocrats," "managers," should run the economy — for instance, Gianni Agnelli, Eugenio Cefis, and other Cuccia allies and satraps.

Interestingly, this "theory of a managerial revolution" was one of the first political positions adopted by a cofounder and current leader of *Autonomia Operaia*, Marco Sigiani. However otherwise illiterate, today's Autonomi love "technocrats."

## Sigiani

With Marco Sigiani, we have followed Cuccia's black operations apparatus from the heights down into the street. Marco Sigiani was a Situationist, a protégé of Sanguinetti. His spiritual inspiration was Umberto Eco. One of his funders is undoubtedly Count Carlo Ripa di Meana. Sigiani has known them all — he is the flunky that carries out their ideas.

The information on Sigiani in the possession of the European Labor Party is all direct, prima facie evidence. We know in the most direct and certain way what Marco Sigiani is.

Today, Marco Sigiani is the head of Gruppo Index, a "thinktank" operated by the proterrorist Lombardi-Craxi wing of the Italian Socialist Party in Milan. He cofounded *Autonomia Operaia*, and from this current position he still helps deploy it.

Sigiani, in the late 1960s, was an activist in Sanguinetti's Situationists, and a gad-fly about the rest of the extra-parliamentary "left." He presented himself to people as a haughty technocratic intellectual, and was known to lie about his father's southern Italian origins.

There was always one theme in Marco Sigiani's general agitation from the start. This was anarchist "action" politics, for which he always had the most elaborate and obtuse "theories" at his fingertips. By 1972, Sigiani was the leader of a small group of activists in Milan, which was devoted to Ripa di Meana's "managerial revolution." Our task, Sigiani told his followers, is to convince Agnelli of Fiat, Pirelli of the rubber industry, and Olivetti of business machines that they must takeover to create a technocratic-scientific capitalism, which can reduce the world to "perfect" controllability.

In that year, however, British intelligence put its international networks through a reorientation, in line with general Anglo-American redeployments, for a massive zero population growth and zero economic growth campaign. In that year, after a research project funded by Aurelio Peccei's Club of Rome, Jay Forrester at the Massachusetts Institute for Technology ordered his computer to prove that there were *Limits to Growth*. The publication of that pamphlet was the signal for reorganization.

Italy's "New Left" movement had undergone several phases by this time — student upsurges and organizing in the mid-1960s mutated from pure Maoism to a "workerist" phase in 1968, and most of the groups which emerged to the "left" of the huge Communist Party were given known police agents as leaders. The heyday of this phase was in 1969, when the working class exploded in mass strikes affecting all layers and industries. The "workerist" groups — especially *Potere Operaio* — attracted, and prominently displayed, some of the more backward workers, particularly the low-skill immigrants of southern Italian origin. Among their leaders, in addition to Bifo Berardi, were a number of agents who left the Communist Party in 1968, including Mario Tronti, Sergio Bologna, and Alberto Asor Rosa, all of whom are today prominent "intellectual" apologists and sup-

porters of the "Red Brigade" terrorists and the Autonomi. As the 1969 strike waves ebbed the students grew demoralized, the few workers who had been attracted to Potere Operaio and other groups left in disgust, and the agents were redeployed as the sects fell apart. By the early 1970s Potere Operaio dropped almost all claims to "leftism" and campaigned openly for street violence around the slogans "less work — more pay." PO's celebrities soon afterwards were found taking leadership in the suddenly burgeoning counterculture movement, inclusive of a proliferation of tiny "constituency" radicalisms — feminists, homosexuals, potheads, mental patients, etc. It was in this period that Bifo Berardi, Sigiani and others entered into their relationship with Umberto Eco.

#### *A New New Left*

In 1972, the identifiable point of an international shift in Anglo-American intelligence orientations, this variegated assortment of agent-controlled counterculture radicalisms was given a common basic program — zero population growth and other versions of adamant opposition to technologically vectored social and economic development.

Sigiani put his troops in line, but confided to them that the Orwellian goal had not changed. Zero growth, he told his followers, was a stratagem to the same objective of putting what he called the Technocratic International in power. Who was this Technocratic International? It included Antonio Giolitti and Carlo Ripa di Meana. It included Guido Carli. It also included Gianni Agnelli, Pirelli, and Olivetti — all of Cuccia's friends, in fact. It also included Aurelio Peccei and the royal Dutch hireling

Sicco Mansholt, former EEC Commission head.

The industrial capitalists, Sigiani explained, are "prehistoric." They were not interested in control, only in production, which pollutes the world. Their capitalism could not be controlled. They must be replaced.

Sigiani's group, behind these ideas, intervened into a 1972 sit-in by radicals at the Brion-Vega plant in Milan. In the lead of this action was an already existent anarchist group, Libertarian Action, which dubbed itself "Bakuninist." His group and theirs merged under that name, and oriented themselves toward organizing the "youth proletariat," that is, those self-lumpenizing elements of high school and other youth who were undergoing a rapid mental and moral deterioration, thanks to the intersection of the collapse of the society around them and their exposure to "counterculture."

For several years, there was such "organizing." In the late summer of 1976, Marco convened a meeting of his followers to explain something politically important to them. He rose and dramatically informed them: "Communism can only be anarchist, and anarchism can only be communist." He proved his point with a great show of erudition, featuring a quotation from Pannekoek, who was, appropriately, a British agent infiltrator into the Comintern during the 1920s. At another meeting not long after, "Libertarian Action" was attacked by Sigiani as not the proper name for an organization soon to grow much larger. He changed the organization's name to *Autonomia Operaia*. About one year later, "Autonomous Collectives" on Sigiani's model came to Bologna from every part of Italy to protest nuclear energy.

*—Prepared by the Security Division  
of the European Labor Party*

# Will The Soviets Fall For U.S.-Chinese Deception?

The American and British press playup of an eight-year-old charge against the Soviet Union alleging Soviet intent to bomb China in 1969, and a series of American hints that the U.S. may be tilting ever farther toward Peking, seem designed to heighten Sino-Soviet hostilities and to ensure that East and Southeast Asia become a

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## CHINA

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Pandora's box of potential conflict between the two powers. The ever less thinly disguised threat of an anti-Soviet London-Washington-Peking axis is designed to provoke a Soviet "hardline" posture that plots all events in Asia on a "Chinese map," to the exclusion of the real potential for Soviet countermoves toward economic development in the region. China is obliging Western designs by rapidly moving into the region diplomatically, with approval from Washington and London.

Within a month or so, Chinese officials will have crisscrossed South and Southeast Asia, in a radical departure from recent Chinese practice. Chinese Vice-Premier Teng Hsiao-ping visited Burma and Nepal in late January and early February. Chou En-lai's widow Teng Ying-Chou visited Cambodia in early January in a show of support for Cambodia against Vietnam. A visit to the Philippines and Bangladesh was recently announced for Vice-Premier Li Hsien-nien. And Wang Ping-nan, a top associate of the late Chou En-lai, will visit all three major nations of the subcontinent, Pakistan, India, and Bangladesh, in the near future. China has already made several overtures to India, including holding out the prospect of substantial Chinese imports of Indian technology.

China's biggest coup to date was the Feb. 21 signing of a \$20-billion-dollar eight-year trade pact with Japan. China will receive steel mills large enough to increase China's overall steel output by 25 percent, and a large number of other complete factories, in exchange for oil and coking coal for Japan. The deal is also viewed in many circles as a prelude to the conclusion of the long-stalled Japan-China peace treaty, officially ending World War II and putting Sino-Japanese relations on a new level.

### *Kudos from the West*

The new outward thrust of the People's Republic of China has been hailed in certain circles in the West,

particularly in London and Washington, as evidence of a new era of political stability in China following the death of Mao Tse-tung in 1976. In the eyes of these Western Sinophiles, China is proving itself a more "reliable" partner, willing now to accept Western economic aid and available as a "moderating influence" in the region.

More to the point, China can now function as an effective bulwark against the Soviet Union in the region.

Encouragement for the Chinese moves into Asia is evident in Washington. A top official of the National Security Council approvingly described Teng Hsiao-ping's recent excursion as an attempt "to fill the void in the wake of what the Chinese perceive to be a diminished U.S. role in the region." This view is the one first introduced into U.S. policy considerations by former Secretary of State Henry Kissinger, and has pervaded the Sinophile ranks in Washington ever since. According to this policy, the U.S. withdrawal from South Vietnam was to be linked with "granting" the Chinese a sphere of influence in Southeast Asia, including North Vietnam, to block Soviet influence. It was foiled at that time primarily by the total collapse of South Vietnam's puppet regime in 1975, and by North Vietnam's uncompromising support for the USSR.

### *Manipulating the Sino-Soviet Conflict*

The huge press coverage given to former Nixon aide H.R. Haldeman's tired repetition of a charge that in 1969 the Soviet Union proposed launching a joint U.S.-Soviet attack on China, or at least asked U.S. permission to launch a "surgical strike" against Chinese nuclear installations, appears to be an attempt to repeat the aims of Kissinger's original actions at that time. The Kissingerian scenario on this account is a classic double deception, in which the U.S. makes the Soviets fear a U.S.-Chinese military alliance while making the Chinese believe that the Soviets really do intend a nuclear attack. The goal is heightened tensions between the Soviets and China, and the undermining of any factions in China or Russia that seek detente, while the U.S. picks up all the chips.

*Washington Post* columnist Victor Zorza, in a Feb. 23 column, presented what is very likely the real story that refutes the Haldeman interpretation. According to Zorza, what the Soviets actually proposed to the United States was an agreement on joint action against any third nuclear power which might threaten either nation. In the event either Washington or Moscow should learn of plans for "provocative" action or attack, they would take steps to block that action, or jointly retaliate if hostile

actions had already occurred. Far from being a desire for a preemptive strike against China, says Zorza, the Soviet proposal was in the context of SALT negotiations and stemmed from genuine Soviet fears of reckless Chinese actions in the wake of the Cultural Revolution, and the Chinese-provoked battles on the Ussuri River.

At the same time, says Zorza, the Soviets used several means to give the public appearance of threatening to attack China. This was designed to force China to negotiate the border dispute short of war, and it worked to this end, forcing Chou En-lai to invite Kosygin to Peking for brief but productive talks that resolved the second series of border confrontations in Sinkiang province.

However, Henry Kissinger succeeded in turning the Soviet good faith offer to his own aims, by publicly signaling the rejection of the nonexistent Soviet "offer" to bomb China. This undoubtedly infuriated the Soviets, but more importantly, as Zorza suggests, endeared Kissinger to the Chinese, paving the way for his later mission opening up relations in 1971. Another Kissinger "calling card" at the time was the widely known provision by Kissinger to the Chinese of U.S. intelligence on Soviet deployments, including reconnaissance photos of Soviet border forces.

Zorza suggests that the Haldeman revelations at this time are designed to undermine, again, what Zorza believes to be considerable factional impetus within China for reaching an understanding with the Soviet Union. That something of this sort may be true is further suggested by the vehemence and speed of Soviet rejection of the type of charge they usually prefer to ignore. The evidence that a pro-Soviet faction was undermined between 1969 and 1971 by the Kissinger moves is suggestive. It is known that Lin Piao, Mao's designated successor, opposed the U.S. turn.

#### *The Problem of Soviet Policy Toward Peking*

The Soviet Union's continued susceptibility to games of this sort is defined by Soviet policy-makers' inability to penetrate the deception operation and take the bold steps on their own part which would outflank both Chinese maneuvers and U.S. manipulations. Instead, the Soviets

see every development, such as the Japan-China trade deal, as a Western effort mediated through Japan to build up Chinese military capability against the Soviet Union. The Soviets, according to certain U.S. intelligence community sources, reacted with extreme displeasure to news of the Japanese deal, despite Soviet knowledge that the deal was not directed against them and that the leading Japanese forces behind it are strongly for close economic cooperation with Moscow as well.

This recrudescence of a profiled "hardline" stance undermines the Soviet leadership's ability to outflank actual Western efforts at encirclement.

For example, Japanese assistance to Chinese industry represents critical business for the economically strapped Japanese industrial sector. It also furthers Chinese industrialization, the only long-term antidote to the source of ingrained irrationality in China, its peasant masses.

A very effective strategy for the Soviets would be to encourage large-scale development and trade pacts throughout the region, centered on joint Japanese-Indian-Soviet (and American, under appropriate circumstances) industrialization of the Indian subcontinent and the nations of the ASEAN bloc. China would find itself encircled by a belt of sanity, and its attempted diplomatic deployments in the region would come to nought unless it scrapped its current war and deindustrialization orientation.

Until that Soviet awakening occurs, the U.S. and British cold warriors will have a field day. Soviet-hater Scoop Jackson has just returned from a warm visit to Peking with the proposal that Schlesinger's Energy Department immediately move to begin supplying China large amounts of energy extraction technology. This is calculated to excite every Soviet paranoid fear. The recent statements of U.S. Defense Secretary Harold Brown on the maintenance of a U.S. military posture in the Pacific, with increased Japanese effort, will likewise increase Soviet worries on that question.

— Peter Rush and Dan Sneider

## New Wave Hits At British Hornets Nest

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### INDIA

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*India's national newsweekly New Wave followed up its earlier exposé on the British intelligence networks in India with an article entitled "UK spy network hots up African Horn" in its Feb. 12 issue. The following are excerpts from that article.*

The British government, with its world-wide intelligence and agents-of-influence network, has launched a global black propaganda to resurrect cold war atmosphere, foment trouble among developing countries

and obstruct detente in Europe and elsewhere.

The *New Wave* exposure of how MI 5 and MI 6 sought to destroy the renewed efforts to put state to state India-US relations on an even keel has rattled British agents operating in this country....

The British-linked Anand Marg, whose terroristic activities were not without encouragement from CIA has responded to *New Wave* exposure by blaming the Indian intelligence and KGB for sabotage on the railways and some strategic power installations. To cover up its own involvement in Anand Marg terrorism, the Scotland Yard made a phony search of the Anand Marg hostel in Birmingham.

Faced with repeated exposure of its secret activities in

Europe, North America, Africa and Asia, the British government leaked out the news that the British Foreign office based secret organization called Information and Research Department (IRD) was dissolved last May because of its close links with conservative politicians and right wing newspapers....

The IRD was but a small unit of the Imperial Secret Services called MI 5 and MI 6 which have planted agents in the political administrative, financial and policy making outfits of a number of European, North American, African and Asian countries. The most influential British agents of influence are in the United States, West Germany and some of the erstwhile, African and Asian British colonies and semi-colonies including China....

The major policy objective of the British government is to create a confrontation between the Soviet Union and USA. A section of the CIA which operates in collaboration with the British secret services is equally active in this nefarious game. Former US Secretary of State Kissinger and his protege Brzezinski, head of the US National Security Council, are actively conniving with the British in creating confrontation-like situations.

The British press, notorious for intelligence guided black propaganda, is spewing out cock and bull stories about the so-called "red menace" in the Horn of Africa while the Brzezinski-Kissinger gang is spreading stories about the "reds on the threshold" of power in Western Europe. The stepping up of terror campaign in Italy and Portugal and Carter's intervention in France and Italy are part of the Kissinger-British scenario for the world in the closing years of the present decade.

#### *TV Scare Mongering*

The outlines of this deliberately provoked global destabilization strategy were discussed by Kissinger in a highly publicised 90-minute special NBC television show in the middle of January.

Faced with the collapse of the strategy to destroy Ethiopia by furiously arming Somalia, efforts are being made to goad President Carter to take action in the African Horn.

Following Kissinger's cold war outcry, James Reston in *New York Times* issued a call for US military intervention....

*New Wave also published in its Feb. 12 issue an article on the roots of British anti-Soviet propaganda, which is excerpted below. The article, entitled "Britain's Propaganda Mill" was written in London by V. Ovchinnikov, a Soviet journalist.*

When you live in London, read local newspapers and watch telecasts daily, you are amazed, at how massive is the torrent of anti-Sovietism brought down upon the British man in the street through the channels of mass media and, secondly, at how thoroughly this continuous flow of anti-Soviet campaign is coordinated, at how accurately each of them is arranged for a certain moment....

#### *Exposure*

It is but rarely that a drive for sensations sheds light at the top of the iceberg whose larger part is hidden, as before, from the eyes of outsiders.

This was the case nowadays, when *The Guardian* and *The Observer* lifted the veil off the secret a little.

It transpired that throughout the thirty post-war years not only had anti-Soviet and anti-communist propaganda in the British Isles been planned and coordinated from a single centre, but also that its considerable proportion had been subsidised from the secret funds of the exchequer.

Even in the early post-war years, *The Guardian* said, the Attlee government decided to launch a propaganda offensive against the USSR....

As proposed by the then Under Secretary of State for Foreign Affairs Christopher Mayhew, a secret section of the British Foreign Office referred to as the Information research department (IRD) was established in January 1948 for guiding the propaganda offensive against the Soviet Union.

#### *Secret Funds*

The department, *The Guardian* says, did everything to conceal its actual role in the dissemination of propaganda even from its own clientele; its entire activities over the thirty post-war years were financed from the secret funds and remained unknown to Parliament and the government....

Apart from the publication of anti-Soviet and anti-communist literature, the IRD provided many leading journalists who write on international affairs, particularly so-called Sovietologists, with special material for propaganda use. As the official function of the IRD was to compile reference material for the British embassies and missions abroad, the department forwarded its literature to a select group of British journalists. This was done on a personal, confidential basis, so to speak, by sending the materials to the journalists' home addresses. The latter were not permitted to disclose the source of information obtained in this way.

According to *The Observer*, the department's material presented, as a rule, "grey", rather than "black", propaganda, for, instead of obvious slander, they contained carefully selected partial facts which were taken out of the context and grossly exaggerated so as to distort the general situation.

According to *The Observer*, over recent years the Labour government has more than once found itself in an awkward situation because of the fact that all the activity of the information research department was based on the survival of the cold war former Foreign Secretary Anthony Crosland, who felt uneasy by the department's connection with the right-wing British press, considerably reduced its staff, while last May the present Foreign Secretary, David Owen, abolished the department altogether. A smaller, but no less secret, new body of the Foreign Office was set up in place of the information research department, says *The Guardian*....

# Mexico: Big Headaches For The Monetarists

It is becoming apparent as the second year of his six-year term unfolds that Mexican President Jose Lopez Portillo is an even more formidable adversary of monetarist designs on Mexico than was his predecessor, Luis Echeverria.

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## MEXICO

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As this realization spreads in monetarist circles, particularly in London and London-allied Wall Street firms, it can be expected that the pace of economic and political destabilization projects against the Lopez Portillo regime will pick up rapidly.

At the center of the surprisingly strong consolidation of the Lopez Portillo government is its firm commitment to development of Mexico's energy reserves — oil, gas, and uranium — and a broad political reorganization designed to mobilize popular support behind the government's growth-oriented economic policies. Lopez Portillo and his advisors have indeed learned the lesson of the economic warfare unleashed in 1976 against Echeverria. But instead of deferring to the dictates of the Monterrey Group of businessmen and the international monetarist forces behind them, they have chosen to "judo" the situation against exactly those nihilist forces. With Mexico's oil as the springboard for state-sector-controlled development programs, they expect to progressively reduce the economic clout of the monetarist wing of the business community. With their political mobilization, they are moving to contain political destabilizations from the same quarter.

### *Cold Shoulder to IMF*

As emphasized by Mario Ezcurdia, a columnist in the daily *El Dia* who is known to closely reflect the views of high government officials, the commitment to rapid economic growth is the controlling policy outlook of the Lopez Portillo Administration. Any assumption that Mexico will continue to accommodate itself to International Monetary Fund austerity programs beyond this year, or give serious consideration to World Bank-style "labor-intensive" development criteria, is profoundly in error. In the month since Mexico politely but firmly told U.S. Vice-President Mondale that it "wasn't interested" in his labor-intensive "development" schemes for rural areas (see *Executive Intelligence Review* Vol. 5, No. 5), the Planning and Industry ministries have announced hefty growth targets for the vanguard sectors of capital-intensive industry,

among them steel, petrochemical, capital goods, and fertilizers.

Mexico thus continues to provide a potent model for the rest of the Third World of an approach diametrically opposite to the World Bank's: capital-intensive industrialization, including agroindustries in rural areas, and growth of the cities, under centralized state sector control.

## The Queretaro Summit

The scope and goals of the government's policies were most fully expressed at an extraordinary political "summit" in Queretaro Feb. 4 and 5.

The summit, held in the city where Mexico's progressive 1917 constitution was drafted and on the 61st anniversary of its promulgation, brought together all 31 Mexican governors, the full cabinet, and an array of other top officials from the three branches of government. In their keynote presentations Planning Minister Ricardo Garcia Sainz and Interior Minister Reyes Heroles took that Constitution, the product of Mexico's 1910-1917 Revolution, as the point of departure to define a renewed "federalism" which is the opposite of the economic and political dispersion of power advocated as federalism elsewhere. Sainz, after defining the two overriding objectives of the government as economic development and full political sovereignty, pointedly criticized "some governors" who have been collaborating with World Bank efforts to funnel funding to the state and local level, bypassing federal control.

In its spirit and content, the summit struck a strong blow against the forces of Carlos Hank Gonzalez, the mayor of Mexico City known for "local control" and pick-and-shovel work brigade programs.

At the same time a reorganization of the labor sector is moving rapidly. Almost the entirety of the organized labor movement endorsed a call from the Mexican Electrical workers Union (SME) for a unified and aggressive defense of the government's development plans. A labor "summit," the first National Assembly of the Proletariat, is set for the late spring. Most observers agree that although this reinvigoration of the labor movement does not signal the collapse of the power of Fidel Velazques, the labor czar who has ruled the official labor bureaucracy for 30 years, it does significantly reduce his influence.

Similar reorganization and mobilization is now beginning in the peasant sector, in many cases coordinated directly with leading elements of the trade-union movement, most notably the national teachers' union (SNTE).

### *Lopez Portillo's Self-Confidence*

Lopez Portillo, directing this dual process of economic growth and political mobilization, is demonstrating more and more clearly that he has the personal characteristics to rally Mexico behind him. His self-confidence, his sense of identity as a statesman and political thinker as well as administrator, were expressed in a recent interview with one of the strongest critics of the politics of his predecessor, Jose Luis Mejias. Said Portillo: "Although I cannot say 'the sure road is this one,' I am looking for it and I will find it.... I sincerely believe I was prepared to face this crisis, and I have the conviction that I will succeed in bringing the country out of the situation it faces." Upbraiding Mejias for his sniping at Echeverria's commitment to a new world economic order, the President declared sharply: "It should be a matter of pride for us that in a moment of uncertainty and disorder, the voice of Mexico was raised through its President to say: nations cannot solve their internal problems because external disorders prevent them. We will order the world."

—Tim Rush

### 'Alliance For Production'

*Ricardo Garcia Sainz, Mexican Minister of Planning and Budget, announced the planning mechanisms for Mexico's five-year development plan in a speech given Feb. 4, 1978 on the 61st anniversary of the signing of the Mexican Constitution. Here, Part of the Minister's remarks:*

Our Constitution not only indicates where we must go, but is also the means to fulfill the popular aspirations that defined our historic task as a nation. From it we can and should take that which we lack to reach the objectives that we freely choose. President Lopez Portillo takes up again its goals in order to convert them into programmatic commitments, to be met by a government plan which comes from and directs itself to the great national objectives, and which simultaneously seeks to strengthen the federal pact which unites us.

The content of social justice translates into the right of all Mexicans to a dignified life. Thus, the satisfaction of the basic needs of the majority of the population and the obtaining of minimum levels of well-being through the right to and benefits of work becomes the first great national objective.

Marginalization and inequalities are not free from external pressures and limitations. Because of that, the other great national objective — the constitutional precept of national sovereignty — consists of consolidating the economic and cultural independence of the country and maintaining its full right to self-determination, preserving our political independence.

The fundamental strategy for advancing towards the achievement of levels of well-being is the national, popular and democratic alliance for production; the call to all sectors of the country of solidarity..., always towards a higher level of coexistence.

In this way, all national efforts are directed towards the same end, the strengthening of the federal pact...

### 'Nationalism Imbued With Humanism'

*The keynote address at the Queretaro Commemoration of the Mexican Constitution was delivered by Interior Minister Jesus Reyes Heróles. Following are excerpts from his speech*

...A living constitution begins by having a structure, structural principles around which are fleshed out rules. Techniques and instruments are introduced. What are these structural principles? To establish a republican, democratic, representative regime...

Our nationalism is not closed. It knows that the ideas of man will be for man, without regard to frontiers. It knows that if the liberty of individuals is not respected and the social rights on which it is based are not recognized, it will degenerate. Ours is a nationalism imbued with social humanism.

Only those bogged down in the superficial think that politics and policies can be carried out without ideas. Politics is in its essence a cultural activity. Man, with his ideas and hopes, his vocation, his word and his hand, seeks to transform realities, model facts, mould ideals...

Thus, in politics there is a strong relation between what the ideal demands and reality permits. Any politics worth its name *demands* of its practitioners, at the very least, a conception of man and society, of the state and of history; in sum, a conception of life...

Federalism and centralism may be innocuous terms from a political point of view, if neither one is tied to a certain ideological conception. This is true in the abstract. In the concrete, however, things are different. Federalism in Mexico is the method of national integration. The country would have disintegrated if it hadn't been adopted.

Federalism integrates and consolidates homogenous governmental action in the midst of the diversity and heterogeneity of the distinctive collectivities which make up the nation. It has allowed us to forge national unity and achieve the aspiration that we be a society of societies. Through federalism we avoided disintegration; and we have not fallen into anarchy...

To forge one Mexico of the many Mexicos, unified in a limited common denominator, is not an easy task. We must effect revolutionary reforms, reforms which in their profundity and extension presuppose qualitative and quantitative changes in society...

It is not a question, *and I want this to be totally clear*, of ridding ourselves of a head of Goliath on the body of a David, only to create 31 little heads of Goliath on 31 little bodies of David. We don't want to break up power concentrated on the federal level only to replace it with a state-level concentration to the detriment of the municipalities, towns, and villages. We want to strengthen the body in *all* its extension, not parts of it to the detriment of others...

### 'Four Critical Points'

*These excerpts were taken from a column by Mario Ezcurdia published in the Mexico City daily El Dia Feb. 12.*

In order to gage what is happening — and what the immediate future holds — one could well say...that history will show four critical points in the history of Mexico: the period of independence, the period of the reform, the revolution, and the ongoing period from 1976 to 1980. The present five-year span is that important; and it is a cause for concern...we still do not fully realize what the political moment implies, not what it demands of us.

The first great battle took place in 1976, and the people — we — were the losers....

Following a period of pressures, threats and insults, the private sector — the aggressive part of the private sector — fired the first shot: billions of pesos were taken out of the country; billions more were exchanged for dollars....

At first sight one might say that the Mexico of 1976 — and its prospects for the immediate future — offered no political risks to the business sector...To put it clearly, the government was losing many rounds.

Suddenly there were new elements, oil, gas, uranium: energy sources of great economic import and great monetary value. That changed everything.

Whether these resources are put to good use domestically, or whether they are exported, they represent a formidable wealth which will decisively strengthen the public sector....

Without an effective democracy, that “wild Mexico” which has yet to die...will most probably awaken from its slumber....

In order to stop this from happening...we must block the way of the above mentioned group. It is useful to remember that Mexico has a tried and true recipe against such ills: a combative alliance between the government and the popular sectors. It has demonstrated historically that no oligarchy can surmount such a coalition.

It seems quite clear that the government is following — since its beginning 14 months ago — a double strategy. On the one hand it has adjusted its tactics to the present conjuncture — even at the expense of some concessions — in order to pull us out as soon as possible from the critical economic situation. On the other hand, it is laying the groundwork which will allow it to stop administering the crisis, as it is now doing, and administer the bonanza to guarantee the sound and independent development of the country and consolidate the political and economic democracy we need. Foreseeably, the first policy will prevail for the remainder of this year; the second one, which is being put together at great speed (political reform, administrative reform, and energy policy) will prevail for the rest of the presidential term.

This last prediction hinges...on the coming together of the forces which are necessary to make it a reality.

Fortunately these forces are already in motion...That is, in essence, the profound meaning of the labor mobilization (now in progress —ed.).

## Portillo: Either Subjugation or Sovereignty

*Below are highlights of an interview with President Lopez Portillo conducted by the Mexican daily Universal reporter Jose Luis Mejias and published Feb. 16:*

*Q: Who are the heroes of your youth?*

*President Lopez Portillo: The person who meant most to me when I was a boy was Goethe... Goethe was for me an intellectual giant whom I admired tremendously...*

In the history of Mexico, the person I admired most was Jose Maria Morelos (hero of the Mexican independence period of the early 19th century).

And in music, since I was 17 years old, the genius I not only admired but loved was Beethoven, whom I sketched, painted, and listened to until I sometimes cried...

*A: What are the goals in life of the common man?*

*JLP: I have always said that all political conceptions correspond to a conception of man, and that behind all action, if it is going to be coherent, must be a philosophy; that is, an ordering toward the universal...Consequently, I believe that it is fundamental to premise any political structure, and any set of decisions, on a philosophical system and on a principle that orients and illuminates them.*

Simply, the two great eras of man are premised on two distinct notions of man: man as an equal and dignified person and man as a...slave...

*Q: Don't you think it advisable to put a ceiling on the wages and benefits of the privileged state sector so as to provide for an expanding market with the integration of millions of marginalized people...?*

*JLP: What is desirable is that the entire economy reach a point at which all workers enjoy the conditions of those who work for the state, which are by no means optimal...*

*On “supranational solutions” to problems: There is either hegemonic political subjugation, or hegemonic economic subjugation, or there is the equitable and decent solution, through integration of national sovereignties...the sovereign participation in forums which guarantee the values which must be internationally established.*

*On developing skilled labor: (Our society) must insure that each human being is guaranteed his human necessities...that to open opportunities for his capabilities, the first condition of social justice is to improve his capacities, to educate him.*

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THURSDAY, JANUARY 11, 1978

LEADING U.S. BUSINESS DAILY CALLS FOR CUTOFF OF NUCLEAR COOPERATION WITH INDIA

JAN. 11 - THE WALL STREET JOURNAL, A LEADING U.S. BUSINESS DAILY, RAN A MAJOR EDITORIAL TODAY CALLING ON THE CARTER ADMINISTRATION TO CUTOFF NUCLEAR COOPERATION WITH INDIA. IN A SCATHING INCIDENT AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD AUTHORIZE AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD THE JOURNAL STATES, "SO WHILE THERE ARE AT LEAST SOME ARGUMENTS FOR ENDING NUCLEAR COOPERATION COLDLY AND BLUNTLY AS THE CANADIANS DID AFTER THE INDIAN COOPERATION. THE JOURNAL CONCLUDES: 'IT IS IS IN ADDITION TO BELIEVE THAT MR. CARTER DOESN'T NOTICE MIXES AND POLICY IMPACT DESPITE THE HEAVY WATER HE THINKS A LETTER WILL KEEP HIS HANDS. PERHAPS IT WAS NOT THE INDIANS WHO WERE INTENDED TO OVERHEAR THE OPEN MINE. PERHAPS THE CANDIDATE CARTER WHO PROMISED NEVER TO TELL US A LIE WAS USING THE PLOY TO MISLEAD THE AMERICAN PEOPLE.'

WHAT IS REALLY GOING ON?

WHILE THE DUST HAS NOT YET SETTLED ON THE CARTER TRIP, BRITISH PRIME MINISTER JAMES CALLAGHAN HAS ARRIVED IN INDIA TO SUPPOSEDLY EVOLVE THE COMPROMISE FORMULA TO BRING INDIA INTO AN ACCEPTABLE STATUS ON THE NON-PROLIFERATION QUESTION. WHILE THE U.S. STATE DEPARTMENT TODAY ADAMANTLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN 'HAS SUCCEEDED WHERE CARTER HAS FAILED' AS PRESENTED BY THE LONDON TIMES, THE CALLAGHAN TRIP HAS OBTAINABLE WITHOUT TOTALLY DIS- ONCE IS TO ARRIVE AT A COMPROMISE AGREEMENT WITHOUT TOTALLY DIS- CLOSING DETAILS AT THIS TIME. TODAY'S LONDON DAILY TELEGRAPH ADDS THAT CALLAGHAN HOPES TO TAKE DESAI'S SECRET 'PROMISES AND PLEDGES' TO PAKISTAN WHERE HE WOULD USE THESE ASSURANCES TO PRESS THAT COUNTRY TO AGREE TO NEW RESTRICTIONS AND SAFEGUARDS ON ITS CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED THAT FRANCE HAS REQUESTED THE PAKISTANIS CONSIDER ALTERATIONS IN CURRENT CONTRACTS.

MIDWEST COLD FREEZES OHIO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINER AND COAL-HANDLING MACHINERY, A SEVERE MIDWEST COLD FRONT HAS FROZEN ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT THE CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT BY THAT THEY REBAND THE SITUATION AS 'CRITICAL'. THE FACILITY IN SHIPPINGPORT, PA. HAS BEEN SHUT. BY THE UTILITIES AFFECTED ALL EXPECT TO HAVE T. A DAY, HOWEVER A SECOND COLD FREEZE IS PRE- WEEKEND. THE ONGOING MINEMEN'S STRIKE ALTERNATIVE USED TO REPLACE FROZEN COAL. IN FRESH COAL TO REPLACE FROZEN COAL. THE OHIO STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS

A SPOKESMAN FOR THE U.S. DEPART WILL DO NOTHING IN THE PRESENT SITUATION. HE ADDED THAT THE OHIO STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS

CONSERVATIVE BRITISH FIRING OPPOSITION

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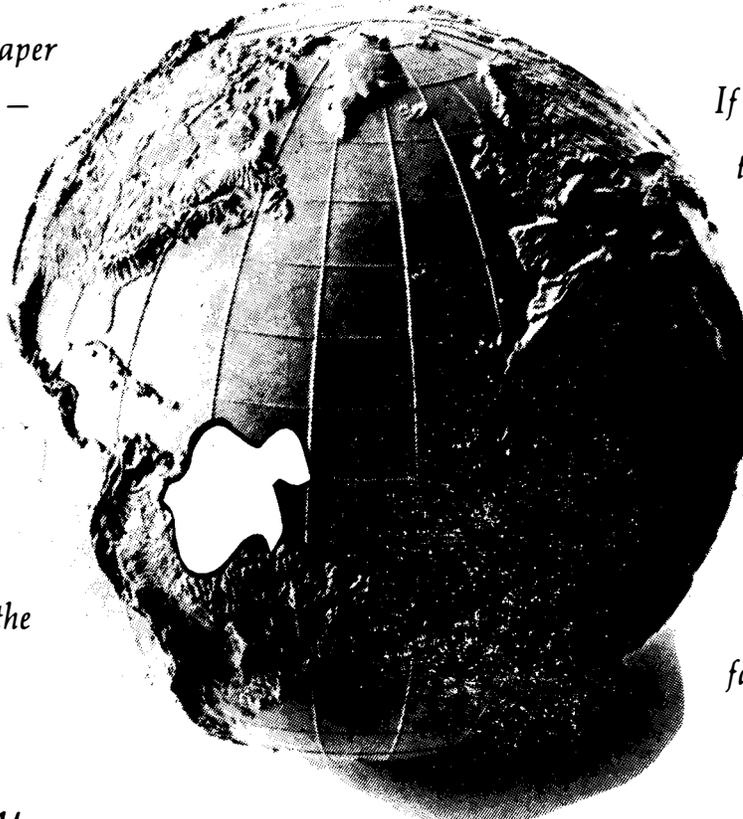
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