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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE

London's "bear raid" against the U.S. dollar has **suddenly run into coordinated resistance**...As we go to press, banking circles are buzzing with talk of the **dollar's bull market**...This week's **INTERNATIONAL** section leads with the **apparent White House shift** toward defending the U.S. currency...and its profound implications for the nation's **economic and foreign policy**...There's a **Foreign Exchange** report on the currency battlefield,...and how the **top Tory** in the U.S. Treasury, Michael Blumenthal, is being mooted as a **near-term addition to the unemployment statistics**...In **their own words**, the role that **West Germany, Saudi Arabia**, and other international forces are playing...and in the **ECONOMICS Gold** report, the "Gold Lining" to the dollar stabilization...

* * *

The U.S. **coal crisis** points to the other major prong of efforts to undercut the U.S. economy...and, potentially, to another way for the anti-British forces in the Carter Administration to **go after the Tories**...Also, in **INTERNATIONAL**, the story of the battle for the economy's survival...Energy Secretary Schlesinger's treasonous efforts to bring about a **disastrous confrontation with the striking miners**...and how others in the U.S.

government are **countering** him and his agents provocateurs in the coalfields...Why there is **no need for serious disruption of industry**, if existing coal supplies are allocated intelligently...and why severe cutbacks in a few areas could create **monstrous problems for the economy as a whole**...And the demand by **one former Mineworkers Union leader** for an immediate investigation of the deliberate destruction of the union's pension and health funds, to undercut Schlesinger and the other **"wreckers of the UMW"**...

* * *

Just as crucial as the struggle over economic development is the question: **War or peace?**...The **Administration split** that is surfacing over the defense of the dollar is **even more evident on SALT**...Our **U.S. REPORT** tells who the players on both sides are...how the **Soviets and their newspaper Pravda** are viewing the White House faction fight...press reflections and reactions...**exclusive excerpts** from an Arms Control and Disarmament Agency report that cuts through the cold warriors' anti-SALT polemics with details of how **SALT I is already working**, and why **SALT II will too**...Also featured: **the message President Carter is getting from his own**

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home-state legislature and other state legislatures around the country...**Support the Eximbank**, support U.S. high-technology exports, **support nuclear energy development**...with the **full text** of the Georgia memorial resolution...

* * *

One important gain for the British-backed factioneers...**one of their own** has been installed as head of the United States Federal Reserve...In **ECONOMICS** this week you'll find the evidence of G. William Miller's long-standing "**Anti-Industry Bias**"...despite the "businessman sell" that Miller's backers have tried to use...Plus, from the U.S. Labor Party, a scathing indictment of another **traitor in "businessman" clothing**, W. Michael Blumenthal...

* * *

One of the **command centers** of the British faction's conspiracy is laid bare in **COUNTERINTELLIGENCE** ...where we take a look at "**The Trilateral Commission: One Year Later**"...What is this policy-making body...who runs it...who's on it...and **what is it planning for your future?**...

Elsewhere in this issue: An in-depth documentary look at the **Panama Canal** debate, from both the American and the Panama side, in **LATIN AMERICA**...see **ENERGY** for a review of the "eco-freak" bestseller that previews the undilutedly fascist program behind the upcoming "**Sun Day**" **zero-growth fest**...and in **ASIA**, an analysis of **Schlesinger's** scrutable — and extremely dangerous — Far Eastern plotting...

International Support Operation For The Dollar

All evidence available to this news service, including late wires at deadline, indicate that a major shift occurred over the past week inside the Carter Administration. The shift centers nominally on the question of the dollar's foreign value, but has implications for the entire range of U.S. and foreign economic policy. The market broadly believes that such a shift is in action, judging from the sharp rise in the dollar over the week from 1.98 deutschemarks at the Frankfurt opening on Monday morning to a high of DM 2.06 and Swiss franc 2.00 in trading Friday, and also from the end-of-the-week rally on the New York Stock Exchange.

The elements of the policy shift are as follows:

First, an agreement between the Europeans and the United States was negotiated between Swiss National Bank Managing Director Pierre Languetin and a group in the Administration during Languetin's visit to Washington last week. Languetin, according to authoritative sources, presented these suggestions: (1) Expansion of existing swap lines, and (2) gold transfers to finance U.S. foreign exchange purchases, and "to procure foreign exchange reserves that would enable it to reach its long-term objectives of reducing its payments deficit," as the Swiss central banker told the Swiss Telegraph Agency today.

Early reports from the Languetin trip, relayed in last week's issue, indicated that the mission had been a failure. However, a two-level initiative over the last several days points to the likelihood of a policy reversal in Washington last weekend. The players to watch are Assistant Secretary of Commerce Frank Weil, Exim-bank Chairman John Moore, and, most important, Special Trade Representative Robert Strauss — who will probably be Treasury Secretary not too long from now.

First of all, the dollar was stabilized through coordinated market intervention by the European central banks, and a private sector group including U.S. and European corporations. The central figure in, if not the inspiration of, the latter development is Chase Manhattan Bank Chairman David Rockefeller. Rockefeller's tour of the Persian Gulf during the first week of March, which had the stated objective of persuading the oil countries to support the dollar, yielded a series of unambiguous Saudi official statements in support of the dollar. These statements themselves had a significant impact on market psychology, but one feature of Saudi finance minister al-Khalil's public pronouncements indicated the entire direction of international monetary negotiations over that week. The Saudi called on the U.S. and West Germany to set a fixed limit of

fluctuations, that is a peg, between the dollar and deutschemark. Later, wires and press scuttlebut mooted this possibility, which NSIPS's well-informed banking sources report has been agreed to between the United States and West Germany.

The Saudi role, shaped under Rockefeller's advice, made possible a whole set of nifty operations. On Monday morning a West German automaker bought \$200 million and pushed the dollar up by six pfennig, setting the tone for the week. Sources directly involved in the Monday morning fix explain that this was an intentional move to burn the London bears — who were taking short positions against the dollar with wild abandon on the previous Friday afternoon. Chase, Citibank, and Morgan came into the market heavily throughout the week purchasing dollars, and putting out word — which NSIPS heard played back through the treasurer's offices of several multinational corporations — that a bull market for the dollar was on.

Reportedly, Rockefeller also had persuaded the Saudis to offer the United States foreign currency swaps for dollar support operations, which also came up in the Languetin discussions with the Treasury and other Administration agencies. The atmosphere in the White House suddenly turned sour for W. Michael Blumenthal. The dollar-dumping Treasury Secretary was hauled into the White House three times during the week of March 3 for a severe dressing-down, and an agreement was struck with the West Germans — announced by President Carter in his Thursday press conference — over Blumenthal's head. There is a consensus among highly informed Washington and Atlanta sources that Blumenthal is in grave danger of losing his portfolio. Swing elements in the White House, for example Stuart Eizenstadt, have turned viciously against him. Blumenthal ally Charles Schultze, the Council of Economic Advisors Chairman, has been cut out of the action, according to friends.

The content of the reported agreement between the U.S. and Western Europeans is, in effect, remonetization of gold, as Languetin had asked. That is the content of such cryptic reports as today's prediction on the Dow-Jones broadtape that there would be "some sort of official monetary operation that would result in a boost in U.S. official reserves, giving Washington both the wherewithal to repay its short-term swaps and ammunition to support the dollar over a longer term until the U.S. balance of payments deficit shows signs of an improvement." The point of revaluing U.S. gold stocks is not to merely earn additional foreign exchange for in-

tervention purposes, but to finally give the central banks the resources with which to outgun the speculators (see *Gold*). The view of this author as published in Vol. V, No. 8 of the *Executive Intelligence Review*, that for special reasons remonetization of gold would help, rather than hurt the dollar as usually assumed, is presently shared by a large number of influential people in the Administration.

The Administration also appears to be leaning in the direction of the viewpoint of this publication, namely that the payments deficit must be corrected on the exports side, and that export-support institutions such as Eximbank, Overseas Private Investment Corporation, and the Commodity Credit Corporation must undergo

major expansion. Robert Strauss played down the gains to be expected on the payments side from energy conservation in a breakfast meeting with reporters Thursday. Eximbank President Moore called for long-term, low interest credits to support exports to developing countries in testimony before the Stevenson subcommittee of Senate Banking on Thursday, prompting Sen. Stevenson to demand an Administration study of the problem — and prompting ex-Kissinger aide Robert Hormats, testifying on behalf of the State Department, to climb the walls of the committee room. The Eximbank staff is also reported to favor direct Eximbank borrowing on the Eurodollar markets, to convert surplus dollar liquidity into trade credits.

—David Goldman

Fight To Save Dollar Goes Public

Various international forces have initiated a public fight to reverse the decline of the U.S. dollar, and put a stop to the currency dumping raids kicked off by British banks intent on collapsing the U.S. economy. Western European corporations and public officials, U.S. com-

Informed Western European circles concur with a March 8 report in France's *Le Figaro* that the Carter Administration has been pressured to agree in principle to some kind of stabilization arrangement, pegging the dollar to the deutschmark and yen. Moreover, these circles have revealed that the President and U.S. monetary officials have been told by responsible Western European leaders that the optimal policy for bringing this about is the creation of an expanded Western European currency "snake" linked to central bank gold reserves.

FOREIGN EXCHANGE

mercial banking representatives, and officials from Japan and Saudi Arabia undertook measures this week aimed at not only stabilizing the dollar, but pressuring sensible layers in the U.S. Administration to adopt longer-term policies adequate to backing up the international reserve currency with strong U.S. industry.

As a direct result of these actions, the dollar ceased falling under British "bear raid" pressure in the early hours of March 6, nervously held to a 2.025-2.035 deutschmark range in Western Europe through March 9.

Simultaneously, a consensus is building in informed U.S. circles that long-term resolution of the dollar crisis must be grounded in a government policy commitment to gear up U.S. exports. As shown by an analysis in the Feb. 27 *Money Manager* magazine, U.S. industry has rejected the approach applied to the pathetic British economy — and most recently proposed by former Treasury Secretary Henry Fowler, a Goldman Sachs partner, at an international bankers' gathering in Brussels — that currency depreciation be urged to increase the U.S.

The Dollar: 'Treasury Is Just Not Interested'

A Washington monetary official told an interviewer this week that Treasury Secretary Blumenthal intends to let the dollar collapse:

Q: Did Pierre Longuetin of the Swiss Central Bank propose to Treasury Secretary Blumenthal that the U.S. swap gold to European central banks at market price to support the dollar? What was the U.S. reaction?

A: Look, Longuetin did his best; he proposed that, he proposed all sorts of things. But the Treasury told him to go to hell. They have no intention of using gold, or foreign exchange swaps, or foreign currency bonds, or SDRs, or anything to stabilize

the dollar. They intend to let the dollar go as far as it goes.

Q: What about U.S. corporations and commercial banks? Rumor has it that the oil company and Saudi-linked types are especially concerned to keep the Saudis and OPEC in the dollar and are putting some pressure on Treasury...

A: Some pressure, are you kidding, the New York banks are calling up Blumenthal every day to demand he turn the dollar situation around. They tell him the dollar is way undervalued, that all it would take would be one, good quick intervention to turn the situation around and send the dollar back up in the markets. But Treasury is just not interested.

“market share” of exports at the expense of the West Germans and Japanese.

Money Manager guest-writer Adolph Warner proposed that major U.S. corporations and the Administration act jointly to take advantage of the “leads and lags, within multinational corporations and externally... (to effect a) one-time swing in dollar demand . . . A dramatic return of confidence in the dollar would create a gigantic ‘bear squeeze’” on antidollar speculators. In a series of attacks on the U.S. Treasury’s “let the market take care of itself” policy, Warner states that the Administration must take “positive responsibility for promoting exports and encouraging capital inflows, instead of preaching deflation to a world of nonbelievers.”

Warner’s approach is an adaptation of the policy proposals issued by U.S. Labor Party chairman Lyndon LaRouche at the outbreak of the dollar crisis in February.

In addition, the reversal of the dollar’s fall in the early hours of March 6 happened as a result of a coordinated intervention into the Western European market of exactly the kind Warner outlines. At the opening of the market that day, two private Western European corporations put in an order for more than \$500 million, yanking the rate up from its Asian peg that morning of 1.99 marks to 2.05 marks.

Since then, the dollar has been kept within a relatively stable range by purchase arrangements worked out between the West German central bank and private banks, whereby the central bank is buying on the basis of “forward” contracts to resell the dollars in the private sector. Such agreements could only be carried out under the assumption that currency dumping will be kept under control.

The Blumenthal Factor

A major public fight around currency policy has already erupted in Washington and could go public at any time. Treasury Secretary Werner Michael Blumenthal, acting in tandem with another British agent-of-influence, Energy Secretary James R. Schlesinger, is counting on the Schlesinger-prolonged coal strike to drastically depress the U.S. economy and prevent a revival of market confidence in the dollar, before any consolidated dollar support program is implemented.

Pending the mass layoffs and industry shutdowns promised by prolongation of the strike, Blumenthal has cut the Treasury off from any contact with international prodollar forces. According to a Washington monetary consultant, Blumenthal recently greeted Pierre Longuetin, spokesman of the Swiss Central Bank sent to Washington to discuss monetary problems, by telling him “to go to hell.” Similarly, “The New York banks are calling up Blumenthal every day to demand he turn the dollar situation around,” the source noted, “but Treasury is just not interested.”

Blumenthal’s actions represent open sabotage of the intent implied in a March 8 official government statement carried on international wires that recent discussions between U.S. and West German officials had resulted in agreement that the dollar must be restored to a 2.20 mark level as soon as feasible. His ability to undermine the dollar at this time is partly limited by the repeated public statements of Saudi Arabian officials

that they will not abandon the dollar for an alternative means of payment under any circumstances. The firm Saudi position has helped to take the wind out of threats issued by British-linked Persian Gulf oil producers, notably Kuwait, that they are preparing to accept SDR’s and other fictional substitutes for dollar payment.

Some surprises may be in store on the Tokyo market, where the dollar continued to drop to record lows under heavy trading at close to \$1 billion per day. Prime Minister Fukuda has publicly called for “an international cooperative system” to stabilize parities, and it is generally recognized by currency traders that 230 yen could be the cut-off point at which the Bank of Japan will take more aggressive action to clamp down on speculation.

— Renee Sigerson

‘To Aid The Dollar, Squeeze The Bears, Promote Exports’

Money Manager magazine tells President Carter how to “intervene” on behalf of the dollar:

Any... purist notion of free markets as the final arbiter of the “right” exchange rate ignores the real world of politics. It postulates that sovereign governments abdicate their overriding responsibility for the country’s basic welfare — not to mention its economic relations with the rest of the world...

The United States Government has consistently argued against market intervention extending beyond the amounts required to prevent disorderly markets, or to smooth out excessive or erratic swings in exchange rates. This argument dates back to the demise of the Bretton Woods system, and reflects a facet of monetarist doctrine that its opponents like to brand as benign neglect.

More recently, however, it has also reflected a spreading recognition that no amount of intervention can ever substitute for sound policy...

So there is much sense behind the Administration’s earlier, but persistent, opposition to stepping up its hitherto sporadic resort to market intervention. This does not, of course, excuse the Administration from its positive responsibility for promoting exports and encouraging capital inflows, instead of preaching deflation to a world of non-believers.

(There have been): Growing complaints about the persistent accumulation of dollars in foreign central bank’s reserves. These banks, incidentally, were free to switch any dollars they consider excess into gold on the free market beginning in February.

Foreign fears of the unknown policy implications of the President’s choice of G. William Miller to succeed Arthur Burns.

The latent threat of further trade and capital restrictions that have had many observers worried about a possible return to dual exchange rates in some European countries... Are we, then, to conclude that there is no hope for the dollar’s recovery?

Hope, indeed, there is — although not certainty...

In the foreign trade area, balancing our accounts through higher exports is clearly preferable to the alternative of reducing imports (other than oil). Yet the Administration still advocates phasing out the DISC tax provisions introduced only a few years ago to match similar export incentives provided by many foreign governments...

In the capital accounts area, on which we will have to rely for years to come for financing our current account deficits, more can be done. Eliminating the withholding tax or bond interest earned by foreigners here would put our domestic bond market back to yield parity with Eurodollar bond market, and restore our role as the world's preeminent financial center...

The hope rests on two elements: technical market position and new policies. Sound management of the

dollar will start from an understanding of how to take advantage of both. The technical element lies in the enormous size of actual and potential short positions in the dollar.

Furthermore, leads and lags, within multinational corporations and externally, probably represent a potential one-time swing in dollar demand that exceeds the combined intervention war chest.

Speculative positions have also grown. Last year, the reported foreign exchange volume tripled on the Chicago International Money Market, which has given the odd-lotter access to such trading. While the data are not sufficient to permit estimates of the total size of all these short positions (and definitions are bound to vary), there can be little doubt that a dramatic return of confidence in the dollar would create a gigantic "bear squeeze."

Schmidt Calls For 'Strong Dollar'

Addressing the March 9 session of the West German parliament, Chancellor Helmut Schmidt expressed his government's "firm belief that President Carter is moving on the basis of a policy for a strong dollar; both Carter and I want the dollar to be up-valued." Schmidt's statement came only hours before Carter told a press conference that he and Schmidt had begun a series of intensive telephone consultations on monetary and other matters.

Six days earlier, the Chancellor commented at length on West Germany's close relations with the U.S. in an address to the Hamburg-based Far East Society. As the excerpts below demonstrate, Schmidt's major difference is not with the U.S. as an industrial world power, but with elements in the U.S. Administration who are trying to stop the U.S. from playing that role.

The German Federal Government and the American Administration are presently engaged in talks that, because of the many problems confronting us, touch upon a variety of topics. In view of the manifold solutions to these problems that can be envisaged, or that have been offered to us, we are apt — as happens only among friends — to adopt different viewpoints and to fall into disputes. Thus, controversies do arise, but neither of us is oblivious of what I would like to call the German-American consensus.

Our friendship rests firmly on historical, intellectual, and also human ties, together with the far-reaching identity of our political and social values. The extent of our bilateral trade, and the close interrelationship of corporate enterprises on both sides, should be seen against this background. The same holds true with regard to the cooperation of our central banks on issues pertaining to international currency, and with respect to other types of cooperation as well.

German-American partnership, furthermore, is an element of stability on which the world counts, and of

which the world may be absolutely certain.

In the military sphere, too, a visible U.S. presence in Europe, including the presence here in our country, is more than a consideration of power relationships or a factor maintaining the balance; this U.S. presence is at the same time a commitment based on conviction. It is a commitment that we — equally convinced of the stakes and just as conscious thereof — do all within our power to try to strengthen.

I consider it appropriate to counter, with this statement, the irritations that are often voiced and written about, and I want to add a very simple phrase: "There is no way in which the German-American consensus could be endangered"...

Thirdly: we note our agreement on questions of energy. To be a little more precise, it is the governments of both nations that note their agreement on questions of energy.

Our country is a member of NATO, an alliance designed for collective defense only. Our own armed forces have been integrated into this alliance. Thanks to them, we contribute appreciably to overall military capacity. In view of the nuclear threat that we all face, we rely on the U.S., as the leading nuclear power of the alliance, for necessary protection and for the appropriate manufacturing decisions....

It should be emphasized very clearly that the Federal Republic of Germany is deeply concerned with the control and limitations of armament.... We are vigorous supporters of the Strategic Arms Limitation Talks.... In the future, too, we shall leave no stone unturned, in constant consultation with our allies, to make substantial progress in armament control negotiations, notably the MBFR ones (Mutual and Balanced Force Reduction Talks—ed.). The latent danger of conflicts and wars can be prevented if armament control and disarmament are successful.

Saudis Fight British SDR Takeover of OPEC

Saudi Arabia and its neighboring oil-producer Kuwait last week squared off in battle over whether the powerful Organization of Petroleum Exporting Countries (OPEC) will stick with the troubled dollar or adopt the City of London-authored plan to use the IMF's Special Drawing Rights (SDR). The Saudi leadership has issued a number of strongly worded statements in support of the dollar and has made it abundantly clear that it will resist any efforts on the part of Kuwait to shift OPEC's pricing of crude from the dollar to the SDR.

OPEC

Saudi Arabia's ability to resist growing pressure within the cartel in favor of the SDR most directly rests with Iran. Together, Saudi Arabia and Iran account for almost half OPEC's oil production, therefore amounting to an unchallengeable alliance by the 11 remaining members. To date the Iranians have remained nearly mute on their position toward moving out of dollars, though it is known that Kuwait and other producers have exerted pressure to force Iran off the fence. In the past days, even the United Arab Emirates' Oil Minister Mana Saeed Oteiba, traditionally one of Saudi Arabia's closest allies on OPEC policy, has endorsed the SDR plan.

Informed European sources indicate that, since the change in government in Kuwait earlier this year following the death of the Emir, the Kuwaitis have taken a policy turn away from the United States in favor of the City of London. The newly appointed Oil Minister has been most vocal in attacking the dollar, and has begun a diplomatic campaign to convene an emergency OPEC meeting in order to press for either the adoption of the SDR or to raise oil prices in order to compensate the producers for losses incurred through dollar-denominated oil receipts. Not only has the United Arab Emirates (UAE) publicly voiced support for the Kuwaiti proposal but also the moderate Persian Gulf producer Qatar—whose oil minister at the last OPEC meeting was a vociferous dollar advocate—has come out for the SDR.

The *Wall Street Journal* noted March 9 that outside the Persian Gulf other OPEC members — most importantly, the radical states, Iraq, Algeria and Libya — whose economies have felt the damaging effect of the downward slide of the dollar are leaning in the direction of the Kuwaitis. A number of informed Saudi-watchers concur that if current financial trends continue it will enhance the position of a faction within the Saudi elite, such as Planning Minister Hisham Nazer and Saudi oil company head, Taher, all committed to breaking with the dollar.

The Politics of the SDR

The formula for the SDR, which is comprised of a basket of currencies, as a means of pricing OPEC crude oil first appeared in 1971 when the dollar crisis erupted and forced the Nixon Administration to depeg the U.S.

currency from gold. This undermining of the dollar as an international reserve currency was a critical feature of a conspiracy by merchant banks seated in the City of London to loot the entire world economy. At that point, Saudi Arabia was alone responsible for preempting an OPEC adoption of a basket of currencies in lieu of the dollar, and then as now fought for the dollar on the basis of the unparalleled capacity of U.S. industry.

The United Arab Emirates has put forth the suicidal plan for a basket of currencies which includes a group of currencies from the industrialized countries, the currencies from Saudi Arabia, Kuwait, and the UAE, plus gold. The inclusion of gold in the basket coheres with London's recent ploy of eroding gold of its crucial status as an international reserve, a scheme fully articulated in the most recent issue of the *Banker*.

According to the *Baltimore Sun*, March 4, both the Shah of Iran and the Saudi Arabian leadership are understandably irritated at the failure of the Carter Administration to act in defense of the dollar, and have issued a number of quiet warnings to Washington to get its financial house in order. Former U.S. Ambassador to Saudi Arabia, James Akins, again this month affirmed his warning that Saudi Arabia's allegiance to the United States depends on a number of demands from Riyadh, all of which hinge on the Carter Administration's adopting a policy of domestic economic growth based on exports. Akins, still influential with the Saudis and other Gulf leaders, has warned that the Saudis, one of the largest dollar holders in the world, and the key moderating force in OPEC and the Mideast, cannot continue to support the dollar if no changes in policy take place in Washington.

Paralleling Saudi Arabia's statements of support for the dollar, Chase Manhattan Chairman David Rockefeller arrived in the Persian Gulf last week. Upon arrival in Qatar, he gave a press statement urging the Gulf states not to succumb to anti-dollar pressure. Only more recently Robert Strauss, special trade advisor to the President, praised the Saudis for their continued support for the dollar and warned against the intentions of the Kuwaitis.

The Kuwaiti Oil Minister Sheikh Khalifa al Sabah unexpectedly arrived in Riyadh today for talks on the dollar situation. The Agence France Presse reported today that Khalifa was backing off on Kuwait's drive to raise the price of oil as one option in response to the dollar, reflecting persuasive Saudi pressure. An extraordinary meeting of six OPEC countries (Saudi Arabia, Qatar, Kuwait, Iran, Iraq, and Venezuela) has been announced for April 3 for discussions on the dollar crisis. Clearly, Saudi Arabia's massive oil-producing capacity acts as a major factor in dissuading other producers to challenge existing Riyadh oil-pricing agreements. If the Saudis so wished, they could simply increase their production and undercut other producers. However, between now and April 3 if no major turnaround of the British attack on the U.S. dollar occurs, it becomes questionable whether Saudi Arabia could once again prevent London from manipulating all of OPEC.

— Judy Wyer

Following are statements by high-level Saudi Arabian officials reflecting that country's stated commitment to support the dollar and resist the speculative Special Drawing Right proposal by London.

Saudi Arabian Finance Minister Mohammed Aba al Khail told the Saudi newspaper Al Riyadh March 4:

...the volume of other international currencies remains limited in relation to the dollar. The dollar is a world currency capable of embracing sizeable money operations, the only sound currency for international trade and investment and the only substitute for gold.

The interest of Saudi Arabia and the Gulf states dictates they support the dollar and avoid all actions that might adversely affect its behavior until we can establish conditions for its recovery to safeguard our reserves and investments.

The American economy is the most powerful in the world and its GNP has reached \$3 trillion.... I believe that the problems may appear from time to time. But these will always be transient problems as far as the dollar is concerned.

Saudi Deputy Minister of Petroleum Abdel Aziz al Turki warned in the March 6 issue of Al Riyadh against "any precipitate action which might have harmful effects" on the well-being of the world economy:

If the causes of the decline (of the dollar—ed.) appeared to indicate a continuing fall in dollar values, then OPEC will no doubt take appropriate action to protect the interests of member states as it has done in the past...But there is no question of abandoning the dollar as the means of payment for oil.

Saudi financier Adnon Kashoggi issued a clear call for sound U.S. dollar-support policies March 6, when he told Reuters:

The United States is very important for our (Saudi Arabia—ed.) security and we are not going to be a damaging force to the U.S. But Saudi Arabia takes a very serious positive position. We do not want to destroy western economies. That is why we sacrificed raising our oil price.

Coal Settlement Needed To Stop Schlesinger Sabotage

The battle to reach a quick, workable solution to the now four-month-old national strike this week became a battle for the survival of the nation's economy and its political institutions.

The battle lines are drawn around the issue of moving coal supplies in sufficient quantities to fuel-starved utilities in the Midwest and elsewhere — before shortages created by the strike of 160,000 members of the United Mineworkers union shuts down large sections of the U.S. industrial economy and produces an accelerated collapse of the U.S. dollar.

ENERGY

Within hours after President Carter announced his plans to seek an injunction under Taft-Hartley Act to put the miners back to work, Energy Secretary James Schlesinger, the leader of a pack of British-linked saboteurs and traitors in the Carter Administration, told a congressional committee that he would not move coal supplies to where they are urgently needed because of the threat of terrorist interdiction.

As a result, Schlesinger stated, the Energy Department will have to impose emergency powers at a certain point and force "controlled electricity blackouts and brownouts." This, he argues, might prevent the threat of uncontrolled blackouts on the scale of last summer's

blackout in New York City, with its subsequent riots.

As Schlesinger spoke, a full mobilization of coal field terror networks associated with the Energy Secretary and controlled through the Washington-based Institute for Policy Studies swung into action. Individuals in several key coal mining regions linked to the so-called Miners Right to Strike Committee, started circulating the line that anyone who obeyed Taft-Hartley and went back to work "was a dead duck;" Right to Strike leaders such as Mike Branch and convicted felon Bruce Miller reportedly planned for the sabotage of coal shipments and for "roving picket lines" to keep "the mines shut tight."

As the week progressed, the threats from the IPS networks became more shrill. So-called miners leaders were quoted in the national media as promising "that the blood will flow on Monday (March 13 - ed.)," the first day UMW members become culpable under the law for violations of a Taft-Hartley injunction. Said one such spokesman covered by CBS radio, "Carter should forget about civil war in Africa; he's going to have civil war in Ohio and West Virginia."

The press is not content to just cover violence; the agents in the media are prepared to "stage" it, for the benefit of their duped audiences. Mike Devlin, a reporter for the NBC-TV affiliate in Richmond, Va, got tired of waiting for UMW members to attack a nonunion coal carrying truck. He placed a spiked board in the road in front of union pickets and began filming. When the local

UMW president Harold Bateman protested and moved to stop this provocation, he, *not Devlin*, was arrested. A complaint against Devlin was lodged by the U.S. Labor Party with the Federal Communications Commission (FCC).

More responsible members of the press report that in one area of western Virginia, there is one reporter for every three pickets. "They're just looking for trouble," said a reporter, "and they are going to find it — one way or another."

With help from coverage by their friends in the press such as Andy Gallagher of the United Press International and the *Washington Post*, the Right to Strike Committee staged a confrontation in the office of West Virginia Governor Jay Rockefeller to intimidate him and other public officials from moving coal supplies. There will be violence if you move coal or attempt to enforce Taft-Hartley, the committee "leader" said.

Forces of Sanity

Forces of sanity in Washington and elsewhere recognize the extreme danger posed to the nation by the current configuration of the deployment of Schlesinger and his Institute shocktroops.

Responsible political leaders such as Special Trade Negotiator Robert Strauss, Gov. Rockefeller, and Sen. Jennings Randolph (D-W.Va.) have counterdeployed against the treasonous energy czar, trying to steer the Administration clear of a bloody confrontation with the Institute-manipulated miners. For the time being, they have put a muzzle over Schlesinger's mouth — but they have failed to take measures against the Energy Secretary's "hands and feet" — the Institute networks.

At a breakfast with the press yesterday, Strauss called for a strong dollar linked to nonprotectionist trade policy, and he attacked the British puppets in Kuwait who are calling for going to a basket of currencies. Making the implicit connection between the strengthening of the dollar and the need to get coal moving to prevent an economic shutdown, Strauss reaffirmed Administration policy to move coal to wherever it is needed with the minimum of fuss. Troops, he stated, are clearly not needed at this point, nor is the federalization of the mine operations.

On March 10, Carter, following discussions with Strauss and key coal state political leaders, reaffirmed both his commitment to move coal and mitigate economic dislocation and his opposition to "seizure of the mines." An hour before Carter's press conference, Gov. Rockefeller indicated that he would not be intimidated by IPS miners and warned those "who were thinking of violating the law"; the Governor, appealing for calm and reason, stated that he did not think it necessary to mobilize the national guard. Sources in his office report that Rockefeller has been in contact with the White House.

But whether the miners will go back to work and whether coal can be moved is primarily dependent on the prompt action by federal law enforcement authorities to "mop up" the Institute coal field outfits. That is the only way to remove the climate of terror that now pervades the coal fields.

All the evidence required to start an investigation of

these terrorist coal networks has been presented by the U.S. Labor Party to Attorney General Griffin Bell and the relevant U.S. Attorneys. They are still reported to be "considering action."

There are reports, however, from state police officials and various gubernatorial offices, that any incident of violence within their political or legal jurisdictions will precipitate an immediate full-scale investigation of the IPS networks responsible.

What hangs in the balance goes far beyond economic disaster. The Carter presidency has been set up by the watergaters at the *Washington Post*, the *New York Times*, etc. to founder and collapse over a failure to deal with the coal strike. Waiting in the wings, is an Administration headed by British agent Walter Mondale, committed to a program of devastating austerity and crisis management along the lines proposed by Felix Rohatyn for New York City.

"We are looking at the worst disaster in our history both economically and politically square in the eyes, said an aide to a coal state senator today. "When those thugs invaded Rockefeller's office we saw a 'new politics' in the making — the politics of terror and intimidation, of violence and chaos. If it is allowed to continue, it means the end of constitutional law as we know it."

Why the Contract Failed

The reasons for the failure of the UMW members last weekend to ratify the proposed contract agreement have almost nothing to do with what is being reported in the press.

The contract was shot down by an overwhelming majority of members as a result of an odd alliance between Institute networks in the union and the so-called traditionalist wing, typified by former UMW presidential candidate Lee Roy Patterson. The Institute crew played their expected role, threatening miners, lying about the contract, and so forth, creating as one source said, "a hell of a lot of confusion." Since the traditionalists opportunistically thought that a rejection of the contract would lead to a downfall of UMW President Arnold Miller, they worked against ratification. By so doing they have unwittingly helped Schlesinger and his Institute thugs put the UMW and the nation in peril.

The Carter Administration also botched up the contract ratification fight; two weeks ago the President had appealed to the miners' sense of patriotism, urging them to ratify the pact in the national interest. But Carter and his trusted advisors like Strauss never spelled out that national interest, never educated miners to save the national economy from sabotage. Nor did they move to clean out the Institute terrorists or make a commitment to solve miners' just grievances over problems in the health and pension aspects of the pact.

Although a handful of leaders such as former UMW vice president Mike Trbovich tried to speak to these questions, their message reached far too few. The miners, looking at the Institute provocateurs with their baseball bats and at certain admittedly rotten provisions of the proposed agreement, voted against the "national interest" and in favor of what they perceived as their narrow trade union interests; they rejected the agreement by a 2 to 1 margin.

Will the Miners Return to Work?

It is the consensus of informed and reliable sources in the coal fields that the majority of miners will not return to work under Taft-Hartley injunction. Contrary to what the *Washington Post* writes about the "rebellious miners," it is the miners' fear of becoming victims of Institute terror that will keep them off their jobs.

"Nationalization would only make things worse," said a former UMW official. "They (the Institute networks — ed.) want to get the troops out to help their organizing."

As for violence against coal shipments, sources close to the union say it will be organized only by the Institute crowd.

To institutionalize this situation, the bankrupt UMW has received a \$2 million warchest loan from the United Autoworkers union. It is also reported that the UAW is flooding the mine fields and the UMW offices with experienced strike support "personnel," a development that will heighten the chaos and the potential for terrorism.

The union is also receiving support from the Institute networks in Michael Parkhurst's independent truckers group, Overdrive, and the American Agricultural Movement, a violence-prone alliance that smacks of the fascist strike strategy that led to the overthrow of the

Allende government in Chile in 1973.

"If the government can get these terrorists out of the coal fields, and demonstrate to the miners that they will clean up the pension and welfare mess, people will go back to work," a former UMW official said tonight. Such officials report that the Miners Right to Strike Committee is being told that it has a carte blanche by "their friends in the government." Such friends include former UMW director of public relations Bernie Aronson now working in Walter Mondale's office and Rich Banks, former administrative assistant of UMW President Miller, who now works in the Labor Department.

A spokesman for a large Midwest utility whose coal supplies are running out said tonight that Carter can't wait for the violence to occur...he must act now before the Taft-Hartley injunction comes down." The President, and the law enforcement officials," he said, "should announce that any incident of violence will not only be prosecuted but thoroughly investigated...Schlesinger laid out a scenario for national disaster in Congress...he was quite explicit — brownouts, controlled blackouts, violence, riots...I fear for our country if someone doesn't wake up soon..."

— L. Wolfe

IPS Networks Mobilize For Terror In Coalfields

As we go to press, coal field rank and file networks associated with the Washington-based Institute for Policy Studies (IPS) are mobilizing to coerce or mislead miners into defiance of the injunction ordering the opening of the mines under the Taft-Hartley Act. "Strike support" demonstrations are planned in several cities for March 11-13; these demonstrations will channel hundreds of student cadre into areas adjacent to coal fields for their eventual redeployment into strike "picket" activity next week. Their strategy is to create a "civil war" situation in sections of the U.S.

We excerpt below interviews with key operatives in this IPS terror deployment.

The following is taken from an interview with Ben Bedell, a reporter for the IPS-linked "left" journal, The Guardian. As Bedell indicates, he has extensive contacts in the coal fields with the rank and file movement. Bedell, according to several sources close to law enforcement officials, serves as a "conduit" for marching orders into such operations as the Miner Right to Strike Committee. Copies of this interview have been circulated to relevant police authorities.

Q: I would like your views of the current strike situation.

A: Well, on the Taft-Hartley, I tend to think the government is bluffing and they are just going through the motions. I think what they really see as the solution is seizure of the mines, then negotiations of a somewhat more lenient contract with the miners and on that basis getting them back to work. I wouldn't rule out though the possibility of some violent clashes next week particularly in southwest Virginia where there are a number of

nonunion mines which have not been producing coal since the strike began but... yesterday the Governor of Virginia put the national guard on alert and sent in a large detachment of state police into the area. There are other areas as well where there could be some confrontation if the nonunion coal operators attempt to take advantage of the Taft-Hartley climate and reopen their mines.

Q: Like the Kentucky area?

A: Eastern Kentucky, Harlan country would probably be one of the more likely areas.

Q: How about Ohio.

A: Some government spokesmen have singled out Illinois, Ohio, and Pennsylvania as districts where they think they might get somebody to go back to work under the injunction. I don't know how they could possibly think anyone would go back to work there. The district there, District 6, is extremely militant, it turned down the contract 5 to 1. Some locals voted 100 to 1 to turn it down. It's been the center of militancy in this strike ever since it began. How they are going to do it is beyond me. Pennsylvania, likewise, I don't see how anything is going to open up there. Illinois though is a different kettle of fish, the district three, District 12, is almost all surface mines, strip mines which would be easy to open in terms of guarding, physically guarding the mines against sabotage, and the miners against any kind of attack. The political situation there is somewhat different than in the other districts. I don't think he would open it up under

Taft-Hartley, or under a seizure but he might go for negotiating a separate agreement either in the district or with the major coal producer which is Peabody Coal.

Q: What other areas. In southern Ohio, Virginia and Kentucky the militants seem to be very well organized. Are there any other areas where that is the case?

A: Indiana, southern Indiana. I really don't know too much about the situation there, but they've been really tearing up the pea-patch down there. In a town called Rockport, it's right on the Ohio river. And they float a lot of coal down the river and off load it at Rockport and five or six times they've shut down this coal loading facility. And just today they dumped a whole lot of nonunion coal into the river. So there is something going on there....it seems pretty well organized.

Q: Do you see any back to work movement developing inside the union.

A: Not under Taft-Hartley, but if the government seized the mines and said it would operate them under terms favorable to the miners, there is no doubt that they would go back. In fact I think it would be a victory for them. In fact seizure is rapidly becoming a demand of the rank and file in this strike. They don't see any other way their demands are going to be met. The companies are not going to do it and I think they realize that in the last two cases where the mines were seized the miners came out on top. In 1943 they won portal pay and 46 they won the benefit funds. And I think they believe they can win again...

The following is excerpted from an interview with Mike Branch, the self-proclaimed spokesman for the Miners Right to Strike Committee. Branch, a leader of the terrorist cadre from the IPS-controlled Revolutionary Communist Party which dominates the MRSC, reportedly organized "terror squads" of "roving pickets" during last summers' wildcat activity which were responsible for keeping tens of thousands of miners out of the coal mines.

Branch: I think it has to be clear what this strike is and what it represents, and from our stand it represents a crucial battle not only for miners but for all working people. That's based on the fact that the crisis in this country has put the ownership class in a situation where they are trying to stabilize their workforce, and get the largest production out of their workers. In relation to this the miners and workers are headed for quite a period of time of major obstacles because of wildcat strikes and so on against the present conditions, the need to advance our own force and our own causes and stuff. This has become a major battlefield for them. What they (the owners) want to do, and what they want out of this contract is to smash our movement down here, and hold that up as a big flag or banner to other working peoples saying to them that "you can't stand up against them, you can't win, and even if you do it's futile," and so on. From our standpoint, what we're saying and what we're

trying to organize towards, is to show not only ourselves but all working people that you can stand up against them, you can fight them and in fact you can win concessions, but it takes two months of sacrifice and it needs more organization. What they tried to do was to get over a federal contract that would tie our hands... An obvious sign of growing strength we have shown is the fact that from the very beginning of the strike they have had to depend very heavily on federal intervention, whether it is use of police, FBI, Grand Jury...and now they have had to bring in federal intervention which didn't work in their mediation.

Q: How do you see the possibility of government seizure?

A: We oppose it. Because it still represents the same forces acting in opposition to the miners.... What we are saying is that all their actions are strike breaking, whether its Taft-Hartley or whether it's government seizure, they represent the same thing.

Q: I understand the government has put the National Guard on alert, is that true?

A: You mean Gov. Rockefeller? I don't know, that may be true, I hadn't heard that. I know the Governor of Virginia had called to concentrate the state police in the coalfield area, and if he was unable to maintain "law and order" then he would put the National Guard on Alert. I'm sure that's the case to one extent or another in all the coal states. Indiana for some time has been using the National Guard.

Q: With the Taft-Hatley injunction. When it comes down tomorrow do you think that the coal operators are going to try to take advantage of it? That could be dangerous for you people down there, what do you plan to do?

A: We're not going to work under Taft-Hartley. I guess what you're trying to say is what about those who are going to try to work. Well, ha, ha, that is not something I want to talk about over the phone. I think people are prepared to deal with it.

Q: You're the head of the Miners Right to Strike, is that right?

A: No I'm not the head of it, I'm just a spokesman. The head is not a public guy so we don't give out his name.

Q: What is the breaking news down there that you would like to get out?

A: Well we are going to have a major rally this Saturday and we're asking workers from around the country, you know, steel workers, electrical workers, auto workers, all kinds of workers to come to this rally in Charleston on Saturday and take up a more active support of the miners. You know the support we've been getting from other workers has been great, letters, telegrams of support, donations of money and food and clothing. But you know how things have been, the ante is being upped on the situation with the Taft-Hartley... I will be speaking and the Miners Right to Strike Committee will be an official sponsor.

No Need for Large-Scale Industrial Shutdowns Because of Coal

If President Carter and the Department of Justice make a public commitment to protect the lives of United Mine Worker (UMW) members and safeguard the movement of coal by insuring the speedy prosecution of the Institute for Policy Studies networks in the coal fields, a two-to-three week breathing space can be provided for serious negotiations to settle the strike. During that period, if James Schlesinger and the Department of Energy are prevented from interfering in the highly successful coal allocation program that has been very quietly in effect in the last three weeks, there will be no need for the massive industrial layoffs and rolling blackouts that Schlesinger has threatened are inevitable. The President's primary responsibility is to insure that the economy of the United States does not come to Schlesinger's anxiously-awaited complete halt.

The governors' offices in Ohio, Pennsylvania, and West Virginia have been in close touch with local UMW officials, appraising them of planned coal movements in order to avoid violence while the coal is transported. The state energy offices are working closely with the utilities and industry in Midwest states to prevent production shutdowns, and the regional reliability councils have done a skillful job buying and wheeling out-of-state and inter-regional power to keep vital functions operating as efficiently as possible. Some industry has cooperated by eliminating unnecessary power consumption voluntarily and turning to even more expensive alternate fuels to take pressure off diminishing coal supplies.

Real Story on Layoffs

Schlesinger's projections of over 3 million layoffs by the end of this month are psychological warfare. If his IPS networks are not allowed to hold both the country and the UMW hostage through violence, there is no need for large scale industrial shutdowns. Over the last two weeks coal strike-related layoffs have been *less than* the number predicted by the Labor Department's Bureau of Labor Statistics.

On Feb. 24 a special survey by the bureau of Midwest manufacturers estimated coal-related layoffs for the week ending Feb. 25 at approximately 67,400 in manufacturing. This was based partly on utility electric cut-backs expected that week. In its March 2 report, the bureau reported that the actual number of coal-related layoffs among the 7.8 million factory workers in the 11-state midwest region totalled 22,600 — *less than one third of projections*.

Of this total, approximately 40 percent were in the state of Indiana, heavily impacted by the strike, however, this situation is more a function of political decisions than objective problems. In sharp contrast, Ohio Governor Rhodes, facing as serious a situation as Governor Bowen in Indiana, has delayed electricity cutbacks. Working with the union, utilities, industry and coal producers to move as much coal as possible into the

state, the Governor's office has delayed economic dislocation, at least temporarily.

The importance of this cooperation is reflected by considering the impact on industry *nationally* if cutbacks were to occur in Ohio. Seven or eight critical General Motors parts-producing plants in that state buy their power from Ohio Edison. Beginning on Feb. 14 the utility announced it would have to institute a 50 percent cutback to industry. This was delayed and has been postponed twice more because both coal and power have been brought into the Edison system. Were the 50 percent cuts to go into effect, all of GM's assembly plants and supporting operations would be forced to shut down within a short period of time, idling 300,000 workers nationally.

With the exception of two parts plants in Indiana, where mandatory cutbacks have gone into effect, all GM plants are currently operating on normal schedules. Ford Motor Company in the same position is not projecting any changes in production scheduling at least through the end of March, depending upon what the utilities decide to do.

Other industry has complied with all requests for voluntary conservation and has instituted alternate energy system usage to make sure operations run as close to normal as possible. Ford has leased 17 locomotives and 18 generators which run on diesel fuel to supplement electrical supplies. Machinery is being shut off during down times and non-essential lighting has been curtailed. As a result of industry-state-utility cooperation, there are currently no coal-related layoffs in the auto industry.

Keeping Industry Running

Table I summarizes the number of tons of coal moving to utilities in the key coal-dependent states. Three weeks ago state governments, in consultation with utilities, coal suppliers, and industry made the decision to try to move coal rather than implement drastic electrical curtailments. At that time a tentative agreement was reached between the UMW and coal operators, and there was general optimism that the coal would be moved unhindered by violence since the IPS networks were then busy focused on efforts to sabotage the UMW contract ratification.

The indicated coal shipments have staved off shutdowns and increased coal stockpiles minimally at key utilities. The Chessie Railroad, the nation's largest mover of coal, began transporting last week, coal for the first time in three months. Most of the coal for the Midwest is coming from nonunion Appalachian mines, stockpiles of coal that companies had previously been afraid to transport, and some from the western mines. (Large-scale import of western coal is not possible because most of the eastern coal-burning facilities cannot use the higher-water, lower-BTU western coal.)

Estimates by experts in charge of power at the critical

ECAR (East Central Reliability Council) regional center in Canton, Ohio conclude that the situation could be stabilized in the Midwest if current supplies are maintained and some additional shipments are added. In the normal peak-load winter season, the system averages a consumption of 3 million tons of coal per week. Since the second week of February deliveries into the system have approached or exceeded 1 million tons per week. For the week ending March 4, 2.33 million tons of coal were burned, with 1.108 million tons received.

As the winter weather diminishes in the next couple of weeks, shipments at a total of 2.5 million tons would provide full normal power. If the current shipments are increased by even 1 million tons from their current level, with continued voluntary conservation, industrial layoffs can easily be prevented. However, since the nation's press is promoting general hysteria, ECAR officials are afraid that the terrorists networks in the union will be turned loose to rampage the coal fields and transport points, now that no contract is in sight.

Three Critical Weeks

The actions taken by President Carter and the Justice Department are the critical determiner in whether there is sabotage of coal shipments and whether there is going to be any negotiated settlement of the coal strike. Fundamentally, both of these questions depend on a federal commitment to get the IPS terrorists out of the UMW. The past month's successful efforts to avert Schlesinger's shutdown of the U.S. economy, and resultant final collapse of the dollar, have provided about three weeks breathing space for Carter to launch the appropriate federal intervention. The utilities and industry can stabilize the situation for that period of time while a contract is being negotiated and ratified — providing the terrorists are properly prosecuted.

— Marsha Freeman

Mineworkers' Leader Calls For Investigation

On March 6 former United Mineworkers (UMW) Vice-President Mike Trbovich called for a "ful scale" investigation of the current coal strike crisis which he recognizes as a staged attack on the United Mineworkers, the U.S. economy, and as an insurrectionary move against President Carter:

"The strike is being used and prolonged by Energy Secretary Schlesinger and others not only in an attempt to destroy our union, but to destroy President Carter," Mr. Trbovich stated. "It is now clear to me that one of the objectives of those who are manipulating the strike is to put Vice-President Mondale into the Presidency. Individuals and groups associated with the Institute for Policy Studies are responsible for wrecking the UMW. Now some of these same individuals linked to Mondale, Schlesinger, and Secretary of Labor Ray Marshall are coordinating the activities of violent sects in the coal fields who are trying to prolong the strike and Watergate Jimmy Carter.

"President Carter said today that he has declared a national emergency and is seeking a Taft-Hartley injunction to end the strike," Mr. Trbovich continued. "If Mr. Carter is serious about ending the strike and returning the mines to production, he must gain the confidence of the mineworkers by showing his and the Federal government's respect for the miners' concerns over the management and state of their welfare and pension funds.

"He must immediately begin an investigation of our union's pension and health and welfare funds to show that they have been systematically destroyed by individuals associated with the former trustee of the fund, the lawyer Harry Huge. A full investigation will show that millions of dollars have been lost and in some cases found their ways into the hands of outside agitators who have used the money to help wreck our union. Mineworkers were extremely upset that the recent contract had provisions which would have them paying deductibles for part of their health benefits. If the people responsible for the destruction of the fund are exposed and prosecuted, there is no reason that any miner should have to pay anything..."

Table I

Coal Deliveries To Utilities (In Tons)

State	For Week Ending On:			
	Feb. 4	Feb. 11	Feb. 18	Feb. 25
Ohio	61,116	76,954	234,692	223,460
Indiana	69,000	57,310	133,097	224,469
Kentucky	155,937	160,112	160,112	339,118
Michigan	15,000	24,000	48,000	42,050
Pennsyl.	64,376	54,248	121,757	129,219
W. Virg.	14,816	20,907	54,727	108,987

* The above states correspond approximately to the East Central Area Reliability Council regional system.

Illinois	234,000	300,000	268,000	336,000
Virginia	3,218	6,717	6,717	34,331

SOURCE: Department of Energy

Detente On The Line In Administration Battle

Secretary of State Cyrus Vance and his collaborators, including arms negotiator Paul Warnke, have taken the offensive to swing the President firmly behind a detente policy. They are particularly worried that National Security Council Chairman Zbigniew Brzezinski's provocative statements last week, linking SALT to Soviet actions in the Horn of Africa, will bring U.S.-Soviet relations to a crisis point.

Secretary Vance and Warnke met with Carter on March 3, the day after Brzezinski's most provocative statements to date on SALT and the Horn, and warned the President that Brzezinski's attempts to unilaterally change the Administration's policy and hinge further SALT talks on Soviet and Cuban withdrawal of support for Ethiopia, seriously endanger U.S.-USSR relations.

Carter, apparently affected by the warning, has reportedly sent Warnke back to the SALT negotiating table in Geneva with a renewed effort to achieve an accord this year. Later the same day, the President publicly distanced himself from his National Security advisor in an address to a meeting of college newspaper editors. The President said both he and negotiator Warnke agree that the SALT talks are progressing steadily, and that he is looking forward to a likely summit with Soviet President Brezhnev to clear up the three or four final technical details still in question.

This commitment to a SALT agreement coincides with Carter's decision to diffuse the Horn of Africa crisis. The White House is talking about a formula to cool out the situation. Yugoslav President Tito, visiting Washington this week, announced that the U.S. has agreed with his formula for solving the Horn problem: a Somali withdrawal from Ethiopia, a Soviet-Cuban withdrawal from the Horn, and a federation of the Ogaden with Ethiopia. In his press conference March 9, President Carter revealed that the Somalis had telephoned him to announce their withdrawal from Ethiopia.

At the same time as the Horn crisis heads toward resolution, Secretary Vance has made clear his intentions that the U.S. will not get embroiled in supporting the "internal settlement" for Rhodesia, a proposal that the Brzezinski faction threatens to turn into another Horn crisis.

State and ACDA Officials Attack Brzezinski

Officials at the State Department and Warnke's Arms Control and Disarmament Agency (ACDA) are known to be increasingly enraged at what Brzezinski has already done to bring the U.S. to the brink of general thermonuclear war with the Soviets. State Department officials this week called Brzezinski's statements on "linkage" about as "effective as shooting yourself in the foot" (a reference to the disastrous step-by-step diplomacy of

Brzezinski's mentor, Henry Kissinger, no doubt). "As the centerpiece of Soviet-American relations, the SALT talks are simply too vital to make them hostage to events in the Horn of Africa," one State Department official noted, while another derided the NSC's plot to escalate U.S. criticism of the Soviets: "Instead of turning it up one notch, as intended, Brzezinski turned it up five or six notches."

The Joint Chiefs of Staff are also known to support a quickly-concluded SALT accord.

These officials are, rather, beginning to conceive of a "reverse linkage" concept: a new SALT agreement, once achieved, can be "linked" to other, mutually beneficial agreements on expanded U.S.-USSR trade and scientific collaboration. As one ACDA official put it: "If you have a SALT agreement, then you can have increased trade; that's the way we see it."

Soviets Watching

The Soviets are watching this factional rift carefully. Because Carter and much of the leadership in Congress has so far fallen in behind every hideous provocation proffered by the City of London and its allied faction in the U.S., the Soviets have dropped their longstanding war-avoidance policy. Now, they are building their war-winning capability and are prepared to use it — all the way — if further provoked. However, the USSR has made it quite clear that if the U.S. begins to act in a sane way — for instance, by negotiating a SALT agreement in good faith — it will make a positive response immediately.

The Soviets are also differentiating the various factions that are battling for control of U.S. foreign policy. In the Sunday Weekly Review column of *Pravda* March 5, the Soviets declared that SALT would have been concluded by now were it not for sabotage by a faction within the U.S. Then, the Soviets went on to clarify the problem: "Several days ago a useful report was published by the U.S. State Department, rejecting the falsification about violations by the Soviet side of the 1972 agreement...however, simultaneously, the alarming word linkage can be heard from official Washington. Most often it issues from the lips of Presidential assistant for National Security Brzezinski. Apparently sensing the untenability of the linkage tactic, Brzezinski is dancing the steps of a Polonaise, today he is for linkage, tomorrow he is against it, but adds that it could become inevitable."

The *Pravda* piece also gives Carter the opportunity to come down firmly for detente; it does not link him to Brzezinski's madness, but instead quotes the President's previous statements warning that without a SALT agreement the world might well be heading toward catastrophe.

The State Department added pressure on Carter to go this route by issuing a report last week on adherence to the original 1974 SALT. The report confirmed that the Soviets have never cheated on the SALT agreement, and that the several times their activities were challenged by the U.S. they were rapidly corrected or shown to be no violation. *The New York Times* — whose board until recently included Cyrus Vance—joined in with a recent editorial: "Zbigniew Brzezinski has gone a dangerous step further...This is a degree of linkage that Mr. Vance strongly opposes...To make SALT talks hostage to Soviet adventurism is a visceral reaction, understandable but mistaken."

Kissinger Steps in to Brainwash Congress

Because Brzezinski's semantic efforts to wreck SALT are being effectively held in check through Vance and Warnke's efforts, Brzezinski's tutor — the man who first invented the linkage game — Henry Kissinger, is running a much more direct operation to wreck a SALT accord. In the same way that Kissinger used knee-jerk anti-communism to brainwash former President Nixon, Kissinger is now telling conservative Republicans that this Administration's SALT accord would be "giving in to the commies." Howard Baker, Senate Majority leader and Presidential hopeful who regards Kissinger as one of the Republicans' foreign policy lights, mouthed Kissinger's cold war policy on television's Issues and Answers inter-

view show March 6. Clearly hysterical about SALT, Baker could not even pause when asked if Soviet withdrawal from the Horn would be an act of good faith.

Two days later, on March 8, Kissinger met with the Republican Policy Committee behind closed doors, beguiling members to believe that there is a policy vacuum in the Administration which the Soviets are taking advantage of, urging the Republicans to speak out. Specifically, he said he hates the Administration's SALT proposals and is against the Administration's Africa policy. Senator Laxalt (R-Nev.), a close associate of Ronald Reagan, declared after the meeting, "Kissinger is completely with us." Also following Kissinger's cue, Senator Dole (R-Kan.) issued a statement of support for the internal settlement for Rhodesia.

The actions of Vance and others, however, have set the stage for Carter to act in the national interest and in the words of an ACDA official, "go for a SALT agreement and worry about Congress later." Competent Administration officials are gearing up to convince Carter to ignore claims by Brzezinski and Kissinger that the Senate will refuse a SALT agreement now. In fact, the Senate "is much more favorable to a SALT agreement than to the Panama Treaty," according to one Senate aide intimately connected with the SALT debate — a sentiment known to be widespread on Capitol Hill.

—Barbara Dreyfuss

'The SALT Dilemma and the Horn'

New York Times, editorial, March 8:

...There is no disagreement over the fact, as Secretary of State Vance has put it, that Soviet behavior in the Horn of Africa will complicate the already difficult task of winning Senate ratification of the projected SALT treaty. But President Carter's security adviser, Zbigniew Brzezinski, has gone a dangerous step further to warn Moscow that its activities in Africa would "inevitably complicate" the negotiations themselves. This is a degree of "linkage" that Mr. Vance strongly opposes.... To make the SALT talks hostage to Soviet adventurism is a visceral reaction, understandable but mistaken....

... The danger of yielding to the temptation is that there is no logical stopping point. In the end, a SALT agreement would be made contingent on first resolving every other Soviet-American dispute. The tactic cannot work as intended, but it can destroy the fragile arms control framework. The Soviet leader, Leonid Brezhnev, showed his understanding of this danger when he signed the first SALT treaty with President Nixon in 1972 despite the intensified American bombing and blockade of North Vietnam....

Recent American efforts to obtain terms that would satisfy the Senate appear to have been sympathetically understood in Moscow... But a slowdown in the negotiations now, ostensibly over Ethiopia, would be quite another matter. It could arouse deep suspicions in the Kremlin that the United States is seeking unilateral advantages in the nuclear arms race. It could endanger the SALT I agreement on offensive arms, which has been extended informally since its expiration last October....

The central military issues in SALT II were settled more than three years ago at Vladivostok by Mr. Brezhnev and President Ford. But in 1976, an election year, after Soviet-Cuban military intervention in Angola, completion of the treaty was delayed by Mr. Ford, to his subsequent regret.

Warnke versus Nitze

U.S. News and World Report recently published a debate between U.S. Arms Control and Disarmament Agency head Paul Warnke and Committee on the Present Danger spokesman Paul Nitze on whether or not a SALT II treaty is in the strategic interest of the United States. The debate demonstrates, to a certain degree, the differences in thinking between sane elements of the Carter Administration and CPD types in the Administration and in Congress like former CPD founding member James Schlesinger and Senator Henry Jackson (D-Wash), the chairman of the Senate subcommittee which handles SALT.

The clearest criteria by which to judge these outlooks, in our opinion, is represented in Mr. Warnke's appreciation of what the strategic realities of a non-SALT world would be, despite the general shortcomings of his views on military matters. In contrast, Mr. Nitze demonstrates a dangerously incompetent understanding of such a world, defined by his obsession with the numbers of missiles either side would have with and without SALT.

Q: Mr. Warnke, why would the strategic arms limitation

treaty you are negotiating with the Soviets enhance U.S. security?

W: Look at the alternative: Either continue under the SALT I agreement, or have no arms control agreement at all. Now the SALT I agreement gives the Soviets a numerical advantage in missiles which the SALT II treaty would eliminate. That in itself is a sufficient reason for wanting a SALT II treaty.

Q: And if there were no SALT treaty at all?

W: That would mean an unrestrained nuclear-arms competition. At the present point, the Soviets have a whole fifth generation of strategic weapons under development. They unquestionably would go ahead and deploy them. Under those circumstances, they would go up to something like 3,000 strategic nuclear-delivery vehicles.

...If the nuclear arms competition continues, strategic stability may be damaged. You could then have a situation in which one side or the other could feel that it was in its interests — maybe essential to its interests — to start a nuclear war at a time of crisis.

Q: Won't SALT II allow the USSR a great advantage in total throw weight of their missiles — and potentially in warheads?

W: That is not the result of SALT; that's the result of decisions made in the 1960s by our military planners, who decided to go the route of smaller, more accurate, more ready, solid fuel missiles. We could have built the same throw weight as the Soviet Union but we chose not to do so.

Q: If Minuteman is becoming vulnerable, does it make sense to accept limits on our freedom to develop a replacement — the MX mobile missile — in SALT?

W: The limit will not bar anything that we could do with regard to MX within the three-year period when such a constraint would apply. But it would affect the Soviets during that period of time.

Q: Why are we willing to accept limits on our freedom to exploit our cruise missile technology — allegedly at the expense of relations with our allies?

W: I've been in constant consultation with the allies, and I've been given no such concerns. I've found nothing but enthusiastic support for our efforts. I think that the allies recognize that we view their security as being indistinguishable from our own.

Now, as far as cruise missile technology is concerned, the protocol gives us a period of time in which we can explore with our allies where the net advantage lies. We can explore with them whether they are prepared to have cruise missiles go unrestrained, recognizing that if they

do, the Soviet Union unquestionably will develop cruise missiles, too.

Paul Nitze

Q: Mr. Nitze, why do you believe that a SALT II treaty will not enhance U.S. security?

N: This treaty will not, in my opinion, leave us in a position even of rough equality with the Soviet Union by 1982, or by 1985. Nor will it help us in maintaining a position of what is called "crisis stability" — a position where, in a crisis neither side could hope to gain by initiating the use of nuclear weapons.

Q: Why would the SALT II treaty, in your view, leave the Soviets with an advantage?

N: The proposed agreement sets a ceiling of 820 on the multiple independently targetted re-entry vehicles — or MIRVed ICBM launchers — each side can have. We today have 550 Minuteman IIIs, and there is nothing in our program which will add one MIRVed ICBM to our inventory by the expiration of the treaty in 1985.

We know the throw weight of those Minuteman IIIs, how many re-entry vehicles each one has and approximately the yield of those re-entry vehicles. We know the throw weight of the SS-17s, 18s, and 19s that the Soviets are deploying.... When you add the whole thing up together, it ends up with a differential of approximately 8 to 1 in favor of the Soviet Union in terms of prompt counterforce potential. That is a very big margin of difference.

Q: Specifically, how would it (the SALT treaty) affect the U.S.?

N: As a case in point, I believe that the agreement as it is now being negotiated would provide in the three-year protocol that mobile ICBMs — the MX — will be banned. It is true that we do not now plan to deploy a mobile missile during that period, but I can well imagine that the Russians will wish to have that provision continued beyond 1981 or 1982. And our negotiating position at that time will be inferior to our negotiating position today....

Q: And the SALT negotiations, in your view, will not help the United States to deal with these dangers?

N: That's right. Today almost no one says that the SALT agreement that we are negotiating will do much for us. They merely say it could be worse if we don't have an agreement and that you really have to look to SALT III.

But somehow or other they assume that while negotiating SALT III the U.S. negotiating position is going to have greater power behind it than now, so that we will be able to negotiate things that are not negotiable now. I don't see what is going to bring that about. As my Russian friends say, "we are not philanthropists."

Pravda Targets Brzezinski As Wrecker Of SALT

The following are excerpts from Pravda's "International Week" commentary March 5 by Sergei Vishnevskii:

Exactly five decades ago, speaking at Oxford, British General Swinton, the inventor of the tank, declared: "The world is rather more prepared for war than for peace, and therefore I do not think that England ought to agree to any disarmament." The Imperialists of the U.S. and England developed their military program unchecked, and also rearmed Germany. Japan, France and Italy did not lag behind. And everybody knows where the arms race ended up that time....

It would be a great stimulus to winding down the arms race, if the Soviet-American Strategic Arms Limitation Talks were successfully concluded. A new agreement (SALT-II) would have been concluded long since, if it were not for those circles abroad who, in the words of Senator G. Hart, want to "suffocate the baby in the cradle," that is wreck the agreement....

Several days ago, a useful report was published by the U.S. Department of State, which refuted falsifications about Soviet "violation" of the 1972 agreement. But at

the same time, the alarming word "linkage" is heard from official Washington. Most often, it comes from the mouth of the President's assistant on national security affairs, Z. Brzezinski. Linkage of what with what? Of the SALT negotiations with questions completely unrelated to the problem of arms limitation, particularly the situation in the Horn of Africa (and in this, the peaceful goals of Soviet aid to the victim of Somali aggression, Ethiopia, are shamelessly distorted.) It is apparent that Brzezinski, sensing the untenability of the "linkage" tactic, is dancing a polonaise: today he is for "linkage", tomorrow against—but adding that it "might become inevitable."...

What is the point of all these dance steps? They might make some sense, if the U.S. had less of a stake in winding down the arms race than we do. It would be of some use to some people in Washington to reread the President's recent statement: "The absence of a new SALT agreement...certainly would lead to a worsening of the atmosphere, and to an ultimate catastrophe. If the arms race continues or intensifies, the chances will grow that those weapons will be used under certain conditions."

ACDA Report Shows SALT II Could Work

Two separate reports released in Washington last week take most of the wind out of arguments by SALT opponents that negotiations so far have been no more than a *carte blanche* for Soviet violations and arms buildup.

The reports reveal that: (1) the compliance system which was set up for SALT I was very effective in checking possible violations of the SALT I treaty; and (2) the provisions of the SALT II treaty which have been worked out would be adequately verifiable under present circumstances.

Both reports were released under the auspices of the Senate Foreign Relations Committee, chaired by Senator John Sparkman (D-Ala), and were prepared by the State Department.

The SALT II report, developed by the State Department's Arms Control and Disarmament Agency (ACDA) with cooperation from the entire executive branch, including the Defense Department, reports a consensus that the treaty as agreed to so far would be "verifiable within adequate limits." In defining this term, ACDA Director Paul Warnke stated that the Soviets would either be caught in any violations early enough to correct them, or that the violation itself would not alter the strategic relationship. In addition, the report reveals for the first time, officially, the details of the provisions which have already been worked out in Geneva.

The SALT I report, which was prepared by the State Department's Standing Consultative Commission, a body created under the SALT provisions, reveals that while many possible treaty violations were filed with the Commission by both sides during the tenure of SALT I, no

claim proved to be in violation of the pact. The Soviets, however, reportedly "pushed the treaty to the limits." The report shows that the mechanism which was created to deal with irregularities worked very effectively and that a frank, give-and-take relationship between the U.S.-Soviet Commission took place on a regular basis. This is presumably the same type of apparatus that would be used to smooth over differences on the proposed SALT II treaty.

According to *Aviation Week*, the United States questioned apparent Soviet anomalies eight times, while the Soviet Union submitted five requests for clarification of unusual or ambiguous actions on the part of the U.S. The U.S. requests dealt with:

(1) Special purpose silos, which were later determined to be in use for launch control, although they were not stocked with missiles;

(2) A pattern of concealment from satellite photography, which apparently ended as soon as the request was submitted.

(3) Heavy missile deployment, which was not resolved because of ambiguities of definition in the SALT I accords. These ambiguities would be resolved in SALT II.

(4) The testing of an air defense system, the SA-5, which was later resolved not to be in an ABM (antiballistic missile) mode.

(5) Soviet dismantling of ABM launchers.

(6) ABM radar installations at the Kamchatka Peninsula, which are believed to be prototypes for full ABM installations. Discussions of this issue are continuing.

(7) Dismantling of ICBMs (intercontinental ballistic

missiles) which could not be completed in time to comply with the ceiling on ICBMs. This was resolved by agreeing not to deploy SLBMs (submarine-launched ballistic missiles) until the ICBMs in question were destroyed.

(8) Concealment at test ranges.

The Soviet complaints were:

(1) Concealment of U.S. Minuteman (ICBM) sites, which were shelters designed for upgrading silos. The U.S. cut down the size of the shelters.

(2) Atlas and Titan (ICBM) launchers throughout the country were protested until the U.S. gave assurance that they were deactivated and couldn't be used on any medium-term basis.

(3) A possible ABM radar installation on Shemya Island, which was determined to be for early warning and tracking.

(4) The privacy of the Standing Consultative Committee was protested, when U.S. newspapers reported Soviet violations as fact and not as requests for clarification. Some items were proved to have been leaked in such a fashion by "government circles."

(5) Dismantling of the ABM site at Malmstrom Air Force Base in Montana.

Other matters discussed by the Committee during its deliberations include: The blinding of U.S. monitoring satellites, which the U.S. supposedly resolved by showing the cause of the blinding to be natural gas explosions inside the USSR; the question of the mobile ABM system, a system which was determined not to exist; ABM missile tests; and testing of mobile ICBMs by the USSR, which is not prohibited by the treaty. (It was determined, however, that the missile in question did not have strategic but intermediate range.) The Committee also reviewed the denial of test information, in which the Soviets have encoded missile-test telemetry data.

Here are excerpts from the ACDA's Feb. 23 report on "Verification of the Proposed SALT II Agreement."

1. Overall Assessment

The anticipated SALT II agreement is adequately

verifiable. This judgment is based on assessment of the verifiability of the individual provisions of the agreement and the agreement as a whole. Although the possibility of some undetected cheating in certain areas exists, such cheating would not alter the strategic balance in view of U.S. programs...

5. Overall Verifiability of Agreement

...A consideration in determining whether the agreement as a whole is adequately verifiable has been whether the Soviets could exploit the monitoring uncertainties of several individual provisions, each of which is judged as adequately verifiable, in a way that would affect our national security interests. We have confidence that we can adequately verify compliance in such a context because the probability of detecting the fact of cheating increases markedly if the number of provisions being violated increases. Combined with the likelihood of detecting significant cheating on individual limitations, the ability to detect the fact of small cheating on a number of provisions enhances our monitoring confidence.

The Soviets cannot be sure of our overall capability to monitor a SALT II agreement. Thus, Soviet planners would be expected to make careful conservative assumptions regarding U.S. verification capabilities. For example, a slightly less than 50 percent chance of detection, which is considered "low confidence" in monitoring capability to the U.S. would probably appear as "high risk" to a Soviet planner contemplating cheating. Given U.S. Research and Development hedges and our greater industrial and technological base, the Soviets would not lightly undertake this risk and the attendant danger of U.S. abrogation.

In sum, although the possibility of some undetected cheating in certain areas exists, such cheating would not alter the strategic balance in view of U.S. programs. However, any cheating on a scale large enough to affect the strategic balance would be discovered in time to make an appropriate response. For these reasons, and others noted in this paper, we believe that the SALT II agreement, taken as a whole, is adequately verifiable.

Young: British Solution Is No Solution

The Carter Administration soundly rejected the internal solution for Rhodesia which British Foreign Secretary David Owen had negotiated with Prime Minister Ian Smith. On March 9 Carter made a surprise announcement that Somali President Siad Barre has personally assured him that Somali troops would be withdrawn from Ethiopia. Carter also took an unexpected initiative by proposing a conference of all the interested national leaders which would include black leaders Josua Nkomo and Robert Mugabe to work out a transition to majority rule.

Hours before Carter's press conference, Secretary of State Cyrus Vance had mooted the possibility that Somalia may withdraw its troops from the Ogaden area saying this "is the necessary precondition for resolving

that conflict there." Vance further said that the Soviets and Cubans should respond in kind, and withdraw in favor of an Organization of African Unity peacekeeping force.

Ambassador to the United Nations Andrew Young had indicated in public statements last week that he considered the internal solution which included only domestic leaders Rev. Sithole and Bishop Muzorewa inadequate. In a guest editorial in the *Atlanta Constitution* March 1 Young correctly asserted "No Real Settlement in Rhodesia" in the headline. Young followed his editorial statement with strong public criticism of Britain's role in negotiating the internal solution, March 7 saying, "Are they (the British) going to run out on us in

the way they did in 1948 (in Palestine) and leave us with 30 years of trouble?"

We reprint below Young's editorial statement as it appeared in the Atlanta Constitution. The statement is an important step in undercutting the efforts of National Security Council Chief Zbigniew Brzezinski to use the Rhodesian situation as a theatre for a showdown between superpowers:

The problem with an "internal settlement" in Rhodesia (Zimbabwe) is that it is not really a settlement. Any agreement which does not include the forces that are doing the fighting — the Patriotic Front and the Rhodesian security forces — simply paves the way for a repeat of the Angola experience, with the result being continued bloodshed and civil strife. This conflict would inevitably spill over the borders of Zambia, South Africa, Mozambique, and Botswana.

It is already clear that the agreement announced Feb. 15 between Ian Smith and three black leaders — Bishop Abel Muzorewa, the Rev. Ndabaningi Sithole, and Sen. Jeremiah Chirau — will not end the fighting. There is, however, a proposal — formulated by the British and United States governments — which is the only hope for stopping the warfare and guaranteeing free and impartial elections.

There are those who are only too glad to wash their hands of the entire matter, deluding themselves into believing that Mr. Smith has had a miraculous change of heart and is finally ready to transfer power.

But a realistic appraisal would suggest that the increasing military capabilities of the Patriotic Front and a rapidly collapsing economy in Rhodesia are more responsible for his change in attitude. Meanwhile, the increased pressure exerted by the presidents of the nearby "front line states" plus the internal talks, have led to the Patriotic Front's willingness to discuss the substantive Anglo-American proposal.

These discussions began recently in Malta, where Dr. David Owen, the British foreign minister, and I met for several days with leaders of the Patriotic Front, including Joshua Nkomo and Robert Mugabe. We held detailed conversations concerning transition arrangement, a United Nations peace-keeping force and the current military actions inside Rhodesia. The talks were positive and generally helpful in advancing the Anglo-American plan for a peaceful transfer of power in an independent Rhodesia (Zimbabwe). Mr. Nkomo and Mr. Mugabe committed themselves to free and impartial elections and expressed a willingness to pursue a negotiated settlement.

The U.S. interest lies in stability and order in Zimbabwe and peace in the entire region of southern Africa. It really doesn't matter which nationalist leader emerges at the top of a new government, so long as that person is the choice of the Zimbabwe people.

The need for Western capital, markets and technology for development assures us of a relationship which can be negotiated to protect U.S. interests. Anything short of free and impartial elections that include all of the nationalist leaders simply plays into the hands of the Soviet Union and instability.

We have received extremely strong and positive support from presidents Julius Nyrere of Tanzania and Samora Machel of Mozambique, as well as the government of Nigeria, for our proposal.

If the mood of the American people were such that it encouraged abandoning our proposals in the face of an "internal settlement," we would be abandoning the development potential of an entire region.

Clearly, the U.S. government cannot support an "internal settlement" but our national interest is tied to peace and cessation of the warfare in the area, and that can only come about as a result of the agreement by the two parties that control the arms — the Rhodesian security forces and the Patriotic Front.

Carter Begins Confrontation With Jewish Lobby

Forces within the Carter Administration are moving to confront one of the chief political barriers standing in the way of a comprehensive, Middle East settlement: the so-called "Israel Lobby."

THE ADMINISTRATION

The politically powerful Jewish Lobby was set up largely through City of London/Rothschild networks, and has historically been used to thwart any U.S. attempts to help resolve the Middle East crisis — not out of any concern for Israel's national interests, but to further Britain's global aims. The Jewish lobby has raised a continuous and loud cry over the U.S.-Soviet joint communiqué of October, 1978 and the Administration's Mideast sales package.

The assessment that the White House has launched a concerted effort to break the Jewish Lobby's grip over U.S. Mideast policymaking was made by a spokesman for the American Israel Political Action Committee (AIPAC). Commenting on the March 8 resignation of Mark Siegel from his post as President Carter's liaison to the Jewish community in protest against the Administration's allegedly anti-Israel policies, the AIPAC representative told a reporter: "The Administration doesn't give a s--t that Siegel quit. They're after us, they're looking for a confrontation with the Jewish community...They want to break the 'Jewish Lobby'."

Noting that Siegel's resignation had come just one week before Israeli Prime Minister Menachem Begin is to arrive in the United States for discussions with Carter and his advisors, the AIPAC spokesman reported that "the Administration is very upset with Begin" and is

“heading for a very big confrontation” with him.

Indications that the Administration is girding itself for a major showdown with Begin over his continued refusal to adopt a rational negotiating position were also forthcoming from Robert Strauss, the White House Special Trade Negotiator who has been taking on an increasingly influential role in foreign policy decision-making over recent weeks. Speaking at a meeting of reporters March 7, Strauss couped a strong defense of the U.S. dollar with an urgent call for American Jews to support the Administration's Mideast peacemaking attempts. “There is considerable lack of support among American Jews for Begin, and I share that view,” said Strauss, adding that he was “confident” the Jewish community would rally behind the President's peace initiatives.

Rumors abounded this week, in fact, that Strauss — a leading figure in U.S. Jewish circles — had pressed for Siegel's resignation, with a view toward taking over his liaison functions himself. Strauss's aim, apparently, is to consolidate the widespread but unorganized elements of the Jewish community who believe that Israel should accept a Mideast settlement along the lines of U.N. Resolution 242, into an effective counterweight to the highly-coordinated, City of London/Rothschild controlled “Jewish Lobby.”

The fact that the Administration moved this week to undercut the Jewish Lobby indicates that they may be preparing some major new initiatives for the troubled Middle East. Such a possibility was suggested by one well-informed Washington-based policy analyst in an interview this week:

Q: What is your assessment of how the Administration will move on the Mideast?

A: ...The Carter Administration does not favor a separate peace between Israel and Egypt. If the talks between the Israelis and Egyptians continue along current lines, the Administration is more likely to pressure the Israelis and/or to go back to Geneva.

Q: Are you suggesting that the Administration will reaffirm the October U.S.-Soviet joint communiqué?

A: Exactly. Rather than support a separate peace, the Administration may well go back to the joint statement. How this squares with the Horn of Africa problem is complex. But note that Israel and the Soviets are both in Ethiopia, and thus have a strange sort of convergence. So maybe the Israelis are not so adamant against Soviet involvement in the peace process as you would think on the surface....

State Legislatures Demand Carter Expand Eximbank, Nuclear Development

The House of Representatives of President Carter's home state became the first state legislative body to memorialize the U.S. Congress and the President to expand the funding of the Export-Import Bank of the United States in coordination with federal support for the currently undervalued U.S. dollar. The Georgia House of Representatives unanimously passed the U.S. Labor Party-backed memorial resolution March 7, only 24 hours after its initial introduction.

Introduced by a Republican, Rep. Bob Beckham, and Democrat Rep. Dorsey Matthews, the Georgia “privileged resolution” calls upon the White House and Congress to “go bullish on America by announcing that full support for the dollar is a national priority.” Blaming the dollar crisis in part on the Administration — “in particular, the Treasury Department” — the resolution states that a solution can be found through:

(1) “early rechartering of the Eximbank, including increasing its funding from \$5 billion to \$200 billion...”

(2) the replacement of the Administration's current energy program “with one which emphasizes the development and utilization of existing and...to be discovered fossil fuels, the mobilization of our advanced research and development capabilities to expand existing nuclear facilities, proceeding with the breeder program...(and the expansion of) our nuclear fusion program...”

(3) White House “support of the American System with its unequivocal commitment to industrial, agricultural, and technological progress as the means of ensuring an expanding economy at home and peace abroad...”

The Georgia resolution is reportedly already on its way to Carter and the Congress. On March 6, the New York State Senate passed a similar memorial resolution, which now awaits State Assembly deliberation. Bills along the lines of the Georgia model are in committee or under serious consideration in five other states: New Jersey, Pennsylvania, Wisconsin, Connecticut and Delaware.

Such so-called memorial resolutions stem from the days when the U.S. republic was young and workers' associations and local public bodies would frequently use memorials to instruct their federal representatives on crucial national issues. Today, they are being revived by elected officials to make popular sentiment felt on the issues of national policy which actually determine the economies of cities, states, and regions. Through such memorial resolutions, nationally oriented state legislators are rejecting the agenda of “local problems” set for them by the media and liberals, since the questions can only be solved by a federal policy of expanding high-technology goods produced by specific regions and resetting a correct agenda for the U.S. Congress.

New York Resolution Sets Pace For Gubernatorial Race

The importance of program emphasizing high-technology exports, embodied in the resolution to expand the Eximbank by Democratic state Senator Jeremiah Bloom of Brooklyn, could be crucial to the upcoming New York

state gubernatorial race. The resolution, S.R. 119, jointly sponsored by Brooklyn Assemblyman George Cincotta unanimously passed the Senate March 6 and is now awaiting action in the Assembly. Senator Bloom, an announced challenger in the 1978 gubernatorial campaign to Democratic incumbent Hugh Carey, is a traditionalist Democrat who fully supports programs which would utilize and expand New York's ports and high-technology industry. Bloom is as well an enthusiastic supporter of the Nuplex concept, the proposal to build ultra-modern advanced economic development complexes around nuclear plants.

Prior to passage in the full Senate, the Bloom resolution passed unanimously in the Senate Finance Committee headed by Sen. Marchi (R-Staten Island). Bronx Republican Party Chairman and State Senator John Calandra also supported the expansion of the Eximbank, exemplifying the potential for forming cross-party alliances on crucial national economic issues to redirect the attention of Congress and national party leaders to the solution of such questions.

It is ironic that while Bloom and Cincotta introduced their bill, which calls for "The repeal of all restrictions on federally chartered Eximbank activity such as the Jackson-Vanik Amendment," into the New York legislature in the last week of February, the U.S. Senate was simultaneously passing a whole series of restrictions on U.S. exports of nuclear technology which will effectively take the U.S. out of this market.

In addition to its national and international implications, the New York bill is also expected to be the big issue-definer in the state's race for governor. Technological development has been severely restricted in New York by the endless diversion of capital into the debt bubble under the administration of Lazard Freres partner Felix Rohatyn. The Bloom-Cincotta memorial, as has been pointed out by U.S. Labor Party gubernatorial candidate Paul Gallagher, greatly helps to put economic growth — including New York's potential role as a major nuclear energy supplier — at the top of the issues list in the race.

The National Climate

In Maryland, a resolution to expand the Eximbank was introduced in February as a joint resolution by Delegates David Shapiro (D-Balto) and Casper Taylor (D-Cumberland). The memorial is now before the Economics Matters Committee of the House of Delegates of which both sponsors are members. Such action by the Maryland legislature is traditionally closely watched as an indicator of national mood by the nearby Washington D.C. congressional offices.

A memorial calling for nuclear energy development was passed by the Virginia House of Representatives Committee last month and is due to go for a vote. State Senator DuVall, an environmentalist with ambitions to run for the U.S. Senate, maneuvered the bill's return to the Rules Committee where he attacked it as "the U.S. Labor Party's bill." The bill's sponsor, Sen. Robrecht, told the committee: "It is *my* bill. The Labor Party

supports nuclear power, so does the NAACP and a lot of other groups." The State of Virginia has been a battleground for nuclear energy. Many political analysts credited the victory of Republican Governor Dalton, elected in November over environmentalist Henry Howell, as due to Dalton's tacitly associating himself with a pronuclear position.

Public support for the expansion of Eximbank, and federal support for the dollar discussed in regional press such as the St. Louis Globe-Democrat, the Cincinnati Enquirer, the Seattle Times, as well as the above memorials already in progress have contributed to a climate where the Eximbank memorial initiated by the U.S. Labor Party is now pending introduction in five other states: Pennsylvania, New Jersey, Connecticut, Wisconsin, and Delaware.

The U.S. Department of Commerce, the U.S. Eximbank, the Overseas Development Corporation, and local affiliates of the U.S. Chamber of Commerce will hold a series of conferences on the role of the Eximbank in expanding U.S. exports beginning on March 29 in five U.S. cities: Boston, Atlanta, Cleveland, Dallas, and Los Angeles. The example of state legislators willing to stop "playing by the rules" and put themselves clearly on record for Eximbank expansion needs to be assimilated by some national leaders in the weeks ahead if the Eximbank solution is to be implemented.

Go Bullish On America

The following is the text of the memorialization passed by the Georgia House of Representatives. It was sponsored by Republican Bob Beckham and Democrat Dorsey Mathews.

A RESOLUTION

Urging the government of the United States to take certain actions to support the dollar and to adopt policies and programs to ensure industrial, agricultural, technological and economic progress; and for other purposes.

WHEREAS, the United States dollar is falling daily and has reached record lows; and

WHEREAS, the weakness of the dollar is a matter of concern to the security and well-being of the United States and the entire world; and

WHEREAS, the current crisis is, in part, the result of ambiguous and often contradictory statements coming from within the administration in general and the treasury department in particular; and

WHEREAS, the lack of a coherent economic and energy policy has caused our allies abroad to waver in their support of the dollar, leaving the field open for speculators to precipitate a run against the dollar; and

WHEREAS, there are no objective reasons for the present dollar crisis since the United States economy is fundamentally sound and our nation possesses all the ingredients necessary to restore economic health and prosperity, from plant and equipment to skilled labor, from the most efficient agricultural sector in the world to our technological, scientific and military excellence and from our business and managerial expertise to the good name of our country to back it up.

NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES that this body hereby urges that the administration "go bullish" on America by announcing that full support for the dollar is a national priority.

BE IT FURTHER RESOLVED that the administration should affirm its support of the American system with its unequivocal commitment to industrial, agricultural and technological progress as the means of assuring an expanding economy at home and peace abroad.

BE IT FURTHER RESOLVED that the administration should concretely demonstrate this support by adopting economic and credit policies which convert outstanding dollar liquidity into capital investment in hard-commodity, high-technology exports which will ensure high levels of capital formation in the private sector, productive jobs for Americans and will help eliminate our balance-of-trade payments deficit; and by the early rechartering of the Eximbank, including increasing its funding base from \$5 billion to \$200 billion, which is the most efficient way to accomplish this.

BE IT FURTHER RESOLVED that the administration is hereby urged to drop its support for its energy program which favors tax penalties and nonproduction and is a major source of concern for our allies.

BE IT FURTHER RESOLVED that the administration is hereby urged to replace its energy program with one which emphasizes the development and utilization of existing and yet-to-be discovered fossil fuels: the mobilization of our advanced research and development capabilities to expand existing nuclear facilities, proceeding with the breeder program; and allocating the necessary funds to expand our nuclear fusion program to have reactors on line by the 1990's.

Trade Expansion

The following passed the New York State Senate as Senate Legislative Resolution 119, on Mar. 6, 1978; it is now before the New York Assembly as Bill 137.

WHEREAS, the weakness of the United States dollar is a matter of concern to the security and economic well-being of the entire world; and

WHEREAS, a high-export policy accompanied by

investment in hard-commodity production in the United States is the sole measure which can support the value of the dollar as well as provide the goods essential to the fulfillment of the aspirations for industrial development of many nations now still underdeveloped; and

WHEREAS, the Export-Import Bank of the United States enacted in 1945 is situated to finance increased exports from the United States, having financed \$8.6 billion in export financing support in 1976 which generated nearly \$12 billion in United States export sales and generated approximately 500,000 jobs; and

WHEREAS, the purpose of the Export-Import Bank Act of 1945 was to design an institution to overcome obstacles in private market financing of United States exports; and

WHEREAS, the United States now has a trade deficit estimated on the order of \$25 billion, and an aggressive export drive is needed; and

WHEREAS, developing sector nations are now suffering from debt-service burdens to speculation-oriented institutions which are on the order of \$40 billion, and the United States Eximbank would enable bypassing such existing credit bottlenecks for needed industrial development projects; and

WHEREAS, industry and commerce in New York State, especially the steel, electronics, aerospace, transport industries and port facilities are currently undercapitalized, and in many cases obsolete when measured by current American technological potential;

WHEREAS, a large and accelerating increase in demand for New York State exports would serve to revitalize productive employment, and thus the total spendable income of our population generally; now, therefore, be it

RESOLVED, that this Legislative body memorializes the Congress of the United States to:

1. Act in a timely fashion to recharter the Eximbank well ahead of its September nineteen hundred seventy-eight expiration;

2. Expand the funding base of Eximbank from its present fifty billion dollar level to a sufficient level to assure the sponsorship of high-technology trade, with the resultant creation of additional millions high-skill jobs for American workers; and

3. Repeal all restrictions on the originally chartered activity of the Eximbank, such as the Jackson-Vanick amendment and the anti-nuclear export policy promoted by Representative Stephen Neal; and be it further

RESOLVED, that copies of this resolution, suitably engrossed, be transmitted to the President Pro Tempore of the Senate of the United States; to the Speaker of the House of Representatives of the United States; and to each member of the Congress of the United States from the State of New York.

Will Dollar Stabilization Have A Gold Lining?

Widespread discussion of gold remonetization has surfaced following last week's news of a far-reaching U.S.-West German-Japanese agreement to support the dollar with a currency stabilization program (See *Foreign Exchange*). West German commercial bankers informed *Executive Intelligence Review* March 8 that the currency "supersnake" would involve "something on the gold side as well, which would make the dollar gold-convertible again." The economics department of Lazard Freres is already betting its money that the U.S. has begun to swap gold to defend the dollar with the West German and other continental European central banks in return for deutschemarks, Swiss francs, and other foreign currencies.

GOLD

At the same time, Saudi Arabian Finance Minister Mohammad Aba al-Khail told the press in Jidayh March 4 that the dollar is the "only substitute for gold."

Further indication that gold remonetization based on the Luxembourg plan of assassinated Dresdner Bank head Juergen Ponto is under discussion appeared in today's issue of *Die Zeit*, the conservative West German news daily. Columnist Arthur Salchow commented that the new Swiss Central Bank foreign exchange controls (see last week's *Executive Intelligence Review*) are forcing gold trading and other international banking activity normally centered in Zurich, notably Arab trading in gold, into the "super-liberal Luxembourg market...Swiss financial circles have started to orient to Luxembourg, where German banks already have a strong position."

The Ponto Plan for Luxembourg and the use of U.S. gold reserves upvalued to market prices to stabilize the dollar are one and the same proposal. The original Ponto plan involved the West German, Swiss, and other continental European commercial banks, setting up a new continental-oriented gold market in Luxembourg, which would exclude the heavy London influence under which Zurich suffers (viz, the "Credit Suisse Affair"). Based on the large gold deposits to be made there, the banks would then orient their currency lending away from the typical speculative Eurocurrency market type of lending and toward long-term, low-interest industrial development loans for the underdeveloped sector. This would represent the use of gold not for the usual gold-bug view of "discipline" which too often falls victim to Milton Friedman's deflationary fits, but rather the dirigistic channeling of new credits away from speculative paper and rigorously into productive, social-surplus-producing

industrial investment. Thus the new liquidity created would be anti-inflationary.

Bringing the U.S. into such an arrangement then, is the way to deal with the U.S. trade deficit and dollar crisis—and this is what the Europeans have in mind. By asking (as Otmar Emminger and Pierre Longuetin of the West German and Swiss central banks have done this past week) that the U.S. support the dollar by upvaluing its reserves to market prices and swapping this gold for West German, Swiss, etc. currency to use in intervention, the Europeans de facto ask the U.S. to come into a gold-remonetized system which:

1. Immediately makes the dollar one of the world's strongest currencies with \$50 billion in reserves.

2. Makes it possible for the U.S., by expanding Eximbank financing for exports and U.S. commercial bank participation in the Luxembourg gold market, to put a real economic basis for a U.S. recovery in support of the financial arrangements.

One major sign of the European attempt to stop the City of London bear raid is the lead financial article in the latest issue of London's *The Banker*. The article, "Alternatives to the Dollar," excerpted extensively below, proposes that the European central banks set up a "Euro-gold" market by pooling their gold reserves under the aspects of the European Economic Community (EEC) or any of its arms such as the European Investment Bank—which are now run by Britain's Roy Jenkins. This done, author Brendan Brown proposes the replacement of the Eurodollar market and the dollar by the issuance of "gold-paper" loans and Swiss franc loans. The Swiss franc would be made an international currency, and the Saudi real linked to the franc would take over financing of LDC loans from the dollar.

Even the Lazard Freres economics department, when questioned on the feasibility of *The Banker* proposal, admitted: "There is no way in hell you could get that gold out of the hands of the Bundesbank or the Banque de France. That's insane." The main point of the article is to put forward obfuscations and some kind, any kind, of alternative to what the Germans, Swiss, and Japanese authorities are already doing.

Trader At A Major Frankfurt German Bank...

Q: What about the report that Germany, the U.S. and Japan will stabilize their currencies together including swaps of gold at market prices between central banks to support the dollar?

Frankfurt bank spokesman: Something's up. We hear that Helmut Schmidt will announce soon that an

agreement has been reached on a "supersnake" (the snake is the European mutual currency agreement—ed.) based on the deutschemark, yen, and dollar. Something's cooking on the gold side as well, which would make the dollar gold-convertible again, linked to this arrangement. It's just that the arrangement may have some delay before being publicized.... Therefore at present the market is very hesitant, very nervous, and no one is making any serious commitment.

Economist At Lazard Freres, New York

Q: Do you think that the fact that The Banker of London has hastily put out a British-style plan for a gold based monetary system is a counter-reaction to strong moves by the Germans, Swiss, and other Europeans and Japanese to gold swaps with the U.S. to stabilize the dollar, which would hurt Britain badly?

Lazard economist: Well, certainly, I don't think London would like that...it stands to reason. The Swiss are very big on this gold thing. I was told by my Zurich trader this morning that the U.S. is already selling gold, when I called him to take some profits on my position.

Q: You don't mean on the open market; I don't see it affecting the gold price any. Do you mean to the continental European central banks, as proposed by Bundesbank chief Emminger? If the former, you would take profits (i.e., sell gold). If the latter, you would not.

Lazard economist: I did not take profits.

Support For Dollar Urged

Baltimore Sun, March 5:

The Saudi finance minister called on the Persian Gulf oil states yesterday to support the dollar "until it survives the current pitfalls" on world money markets.

But Mr. al-Khail said, "The volume of other international currencies remains limited in relation to the dollar." He called the dollar the "world currency capable of embracing sizeable money operations, the sound currency for international trade and investment, and the only substitute for gold."

"The interests of Saudi Arabia and the gulf states dictate that they support the dollar and avoid all action that might adversely affect its behavior, until we can establish conditions for its recovery to safeguard our reserves and investments," he said.

Mr. al-Khail also asserted that "speculators were trying to cash in on the dollar weakness beyond justifiable means."

"The American economy is the most powerful in the world and the GNP (gross national product) has reached \$3 trillion....," he said. "I believe that problems may appear from time to time. But these will always be transient problems as far as the dollar is concerned."

Top New York Gold Trader...

Q: A quite diverse and generally reliable array of sources report that a sort of European "supersnake" is in the works, involving not only Japanese cooperation but U.S. cooperation, and some sort of peg to gold.

New York Gold Trader: Yes, it will take some time, but things are definitely moving in this direction. I don't think it will take the form of a dramatic public announcement. Meanwhile, there is absolutely no eagerness to sell the dollar short—Europe is very nervous about France and Italy, and about the coal strike, but we have seen a turning point this week, and there will be a stronger dollar. I don't see immediate Swiss-German joint action—the Swiss are playing a lonely game with their controls, the franc is plummeting, while the Germans are holding off from controls, so there is a big disparity.

Q: Yes, but the Swiss controls are just a short-term holding action, and there is cooperation on burning the bears—as witness the commercial and Bundesbank actions this week—until this, let's say, "supersnake" thing is put together.

Trader: You're right, they're on that track....

Brendan Brown in *The Banker*, Feb. 1978:

Alternatives To The Dollar

There is a financial solution to the strains threatening the structure of international economic co-operation. It lies in the opening-up of the financial markets of Switzerland and Germany, and a limited re-monetisation of gold.

In 193 AD, when the Imperial Crown was put up for auction, those most qualified stood back, too concerned with the possible hazards of the honour, with the result that the title of Caesar went under the hammer to Julian, a mediocrity. Today, in the international money markets, the world's financial community is beginning to seek a successor, or at least an alternative to the dollar....the time seems ripe for asking once more whether a rapid internationalisation of two traditionally attractive monies—gold and the Swiss franc—could be effected....

Euro-gold

Swiss francs, dollars, and deutschemarks all share one defect as international monies: their base is national and their values depend on sound monetary policies being followed at home. All are subject to the risk of imposition of exchange restrictions by the issuer. International investors (and borrowers), who have often reason to be sceptical about the politics of money, would have a natural inclination towards one which is not a national brand. Re-monetised gold would in this respect come nearest to stateless money....

It is inconceivable that a restored monetary role for gold would take the form of convertibility for a national money into the metal at a fixed rate. Rather, whilst gold would continue to float against other monies, re-monetisation would be evidenced by the birth of credit markets denominated in gold, which would again become an international unit of account. Interest rates on top-rated gold bonds would be at a level sufficient to compensate their holders for the disadvantages of holding gold paper rather than the yellow metal: gold bonds do not provide the ultimate insurance of retaining value in a state of social breakdown. Investor trading

interest in gold would be concentrated in the gold paper market. Investment in physical gold would be preponderantly of an insurance nature. The premium for insurance against social breakdown would equal the loss of interest on holding metallic rather than paper gold....

In these circumstances official institutions need to take the initiative. But a world consensus including the agreement of the U.S. Government is not necessary. Indeed, one constraint that may have hampered the development of Euro-gold has been removed recently. A law signed by President Carter on October 28, repealed a 44-year-old prohibition on gold clause contracts. It enables U.S. citizens to enter into contracts specifying that payments be made either in gold or the market value of a certain quantity of gold.

European governments are the most likely sponsors of a Euro-gold market. Many hold large gold reserves, hence their issues of gold bonds would be hedged many times over. European institutions such as the European

Investment Bank, the European Coal and Steel Community and the EEC itself could be among the first to make gold bond issues. Most EEC members, with the exception of Britain and West Germany, have never wholeheartedly supported the United States in its anti-gold campaign. Some LDC governments and other sovereign powers with gold reserves would soon follow the European example. A gold-denominated syndicated credit market would be a possible further development. All such initiatives would also take the pressure off the dollar, and ease the political straws now threatening the amity of the West. Saudi Arabia could even play its part by pegging the riyal to the Swiss franc and encouraging foreigners—such as Arab LDCs—to borrow in riyals. There is a financial solution to the world's payments imbalances....

Hopefully, 1978 could be a year of currency internationalism; how else can the world economy be spared the dreariness and dangers of dollars only?

U.S. Labor Party Executive Statement:

Remove Blumenthal From Office Now!

The mood of the country is fast approaching one of open revolt against the treasonous policies of Treasury Secretary W. Michael Blumenthal against the dollar and to destroy the U.S. economy. Blumenthal should have been removed from office long since, before the crisis of the dollar reached such dire proportions, along with the rest of the team of City of London conspirators inside the Administration — Vice President Walter Mondale, Energy Czar James Schlesinger, and now Federal Reserve Chairman G. William Miller. It is now a matter of the gravest national emergency that the traitor be dumped immediately. This is the bill of particulars for the indictment of W. Michael Blumenthal:

"Malign Neglect" of the Dollar

Since the day Blumenthal was sworn in as U.S. Treasury Secretary in January 1977 the U.S. dollar has plunged 16 percent in value against the West German mark, 24 percent against the Swiss franc, and 19 percent against the Japanese yen. Throughout the period City of London ally Blumenthal has looked on coolly, predicting bigger and bigger U.S. trade deficits and insisting on the desirability of the dollar's steady depreciation. Blumenthal has pursued a strategy of deliberately "talking down the dollar," while opposing measures to boost U.S. high technology exports and attempting to bludgeon the major surplus countries, Japan and West Germany, into reflatting their economies and joining the U.S. in trade deficit. This strategy has worked not only to the detriment of the U.S. economy, which should be fulfilling its historical role as a major exporter of advanced technology and capital goods to the rest of the world. Blumenthal's policy has endangered our relations

with our closest allies abroad — including West Germany, Japan, and Saudi Arabia — and threatened world peace.

Anti-Business, Anti-Labor Tax "Reform"

The original Blumenthal tax reform program, which has since been weeded of some of its most abhorrent features, was a program for deindustrializing the United States. The "comprehensive income tax" approach, designed by the people at the Brookings Institution and adopted by Blumenthal, is without question the worst approach to taxation in the history of this country. In the name of taxing all income "equally" and eliminating tax loopholes, the Blumenthal-Brookings approach is to phase out all features of the present tax code which promote capital investment. It includes these anti-business and anti-labor features:

* elimination of all items in the tax code which are designed to promote capital intensive enterprises, including: preferential treatment for capital gains income; the percentage depletion allowance for oil, gas, and other minerals; accelerated depreciation; tax deferrals for foreign subsidiaries of U.S. corporations, etc. A computer simulation run by Merrill Lynch showed that if the full Blumenthal program had gone through, the specific industries that would be worst impacted would "include most of the energy-related, metal, and mining groups ... the machinery, heavy construction, airline, rail, water transport, and basic industries ... the paper and forest products industries ... utilities"!

* an anti-labor "Tax Incentive Plan," which would penalize corporations that grant their employees wage increases in excess of the government wage ceiling and

reward companies that hold wage gains below the standard through tax reductions.

The present version of Blumenthal's tax bill retains features of the original draft which discriminate against exports (Blumenthal intends to phase out DISC, a program which allows the export subsidiaries of U.S. corporations preferential treatment) and against foreign investment (multinational corporations would be forced to repatriate all earnings immediately for taxation). In addition, the \$25 billion in promised tax cuts for business and individuals will be outweighed by some \$40 billion in tax increases.

Anti-American Budget

The Fiscal Year 1979 federal budget that Treasury Secretary Blumenthal presented to the Congress January 23, and which he had a large hand in authoring, guts U.S. research and development, especially basic research, and therefore undermines the future productivity of the U.S. economy and the national security of the country. The actual volume of federal borrowing implied by the budget is not the \$62 billion projected deficit, but more like \$140 billion, if off-budget financing is taken into account and if, as is probable, the level of tax revenues is lower than expected. Thus the budget is designed to blow apart the U.S. credit system. The entire margin of increase in off budget borrowing, moreover, is for holding up the inflated housing and real estate market.

Destruction of New York City

Blumenthal is the author of a plan for putting New York City solidly under the control of the Municipal Assistance Corporation and its chairman, core British conspirator Felix Rohatyn of Lazard Freres. Blumenthal is proposing to terminate the current program of federal seasonal loans which have provided the city with up to \$2 billion a year for operating expenses and instead extend \$2 billion in 15 year federal loan guarantees to MAC. A federally subsidized MAC would be in de facto control of the disposition of all of New York City's funds and would have the power to administer new levels of cuts and union busting and channel the new funds into pilot slave labor projects in the city.

History of a Traitor

When Blumenthal was sworn into office in January 1977, the Anglophile Eastern Establishment press attempted to sell the former chairman of the Bendix corporation as a businessman, responsive to the interests of other businessmen across the country. His actions in office promptly wrecked that image. His history before becoming Treasury Secretary shows him to be part of a highly trained team of agents which includes James Schlesinger and G. William Miller who were deployed into the business community and government to wreck the U.S. economy on behalf of a clique of London merchants and their U.S.-based allies.

The by now general suspicion of Blumenthal in business circles — "He's not a businessman, he's a Ph.D." — is more warranted than most businessmen imagine. Blumenthal earned his Ph.D. at the Industrial

Blumenthal to Blame

Frankfurter Allgemeine Zeitung, March 2:

The leading power is no longer leading. Even though the Federal Republic of Germany has been following the correct course economically, what will happen if the present trend continues? We will be in bad shape. U.S. Treasury Secretary Blumenthal is to blame; if the dollar goes, there goes the Western Alliance and NATO as well.

Relations department of Princeton University for studying "codetermination," the historically British technique of controlling labor and management, for application in the U.S. In 1953-54 he traveled back to his native Germany for fieldwork on codetermination as it was then being introduced by Tavistock industrial relations experts in the iron and steel industries of the British occupied Ruhr Valley. In the preface to "Codetermination in the German Steel Industry," the 1956 pamphlet based on his thesis, Blumenthal noted that codetermination (*Mitbestimmung*) was being used in the British occupation zone to "decentralize and decartelize" the German heavy industry — and prevent the reconstruction of an industrial capitalist German state independent of City of London control.

In 1961 a former Princeton associate positioned Blumenthal in the London-oriented Kennedy Administration and referred Blumenthal to George Ball, Undersecretary of State, later partner in Lehman Brothers. As an Assistant Secretary of State for Economic Affairs, Blumenthal became the department's specialist in international commodity trade, a traditionally British purview. In 1962 he negotiated an international coffee agreement which put a floor under coffee prices to back up the growing debts of the coffee producing countries at the expense of consumers. This was the sort of cartel agreement that the U.S. had traditionally opposed, and a forerunner of the UNCTAD "Common Fund" and the schemes pushed by the Brookings Institution. Blumenthal also was critical of measures before the U.S. Congress to protect domestic sugar producers. Blumenthal favored imports of sugar produced through labor-intensive methods in the Caribbean.

When Blumenthal became chairman of Bendix in 1972, he said that the biggest single challenge was impressing upon the corporation's many scientists and engineers that all of their technological innovations couldn't be developed; his aim was to make them more attentive to the "profit motive" — that is, paper profit. He reorganized the management structure, creating a core management group which included himself, the corporation's former counsel, a former vice president for finance, and one engineer. This type of management reorganization — replacing engineers and production men with Ph.D.s, lawyers, accountants, etc. — was widespread at the time and a modus operandi by which London-linked investment banks—in the case of Bendix, Lehman Brothers—infiltrated the U.S. corporate sector.

In complicity with the infamous Institute for Social Research at the University of Michigan, the sister organization of the Tavistock Institute of London, Blumenthal introduced the industrial brainwashing technique which had been pioneered at Tavistock, including "T-group" therapy, drugs, coparticipation, and other methods for inducing workers to speed themselves up and like it.

In keeping with his identity as a fascist planner, in the fall of 1975 Blumenthal joined former United Autoworkers president Leonard Woodcock and former Treasury Undersecretary and investment banker Robert Roosa in founding the Initiatives Committee for National Economic Planning (ICNEP). ICNEP called for zero growth, austerity planning for "post industrial society," and openly espoused corporatism — "fascism with a human face," as ICNEP called it — as the group saw it developing in Great Britain under the auspices of circles around the Tavistock Institute.

Blumenthal is a director of a number of important London-dominated "strategic studies" organizations (organizations for the study of conflict, counterinsurgency, subversion of sovereign nations, etc.). These include the Atlantic Council, the National Commission on U.S.-China Relations, and the London-infiltrated Rockefeller Foundation. The Systems Research Department at Bendix Aerospace Systems Division in Ann Arbor, Mich., is the only significant strategic studies center located at a U.S. corporation, according to the International Institute for Strategic Studies 1970 Survey of Strategic Studies.

The Treason Against U.S. Dollar

The collapse of the dollar began in earnest at the end of June 1977 following the Paris economic summit meeting of the nations of the Organization for Economic Cooperation and Development (OECD), where Blumenthal demanded that the surplus countries of West Germany, Holland, Switzerland, and Japan allow their currencies to appreciate, and that the "weak" countries of Scandinavia and Europe's Mediterranean tier slash their imports and impose severe austerity measures to reduce their balance of payments deficits. On July 27, the West German daily *Die Zeit* called Blumenthal's neglect of the dollar a strategy of "wild west floating," and admonished, "Stop Blumenthal Now!" On July 28 in an article entitled "Behind the Scandal — Official Manipulation Suspected," the financial daily *Han-delsblatt* accused the U.S. Administration of deliberately

allowing the dollar to drop and termed Blumenthal an "elephant in a porcelain shop." A third West German paper, the *Frankfurter Allgemeine Zeitung* charged on July 27 that Washington was playing an "objectionable game ... more egotistical than it bears responsibility for the world economy."

With no change in policy forthcoming from Washington and unconcerned predictions by Blumenthal and other Administration officials that the trade deficit for the year could hit \$30 billion, the Europeans began to intervene decisively in collaboration with certain business and political circles in the U.S. to defend the dollar and force a policy shift in Washington. In an unusual press statement on December 5, Swiss National Bank President Fritz Leutwiler commented, "You can no longer say that what the United States is doing is benign neglect of the dollar. It is now malign neglect on the part of the United States," and he urged the U.S. to make use of its large and unutilized swap lines with European central banks, or obtain Swiss francs and deutschemarks to conduct support operations by selling its gold.

Such statements prompted the Administration to intervene both politically and through more active support operations in the market, with the effect that the dollar stabilized in January. However, over the weekend of February 11-12 Blumenthal traveled to Europe to put renewed pressure on West Germany to flood its economy with inflation, making a personal visit to Chancellor Helmut Schmidt for this purpose. This confrontation temporarily succeeded in provoking the West Germans to stop supporting the dollar. "We are not going to play games with Blumenthal any more," a West German banking official said. "Last year the Bundesbank had to write off 7.3 billion deutschemarks because of dollar depreciation, which were funds that could have been invested in the economy.... The Bundesbank is exhausted." Bundesbank chairman Otmar Emminger announced at the time that the West German central bank had spent 11 billion deutschemarks (\$5.5 billion) defending the dollar in the three months through January.

Following Blumenthal's European junket, the dollar plunged steadily, falling through the 2 deutschemark level for the first time in postwar history at the end of February. It has stabilized over the last week due to the concerted efforts of European banking and industrial circles and some forces in the U.S. Administration and banking and business community — in defiance of Blumenthal.

G.W. Miller's Anti-Industry Bias

George William Miller, a specialist in "asset-stripping" key industrial and technological firms, was officially sworn in as Chairman of the U.S. Federal Reserve on March 9. Installed by a pliant Senate which unanimously approved his nomination March 3, Miller is now in a position to do major damage to the U.S. economy. What follows is an analysis of the effects Miller's chairmanship of the Federal Reserve will have on crucial economic indicators by Warren Hamerman of the National Executive Committee of the U.S. Labor Party.

The attempt to sell G. W. Miller as a proindustry businessman, albeit a trifle inexperienced in overall economic policy matters, is a straightforward public relations ploy explicitly modeled on the successful "Blumenthal tactic." Was not Werner M. Blumenthal peddled to a naive nation as a proindustry businessman from Bendix who was somewhat inexperienced in economic policy questions?

Did not Blumenthal turn right around and propose a capital gains tax which would penalize business investment in future production? Did not "businessman" Blumenthal institute a policy of such deliberate *malign neglect* against the U.S. dollar that the value of our currency has been artificially gutted? Did not "industrialist" Blumenthal straightjacket our economy *from the top down* into a trade deficit of nearly \$27 billion? Has not "proindustry" Blumenthal advocated one hyper-inflationary Schachtian program after another — from the "people's tax rebate" to the Humphrey-Hawkins bill?

G.W. Miller, Stansfield Turner's crony from Rhode Island, is a "Blumenthal businessman."

Caveat!

Once sworn in as head of the Federal Reserve, Miller will do far more damage than simply fail to resist (as Dr. Burns has heroically done) the evil and lunatic policies of Blumenthal. Miller, the closest of policy associates to Felix Rohatyn and Blumenthal already, will actively and systematically conspire with the British Malthusians to destroy the American economy and recolonize this nation under the yoke of the sorts of programs associated with Nazi Finance Minister Hjalmar Schacht.

Miller is a highly trained specialist in deindustrialization, energy and transportation public works projects of the strict labor-intensive mode, Mefo Bill (or Big Mac)-style financing swindles and the social-political-economic *Gleichschaltung* (coordination) of a Nazi war economy.

Like Schlesinger and Blumenthal, Miller is an accomplished liar. At the Senate Banking Committee Miller explained away his notorious *Business Week* article of Oct. 5, 1974 advocating selective federal credit controls biased against industrial production as a long-outdated, unique suggestion under former particular circumstances. The record speaks differently.

In November 1976 Miller proposed selective credit controls and "decentralization" of American industry at the Conference of Northeast Governors (CONEG) in

Saratoga Springs, New York. In July 1977 the CONEG Policy Research Center issued a series of program position papers for the years 1978 and 1979 signed under the names of Felix Rohatyn and G.W. Miller advocating anti-industrial, production-selective credit controls. Three days ago, on Feb. 27, the director of Rohatyn's CONEG Policy Research Center confirmed by telephone that Miller was "actively" chairing a special Energy Committee whose stated policies advocate selective federal credit controls against nuclear energy development and overall every form of capital-intensive real energy production.

The same policy commitment against capital-formation and skilled jobs-creation programs can be traced back in time as well. Miller is one of the principal culprits behind the destruction of the American steel industry. In 1963 President Kennedy appointed Miller as the first national chairman of the Industry Advisory Council of the President's Committee on Equal Employment Opportunity through which post Miller was a leader of the disastrous Kennedy "confrontation" with the American steel industry. The so-called Affirmative Action program of Miller and others targeted both the steel industry and the steel union for attack. Leif Johnson has already documented Miller's role in assaulting the New England textile and aerospace industry and labor force (see "G.W. Miller and Textron: A Study in British-Style 'Asset-Stripping' ", *Executive Intelligence Review*, January 31, 1978, Vol. V, No. 4). Similar combined industry—and union—busting operations were conducted by Miller as head of the HIRE (Help Through Industry Retraining and Employment) program for unskilled, low-wage training of the unemployed instead of skilled-labor and advanced technology employment.

Miller and Schacht

Under the signatures of G.W. Miller, Felix Rohatyn, and others, the CONEG Policy Research Center issued in July 1977 a series of position papers outlining tasks and perspectives for the coming years. On the title page of each of these documents G.W. Miller is listed as "Chairman of the Energy and Transportation Committee." The central issue of the Policy Papers is to define future policy for ENCONO, the Schachtian Energy Corporation of the Northeast.

1. ENCONO is conceived as a suprastate body empowered to borrow on private credit markets *with federal government guarantees*. By selectively sequestering capital from private markets, ENCONO would deny this same investment from, in particular, private industry engaged in high-technology, capital-intensive productive ventures.

2. Like the 1979 Blumenthal budget, ENCONO would selectively reward non-productive, labor-intensive investment in the Northeast through *megainflationary* financing. At the same time, ENCONO will actually deny state and local governments tax revenues which would otherwise be provided by productive industries through selectively penalizing high-technology industrial investment particularly in the energy field. Therefore, just as

the incompetent Rohatyn's policies have proven in New York City, ENCONO would actually grossly ruin state and local budgets.

3. ENCONO explicitly asks to be "empowered to participate in financing energy-related projects through loans, guarantees, equity investments or other forms of assistance. It will obtain its funds by borrowing through the issuance of bonds or notes, *secured by a federal guarantee* measured by a 15:1 ratio based on the amount of capital contributions. Thus when the Corporation obtains \$100 million in initial capital, it may borrow \$1.5 billion *backed by the federal guarantee (emphasis added —WH.)*" Rohatyn and Miller expect total ENCONO lending or purchasing powers to range between \$15 and \$30 billion, based on initial capital of \$1 to \$2 billion raised from small denomination people's bonds, insurance companies, banks, etc. The plan is to go even beyond BIG MAC on a regional scale.

4. To make ENCONO "competitive" Miller and Rohatyn propose special tax exemptions and Eminent Domain to "access properties." The corporation "will not have independent power, but it may request that a member state *exercise its authority to take property needed by the Corporation.*" These powers, along with the selective Federal Guarantee for ENCONO financing, makes it strong enough to bust apart and absorb any competing utilities such as LILCO or Con Edison. In fact, the Miller-Rohatyn policy documents explicitly state: "Equity positions, however small, provide 'windows on the industry,' which are worthwhile not only for their informational value, but also as a vehicle through which the government can make *its* priorities an element of private sector decision-making" (Emphasis in original; *A Comparative Analysis of Selected Energy Development and Investment Entities In Canada and Europe*).

You Can Tell A Man By...

In the context of the hyperinflationary austerity package of Miller and Rohatyn's ENCONO, consider the following pattern of public record reactions to the Miller nomination in January, 1978 at a moment when all pro-development forces in Europe were enraged at the dumping of Arthur Burns:

W.M. Blumenthal: "Miller is the best thing on wheels that's ever come along."

Financial Times, London: "Miller's greatest asset is no doubt that he is acceptable and has already been warmly received by the powerful group within the Democratic Party that so opposed Dr. Burns."

The Times, London: "Miller tends to suggest he will be more liberal. In a speech in Pittsburgh last January he said he supported a broad new economic stimulus programme to create more jobs, asserting that this need not hamper the continuing fight against inflation. He also suggested the government should consider preparing 'selective' government controls on the economy as 'acceptable medicine' when 'mushrooms in inflation' popped up."

Rep. Henry Reuss: "He sounds great. His record on jobs is excellent, and I would like to see the country's monetary policy focused not just on a stable dollar but on stable jobs."

Walter Kicinski, director of CONEG Policy Research Center: "This is wonderful. He's the possible choice from our standpoint. Miller is a strong believer in regional banking programs of the Rohatyn type."

If G.W. Miller is allowed to join James R. Schlesinger and Blumenthal in the cabinet at this moment of economic crisis for our economy, we will have, in the words of one seasoned insider in U.S. economic and monetary policy circles, a "national disaster."

In 1977 exports of drilling and oilfield equipment from the United States dropped by nearly one-fifth. A sizeable decrease was also noted in deliveries of metalworking machinery, particularly to the USSR, Latin America, Korea, and Taiwan. Exports of construction and excavating machinery also declined last year. Shipments of farm tractors fell too, while exports of other types of agricultural machinery remained level for the second consecutive year as lower world agricultural prices imposed by the International Monetary Fund curtailed the growth of farm income in many countries. Shipments of U.S. steel products and related production (e.g., coal and scrap steel) are a well-known disaster. Shipments of U.S. paper, copper, and lumber also declined in 1977 while those of textile yarn and fabrics showed little change from 1976. Exports of civilian aircraft, after leveling in 1976, fell by 14 percent in 1977.

The value of agricultural exports reached the record level of \$24.2 billion last year but more than half of the rise over 1976 reflected higher average prices. Wheat and corn exports, for example, each fell more than \$1 billion last year. Exports of manufactured goods and other non-agricultural products as a group increased by only 5 percent, the slowest rate of advance since 1971. Total machinery exports, which account for about one-third of nonfarm exports, rose by only 4 percent.

An official of one of our nation's largest nuclear energy industry corporations characterized the early 1978 situation as follows: "For all intents and purposes, the policies of Schlesinger and Blumenthal have virtually destroyed the nuclear energy industry in the United States. We are now simply holding on to the existing technology through a few lingering export orders."

If Miller joins the Blumenthal-Schlesinger team American industry and labor will be, as the British say, "squeezed until the pips squeak."

The widely circulated U.S. Labor Party proposal to transform the federal Export-Import Bank into a vehicle for vectoring high-technology industrial exports and global nuclear energy development — returning the world economy to a gold reserve standard and creating millions of skilled jobs in the advanced sector through large-scale Third World development projects — will work instantly to restore vigor to our economy and currency.

Those in industry, government, labor, agriculture and urban leadership who have already convinced themselves of the feasibility of that judgment will nonetheless be responsible for our great nation going down the drain if they allow the Blumenthal-Schlesinger-Miller team to hold the reins of policy power. These men are the same sorts of pro-industrialists as Hjalmar Schacht.

Book Review:

Ecotopia Reveals 'Sun Day's' Fascist Program

Ecotopia, by Ernest Callenbach, published by Bantam Books, New York, 1975.

Ecotopia is a blueprint for an environmentalist coup d'état in the American Northwest. Since the book was originally published in 1975, Ecotopian groups have been formed and have actively developed strategies for "liberating" the region. These groups see the May 7 "Sun Day" orgy of environmentalism, which has won energy czar Schlesinger's official stamp of approval, as a step in that direction.

In his novel, Callenbach portrays the barbaric consequences of environmentalism with far less hypocrisy than his tree-worshipping disciples, who advocate the economics of fascism, but deny its necessary genocidal implications. For all its would-be "libertarian" aura, Callenbach's tract makes it clear that a less-is-more Schachtian world will lawfully demand the political methods of Hitlerism.

When Washington, Oregon, and Northern California secede from the union in 1980, individual income is virtually halved. Callenbach admits that many citizens are thus deprived of hard-earned "comforts," but offers the consolation that the Ecotopian experience is relatively painless compared to that of living on rats and moldy potatoes in Warsaw, Poland during World War II.

This blissful state of affairs is achieved through a policy of forced deindustrialization. The energy-intensive aluminum industry is largely abandoned, aerospace is diversified into mass transit, hydroelectric dams are dynamited to allow recreational boating, lumber exports are prevented by draconian tariffs, agricultural output is drastically reduced through the strict enforcement of irrigation acreage regulations, medical centers are dissolved, cars are abolished, schools are broken up, and the population is dispersed into the countryside, Cambodia-style, as the existing cities of San Francisco, Oakland, Seattle, and Portland are gradually razed and the land returned to grassland, forests, orchards, and gardens. In the process, the population is reduced by a million and those that survive are employed in labor-intensive work camps.

This, however, is only the beginning. Ecotopians estimate that the proper population size is the number of Indians who inhabited the territory before the Spaniards and Americans came — something less than a million for the whole region, living entirely in thinly scattered bands.

As the fruits of modern technology are thus abandoned, the region is deliberately reduced to a state of jungle tribalism. In a horrifying example of British anthropological behavioral modification, the men in Ecotopia

are, by law, forced to participate in Dionysian rites of bloody warfare. Bands of young men dressed in leather jackets and shorts, decorated in designs, some astrological, some totem-animal, armed with primitive spears, battle one another before a cheering crowd until one side wins by maiming or murdering one of the other side. The victors then engage in an orgy, carrying their women off into the bushes, while the losing side participates in a satanic parody of the crucifixion and resurrection of Jesus Christ.

Given this bestial conception of man, it should come as no surprise that the racial policy in Ecotopia is apartheid. The environmentalists' fetishistic belief in decentralization leads ineluctably to the establishment of semi-autonomous city-states or bantustans in the ghettos of Oakland, San Francisco, etc. Order is maintained by literally drugging the population. Marijuana and other drugs are legalized and heroin is taken over as a government monopoly. Those residents of "Soul City" who resist are interned in slave-labor prison camps.

A Scenario For Real

How then does this paradise on earth come into existence? Through deliberately engineered financial collapse culminating in terrorist nuclear blackmail against the federal government of the U.S. After having provoked a flight of capital from the region through passage of stringent conservation laws, the secessionists supplant the existing local constitutional governments. When the federal government attempts to restore order and put down the fascist coup, the environmentalists threaten to detonate nuclear bombs in New York City, Chicago, and Washington, D.C.

Precisely this scenario is now the gameplan in the northwest, where in reality environmental terrorists are conspiring openly to establish an ecotopian "bio-region." In the greater Seattle area, for example, the Ecotopian group was founded in the winter of 1977 as the byproduct of a class on *Ecotopia* offered at the University of Washington Experimental College. The class was led by Bryant Milliman, publisher of the pro-terrorist *Seattle Sun*, and Jon Alexander, a member of Washpirg (Public Information Research Group), Ralph Nader's local unit of the Red Guard. As in the novel, where the hero, after being kidnapped, is finally brainwashed into staying in Ecotopia, members of the Seattle Ecotopian group were reported by an eyewitness to have been recruited from those who attended the class through ego-stripping group therapy methods.

In May 1977, Callenbach made an organizing appearance at the University of Washington to bolster the troops. Since then the group has issued a series of white

papers including one edited by Washpurg's co-director Nicholas Licata and written by Tim Williams. The latter worked closely with Alexander in preparing Washpurg's October 1977 northwest energy report which, true to Callenbach's own scenario, proposed that the region rely on conservation as an alternative to energy-dense nuclear power. After 20 years, the report suggests, solar power will be cost-competitive. In the meantime, the region's aluminum industry will be dismantled and the population will be able to enjoy the full benefits of Ecotopian labor

policy — perhaps even to the point of human recycling.

Not surprisingly, the Ecotopians and their mind-controllers see "Sun Day" as an ideal organizing opportunity. Throughout the Northeast, Ecotopian groups are now organizing for a week-long sun-worshipping celebration from April 29 through May 7. Anyone who doubts the grisly seriousness of their intentions would be well advised to examine Callenbach's book.

—William F. Wertz

Washington State Chairman, U.S. Labor Party

Book Review:

The Antiscience Movement, the Last Time Around

The Physicists: The History of a Scientific Community in Modern America.

Daniel J. Kevles, published by Alfred Knopf, January 1978.

Science always comes under severe attack during periods of economic crisis. That is, however, not a "natural" sociological phenomena — depressions are simply the times when nests of antiscientific cockroaches in the universities, foundations, and media feel safe to come out into the light and do their job.

The February 1978 issue of the official magazine of the American Physical Society, *Physics Today*, contains an important study of what the last major antiscience rampage looked like at the outset of the Great Depression of the 1930s. Its author, science historian Daniel J. Kevles of Cal. Tech, provides material sufficient to demonstrate that there is a direct line connecting that period back to the first Fabian Society anti-industrial movements on American campuses at the turn of the century, and forward to the postwar "Ban the Bomb" movement and the "environmentalist" campaigns of the 1960s and 1970s. Right in the middle of all these subversion operations against the American Republic is a man long overdue to be hauled down from his liberal pedestal and named for the pure fascist he was, Robert M. Hutchins.

The End of Science Ideology

Kevles' article, an excerpt from his just published book, *The Physicists: The History of a Scientific Community in Modern America*, documents (though that is not his political aim) that the Fabian rampage against science in the early 1930s was based on a highly coordinated and fine-tuned ideological campaign whose immediate objectives were to shatter the morale of U.S. physical scientists and technologists and shut down their research and training facilities. The campaign came very close to fully succeeding.

Just as today's antiscience mobsters hope to dupe labor and industry into swallowing the lie that advanced technologies reduce the total number of productive jobs and result in "overproduction," the "humanist" movement of the 1930s aimed to sucker the credulous into

blaming science for the economic havoc actually due to the British-designed Anglo-American monetarist madness of Versailles and the 1920s. Moreover, with science out of the way, there is no form of social practice or epistemological standard to compete with untrammelled fascist madness.

In an opening shot of the attack, in 1927 the English bishop of Ripon proposed a moratorium on scientific research. He was supported by British author G.K. Chesterton, who argued, "There is nothing wrong with electricity; nothing is wrong except that modern man is not a god who holds the thunderbolts but a savage who is struck by lightning." On the U.S. side, the upfront man for savagery was the Fabian *wunderkind* who was selected as president of the University of Chicago at age 30, Robert M. Hutchins. The subsequent founder of the postwar "collective nuclear guilt" movement and the corporatist Center for the Study of Democratic Institutions, Hutchins told the University convocation of 1933 that "science and the free intelligence of Man... have failed us." With Hutchins providing overall academic legitimacy for a "revolt against science" (including elimination of traditional courses and grades), the other pieces fell into place for an assault against the scientific and technological base of industry.

The major Fabian mouthpieces, the *New Republic* and the *Nation*, along with the Second International (and hence, British) controlled League for Industrial Democracy (which in the 1960s gave you SDS and the Weathermen) all went after the so-called exploitation of science by big business. The Ralph Nader of the day was one Frederick J. Schlink, a former engineer at the National Bureau of Standards who founded Consumers Research Inc. to expose all federal scientific agencies as "little more than handy consulting or guidance services to business enterprises." The telephone giant AT&T was particularly singled out for Congressional investigation for allegedly controlling technology for "excess" profits and monopolizing patents.

The "reformers" had no interest, however, in actual progress through accelerating technological innovation in industry and agriculture. Their real concern was to replace "value-free" science with what the anti-Federalist revisionist historian Charles Beard called

“the assertion of moral values.” Beard, of course, didn’t bother to mention that the concept of value-free science was precisely the sort of wretched British nominalism against which the Founding Fathers fought the American Revolution in “the pursuit of happiness,” that is, perfection.

The Case of the Rockefeller Foundation

What better place to do the “moral asserting” and also extract penance for the sins of industrial enterprise than in the foundations (called in Fabian-speak “accumulations of vested wealth”), which had been funded by the leading industrial families to support scientific research and education. When Frederick P. Keppel, the head of the “liberal” Carnegie Corporation, called for switching foundation funding from the physical to the social sciences, the Fabians had more than ideological reasons for doing so. What is probably little known about the Rockefeller Foundation is that before it became such a nest of zero-growth perversion, the Foundation largely built physical science in this country in the post-World War I period. In the 1920s the Foundation strongly supported National Research Council postdoctoral fellowships in the sciences and built up outstanding science departments at eight major universities that are scientific leaders to this day. The Rockefeller General Education Board donated \$19 million to academic science, increasing the pitiful total endowment from all sources to science in the U.S. at the turn of the century six fold!

This great contribution was terminated and funneled instead into “socially relevant” subversion by two arch-Fabians in the Foundation, Warren Weaver and Raymond B. Fosdick. Weaver, a former mathematics professor at the University of Wisconsin, became head of natural sciences at the Foundation in the early 1930s. He immediately brought to bear the world-view acquired during his many years in Madison as an intimate of the LaFollette family (whose political offspring include Hubert Humphrey and Walter Mondale). His chief ally was Foundation Trustee Fosdick, a seasoned hand in redistributionist politics in New York and London, from the settlement houses to the League of Nations. In his 1929 book, not so subtly titled *The Old Savage in the New Civilization*, Fosdick penned the following piece of quintessential British intelligence bestiality: “Science has exposed the paleolithic savage, masquerading in modern dress, to a sudden shift of environment which threatens to unbalance his brain.”

To make sure that humanity would in fact go off the deep end socially and psychologically, Weaver and Fosdick convinced the monetarist-injected Rockefeller Board of Trustees to cut *all* funding to physics unless it was directly connected to biological, chemical, and

social research (the new funding recipients). The new goal of research was the “analysis and control of animate forces,” and especially to gain understanding of the physiological basis of insanity — that is, for fascist social engineering and brainwashing.

The direct and indirect effect on physical science when combined with other funding cuts was devastating. Kevles summarizes the situation which resulted as the Weaver-Fosdick cothinkers in the Roosevelt Administration and depression financial conditions took their toll:

“In Congress economizers slashed the budgets of all the federal scientific agencies an average of 12.5 percent. The Bureau of Standards...emerged with an appropriation almost 26 percent below the 1931 level...State monies allocated for research fell sharply at such scientific centers as the Universities of California, Wisconsin and Michigan... In the private sector, at Stanford and MIT, campaigns for new capital funds collapsed; a sizable part of the Cal Tech and all the Cornell endowments for research were wiped out...At Bell Laboratories, General Electric and numerous other industrial research establishments, retrenchment was the order of the day... By the same year (1933-ML), General Electric had fired some 50 percent and AT&T almost 40 percent of their laboratory personnel.”

Topping off the slaughter, in 1934 the Rockefeller Foundation completely cut off its traditional hundred thousand dollar a year contribution to the National Research Council fellowship fund, throwing most new science PhD’s out of work.

Once Again...

The situation was not really reversed until the onset of World War II, followed by the Manhattan Project, postwar reindustrialization, and renewed emphasis on science during the space program lasting until the mid-1960s.

If the antiscience mob had completely won in the 1930s, the U.S. might not now exist. But neither did we exterminate the disease. Instead, just as we stand at the threshold of the greatest triumph of applied and theoretical science, the development of controlled thermonuclear fusion, the enemies of humanity are again trying to shut down advanced scientific research — fusion, the breeder reactor, recombinant DNA — and destroy high-productivity industrial and agricultural technology.

We can’t afford this time to wait for another world war to decide the situation. If we want a future, we must fight for science as if our lives depend on it *now*.

—Dr. Morris Levitt
Director, Fusion Energy Foundation

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The Trilateral Commission: One Year Later

The events of the past year have confirmed with a vengeance what the U.S. Labor Party posited over a year ago: that with the inauguration of James Earl Carter and Walter Mondale the Trilateral Commission had effected an illegal takeover and manipulation of the Executive branch of the U.S. government. Following an extensive investigation, the U.S. Labor Party detailed the Trilateral Commission's treasonous character in a February 1977 publication titled The Trilateral Commission's Coup d'Etat. Deeper insight into the political networks responsible for the creating and unleashing of the Commission have made the publication of this report as a preface to the original document appropriate.

One of the most significant political developments of 1977 was the public resurfacing of the City of London and specifically the Lazard-Rothschild-Warburg banking nexus as the greatest enemy of the human race and of the U.S. population in particular. The intentions of these London circles to destroy the U.S. dollar, buy up the U.S. economy at bargain basement rates and impose brutal Schachtian economic programs have been publically advertised on the cover of *The Economist* (1) and in the editorial columns of their *Financial Times* (2).

It has not been so openly acknowledged that the Trilateral Commission is one of the principal vehicles through which this British assault against the United States has been run, and that the November 2, 1976 vote fraud coup — institutionalized with the Jan. 20, 1977 inauguration of Trilateral Commission members James Carter and Walter Mondale — represented the "green light" for relaunching the British Empire.

At the time that the initial Labor Party report on the Trilateral Commission was issued, the role of the British Crown and its allied intelligence agencies was not totally visible. That the Trilateral Commission is a product of the Anglo-Dutch sponsored Bilderberg Society was a feature of the profile, but the significance of David Rockefeller's role within the Trilateral Commission was inflated proportionately. Subsequent discussions with many who know David Rockefeller well confirm that although his primary associations and his outlook cohere with those of the Lazard-Rothschild circle of London, he does not possess the political sophistication or drive to direct such an effort as the Trilateral Commission. In effect, David Rockefeller is merely a channel of London influence within the U.S. The buildup of the mystique that David Rockefeller singlehandedly created and ran the Trilateral Commission (through such Fabian journals as

New Times, Atlantic and the Lazard-owned *Washington Post*) has itself functioned as a smokescreen obscuring the City of London's control of the operation, and its consequent control of the White House.

The London Component

The Lazard-Rothschild-Warburg control of the Trilateral Commission is twofold: first, through the British-based membership of the Commission; and second, through the broader network of British "agents" and "agents of influence" within the membership drawn from Western Europe, Canada, and the United States.

Among the British members of the Commission are the following individuals — all of whom have been playing prominent and public roles in the recent British imperialist drive against the U.S.:

The Earl of Cromer: former British Ambassador to the United States; partner in Baring Bros. and Co. Ltd.; director of the Daily Mail Trust; former Governor of the Bank of England; and the author of the recent *Financial Times* op-ed calling for the reestablishment of the British Empire based on a pound-sterling centered new monetary system.

Sir Frank K. Roberts: Advisory Director of Unilever Ltd.; advisor on international affairs to Lloyds of London.

Sir Eric Roll: Executive Director, S.G. Warburg and Company.

Andrew Shonfield: Director of the Royal Institute of International Affairs.

G.R. Storry: St. Antony's College, Oxford (Far East Centre).

Sir Kenneth Younger, former Director of the Royal Institute of International Affairs; former Minister of State for Foreign Affairs.

Alastair Burnet: editor of *The Economist*, (former Trilateral Commission member).

Roy Jenkins: President of the European Parliament; founding Director of the International Institute for Environmental Development; founder of the International Institute for Strategic Studies, London. (former Trilateral Commission member).

The following Commission members from Europe and North America have long histories of operating as agents

of the City of London within their respective countries. They have consistently functioned as influence peddlers for Rothschild-Lazard policies and particularly in the recent past have been operating to break the resistance to London's drive for Schachtian fascism and Cold War:

Giovanni Agnelli: President of FIAT Ltd.

Edmond de Rothschild: President of Compagnie Financiere Holding.

Arrigo Levi: Director of *La Stampa*, Turin.

Cesare Merlini: Director of the Italian Institute of International Affairs, the Italian component of the Royal Institute network.

Francois Duchene: European Deputy Chairman of the Trilateral Commission; former director of the International Institute for Strategic Studies, London; director of the Center for Contemporary European Affairs of the University of Sussex.

H.M. Fisher: Editor of the *Financial Times*.

John Loudon: Chairman of Royal Dutch Shell; Board of Trustees of the Ford Foundation.

Maurice F. Strong: Chairman and President of Petro-Canada; Director of the United Nations Environmentalism Program; Director of the International Institute of Environmental Development; member of the Board of Trustees of Aspen Institute; member of the International Institute for Strategic Studies, London.

The British Faction in the U.S.

Since the inauguration of Carter and Mondale, the Executive branch of the U.S. government has effectively been in the hands of a foreign power, London. In particular, a "British faction" within the Administration — headed by Vice-President Walter Mondale, Treasury Secretary Werner Michael Blumenthal, National Security Advisor Zbigniew Brzezinski, and Energy Czar James Rodney Schlesinger — has been consciously steering the country in the direction of economic collapse and moral decay.

Intense investigations into the backgrounds of the leading representatives of Lazard-Rothschild financial interests within the Administration have uncovered an unbroken pattern of discernable recruitment and training through British intelligence and related networks.

Treasury Secretary Blumenthal not only studied at the London School of Economics (as did Vice-President Mondale), he served on the faculty of the Institute for Social Research at Ann Arbor, Michigan. ISR is officially the U.S. component of the London's Tavistock Institute — a social engineering and psychological warfare center that was established as an integral feature of the British Army and British intelligence's international espionage and social control capabilities. Any training Blumenthal has ever received in economics has been subsumed under his British training in economic warfare methods. This is particularly relevant in light of his insane and treasonous refusal to take support action on behalf of the dollar in the face of concerted economic warfare attacks against the currency from the Lazard-Rothschild group.

James Rodney Schlesinger: The post of Energy Secretary was designed for Schlesinger by Trilateral Commission "executive reorganization" expert Graham

Allison in a 1975 draft report circulated as a discussion paper within Council on Foreign Relations circles and only released to the public after the November, 1976 elections (3).

Schlesinger's own career is appropriately seen as a subsumed feature of the career of *Henry Kissinger*. It was Kissinger protégé Daniel Ellsberg who sponsored Schlesinger from the point that they were both at the Rand Corporation during the early 1960s. Both Schlesinger and Ellsberg were prominent operatives in the Kissinger-London destruction of the Nixon Administration — first through their sabotage of the Nixon-William Rogers initiatives for peace through development in the Middle East and Southeast Asia — the Rogers Plan — and ultimately through the stage management of Watergate.

Under Kissinger's orders, Ellsberg drafted and "leaked" the phony Pentagon Papers, thus providing the pretext for Nixon — at Kissinger's urging — to create the "plumbers unit." Kissinger then recruited Schlesinger to the Directorship of the CIA, thus effectively ending all information flows from that agency to President Nixon that did not cohere with the Kissinger-London manipulations. (4). While a separate and exhaustive study is necessary to fully document Kissinger's British agency, these summary facts relating to Schlesinger are presented here to make two crucial interrelated points regarding the current Trilateral administration:

1. Schlesinger has been a British agent-of-influence throughout his career, serving principally as a bureaucratic "hatchet man." These credentials are relevant to his current position in the Carter Administration. Schlesinger was installed to blackmail, bludgeon, and terrorize Congress and the American people into accepting the City of London's plan to impose energy conservation on the U.S. at the precise moment that massive investment in nuclear energy, including thermonuclear fusion power, is plainly the only sane course out of our current economic crisis.

2. The 1972-73 creation of the Trilateral Commission represented a second phase of a *British*-inspired takeover operation that in fact was launched by no later than the 1968-72 deployments against the Rogers Plan.

Zbigniew Brzezinski: Certain basic points of Brzezinski's career prior to his assumption of the Directorship of the Trilateral Commission and more recently the Directorship of the National Security Council are sufficient to document his pedigree as a British intelligence creation.

Brzezinski, like Kissinger, was picked up and tracked into British intelligence networks very early in his career. In fact, Brzezinski was raised in an ambiance defined by British intelligence.

His father, Tadeusz Brzezinski, was a Polish landed aristocrat who came to Germany immediately prior to Hitler's accession to power. In Germany, he was involved with networks smuggling Jews out of the country to Palestine. This would have placed him in the Oppenheimer-Warburg circles which operated primarily

out of London and worked through the German National Party and related "conservative" pro-British Empire institutions throughout Europe (5).

The Brzezinski family eventually emigrated to Montreal where Tadeusz served as the Polish Consulate General. In that capacity, he was involved in recruiting Poles into special British-run military units. This entire project was conducted under the auspices of Lord Beaverbrook protégé Sir William Stephenson, whose Special Operations Executive was the principal psychological and economic warfare network of the British (6).

In much the same way that Kissinger was the protégé of British Round Table agent William Yandell Elliott of Harvard University, Brzezinski was the product of Dr. Frederick Watkins. Frederick Mundell Watkins — a political science professor and "expert" on the philosophical works of David Hume and Jean Jacques Rousseau — was an instructor at the School for Overseas Administrators from 1943-45. This project — directed from Harvard University Government Department which was then chaired by William Yandell Elliott — was a heavily British contaminated training center for U.S. military and government personnel being groomed for positions within the postwar Occupation governments in Europe. During 1945, Watkins served as a research analyst for the Office of Strategic Services. Immediately following the war, Watkins moved to Canada where he assumed a political science chair (the Bronfman Professorship) at McGill University. McGill was, and in fact still remains, a center of British intelligence operations in North America. At McGill Brzezinski studied under Watkins and was eventually tracked into the Harvard University graduate school.

Brzezinski's subsequent career — including his early publications through the British agent Max Ascoli's *Reporter* magazine (7) (also the first publishers of Kissinger's and Schlesinger's writings) and his Guggenheim Fellowship — followed along the same pattern. The overriding character of Brzezinski's work — like that of Kissinger and Schlesinger — is its incompetence and its overt insanity. Brzezinski's open proposal for a 1984-modeled "technetronic society" replacing human creative activity with vast computer banks and relegating human beings to the most debasing physical labor comes straight out of the Tavistock Institute and the George Orwell-H.G. Wells right-wing of the British Fabian Society. (8). Nothing approaching Brzezinski's world outlook can be found in any intrinsically American institution.

In this context, Brzezinski's appointment to the Directorship of the Trilateral Commission is a further component of the British invasion plan; and the joint efforts of Brzezinski and Tavistock Institute-trained Dr. Peter Bourne to condition Governor Jimmy Carter as the City of London's "favorite son" candidate for the U.S. Presidency is nothing more than the real-life replay of British Fabian George Bernard Shaw's stage drama "Pygmalion." In this case, the gate receipts from the performance are the entire resources of the United States.

The Special Case of President Carter

That President James Earl Carter is a special case is perhaps best demonstrated by the persistence with which he has been attacked and ridiculed by the very Lazard (*Washington Post*) and Mondale associated circles that originally helped to impose him as President. Although criticisms of President Carter were a regular feature of the Fabian press in the U.S. during the first six months of 1977, (particularly following the failure of Secretary of State Vance's Moscow SALT discussions and following the intensive opposition within Congress to the President's energy and electoral "reform" proposals) it was the Bert Lance affair in July that triggered an escalation of such attacks.

The Lance affair is most relevant to the Carter case.

As the *Trilateral Commission's Coup d'Etat* indicated, Brzezinski, Bourne, David Rockefeller and the Trilateral Commissioners selected Jimmy Carter as their presidential candidate on the basis of the Georgia governor's political and psychological profile. Carter had no political constituency and virtually no political loyalties, save to those Atlanta circles around Trilateral Commission member J. Paul Austin. Psychologically, he

The Authors of Present Trilateral Policy

The Trilateral Commission issued a major policy statement in July 1977, "Towards a Renovated International System," which spells out the commission's short-term perspectives for crushing national governments opposing their fascist economic policies. While excerpts of that document appeared in the *Executive Intelligence Review* Feb. 7, 1978 (Vol. 5, No. 5) we include here the pedigree of its authors:

Richard N. Cooper: Presently, Undersecretary of State for Monetary Affairs, Cooper received his Masters degree from the London School of Economics and his doctorate from Harvard University. His most notable work is *Sterling, European Monetary Unification and the International Monetary System* (1972).

Karl Kaiser: Presently the director of the West German affiliate of the Royal Institute of International Affairs, the Research Institute of German Society for Foreign Affairs, Kaiser is also a trustee of the Rothschild family-financed Aspen Institute. Before receiving his doctorate Kaiser studied at Oxford University.

Masataka Kosaka: After a stint as a visiting scholar at Harvard University from 1960-62, Kosaka served as a research associate at the Round Table's International Institute for Strategic Studies in London. He is now a professor at Kyoto University.

was both tremendously dependent and manipulable and equally ambitious. His Trilateral Commission sponsors correctly evaluated that Carter could be maintained in a "controlled environment" by surrounding him with advisors who would spoon-feed him everything he would say or do.

Carter's close personal friend and confidential advisor Bert Lance — himself a fiscal conservative and a product of the growth-oriented postwar "Southern Rim" — had to be eliminated from the White House scene as he was an obstacle to the maintenance of the Trilateral-controlled environment. Carter's fleeting signs of independence from the Trilateral Commission control in the midst of the Lance affair, although quickly suppressed, offer important insights to the Carter case.

President Carter is the wrong man for the Presidency at this crisis juncture primarily because of what he is *not*. That is, he altogether lacks the policy insight, the strength of character and the historical sense of how the American System developed to steer the nation at this time. Carter functions as a barometer of which political forces have the upper hand within the country, and specifically within Washington, D.C., at any given moment. The task of the hard-core "British fifth column" of Brezinski, Mondale, and Blumenthal is to maintain him in an aversive environment prohibitive to his acting on the increasingly visible mandate from leading circles within France, West Germany, the Arab bloc, and the U.S. to go with an industrial growth policy.

The Case of Walter Mondale

Following Lance's resignation, that aversive environment was generally strengthened through the buildup of Walter Mondale as Carter's new "closest advisor" and a President-in-the-wings. Were it not for his own emotional instability (Mondale suffered an emotional breakdown during the early months of his own presidential campaign bid in 1975), Mondale would have likely been the City of London's first choice for President on the Trilateral Commission ticket.

A product of the Fabian Society-inspired Minnesota Farm-Labor circles of Hubert Humphrey and World-watch Institute's Orville Freeman, Mondale was for years the leading proponent within the U.S. Senate for Schachtian labor programs as a solution to unemployment.

Gradually, Mondale has now insinuated himself into a position of being a virtual choke point for all legislative material reaching President Carter. Mondale heads a clearinghouse that determines legislative priorities and drafts actual bills for presidential submission to Congress. In effect, Mondale has been "reorganized" into a position of presidential authority respecting all domestic policy.

Moreover, Mondale's hand has been strengthened by the same Fabian press outlets that have Carter under fire. Typical of the scores of media pieces feeding into the aversive conditioning of Carter was a Jan. 8, 1978 column by *Washington Post* writer David Broder. Broder "advised" Carter that his smartest political move of the new year had been his reliance of vice-president Mondale to chart the Administration's legislative strategy for 1978; and that as long as he functioned within the guidelines spelled out by Mondale, the press would have no

cause to further attack him.

In fact, the City of London circles that established the Trilateral Commission through which James Earl Carter was positioned in the White House maintain as an active contingency a number of plans for dumping Carter and thereby installing "Loyalist" Mondale. This was confirmed to the U.S. Labor Party earlier this year through an interview with an aide to Sen. George McGovern (9).

The aide boasted that McGovern was personally planning to launch "Cartergate" — in response to the President's failure to successfully impose London's urban slave labor plans upon the U.S. population through either congressional passage of Humphrey--Hawkins or through executive fiat. As Carter's programmed "security risk" behavior during his January tour of the Middle East and Europe demonstrated, his Trilateral Commission controllers also do not rule out the option of unleashing one of British intelligence's terrorist gangs for ridding themselves of the President.

The Harriman Role

The Trilateral Commission — and particularly its North American section — was created with a particular operational purpose: to seize the U.S. Executive branch. To accomplish that overriding objective, the Rothschild-Lazard sponsors of the Trilateral Commission necessarily *had* to include individuals who:

(1) represented resources vital to the overall successful execution of the coup but who were not hard-core British agents or agents-of-influence per se; and (2) represented political factions whose cooperation was vital to the effort and who even shared the general Schachtian outlook respecting such issues as nuclear energy development, but who typified a more "American realist" attitude towards foreign policy and military matters.

The circle around Governor Averell Harriman, and particularly Harriman protégé Cyrus Vance, exemplify this phenomenon within the Trilateral Commission. Although this does not detract from the important fact of Rothschild-Lazard policy hegemony within the Commission, this is an important element to consider in evaluating the record to date of the U.S. Carter-Trilateral Administration. It also accounts for the membership on the Commission of individuals like French Prime Minister Barré whose political outlook in broad terms at this juncture does not cohere with that of the Commission sponsors.

The collaboration of both Vance and Harriman was vital to the successful vote fraud operation spanning June-November, 1976. As President of the crucial New York Bar Association, Vance brought in the resources of the most high-powered legal forces in the country, drawing these lawyers directly into Lawyers for Carter (LFC). LFC physically deployed hundreds of attorneys on Nov. 2, 1976 in New York City alone—insuring the coverup and smooth running of the several hundred thousand phony votes cast in the city. These votes subsequently proved to be the determining margin for the entire Presidential election (10).

It can be said (and has been recently said by the Soviet press) that Vance's performance to date as Secretary of State has represented a brake on the more openly provocative and dangerous actions of such patent British

agents of influence as Messrs. Brzezinski, Schlesinger, and Blumenthal. In particular, all indications are that the U.S.-Soviet joint communiqué on the Middle East of last autumn and the simultaneous favorable openings regarding SALT were Vance initiatives (from the U.S. side) stemming from a "realistic" approach to the inherent global danger involved in unresolved "simmering" conflict within the Middle East, particularly in context of a breakdown in Soviet-American dialogue on strategic military matters. Vance's current Middle East effort — often at cross-purposes with the actions of Brzezinski, Henry Kissinger, and the City of London—coheres with the same profile.

The Cold War Strategy

Although 20 Commission members are now in high-level positions in the Carter Administration, the Commission as an institution still continues to operate as a vital private organ for the London conspiracy. The Commission's active role in undermining the principles of U.S. government is evidenced by the recent appointment of Henry Kissinger, as Director of the Commission, and Kissinger's own more recent public resurfacing as the most active and vocal spokesman for the City of London's Cold War policy. The current efforts of Kissinger, Brzezinski, and other Trilateral Commission associates to relaunch open hostility between the U.S. and the Soviet Union — effectively replaying the Winston Churchill-Anthony Eden destruction of entente in the immediate postwar period — is aimed at cutting off all potential for the establishment of a new gold-based world monetary system oriented to industrial development and drawing in the Comecon sector as a principal partner. Kissinger's experience in wrecking such entente-development potentials dates to his wrecking of the Nixon-Rogers initiatives of 1968-70.

The Cold War strategy was publicly launched on Oct. 22, 1977 at the Trilateral Commission's eighth semi-annual meeting, in Bonn, West Germany. The keynote address to the three-day gathering of 150 Commission members and invited guests (including Social Democrat Willy Brandt and Christian Social Union head Franz Josef Strauss — the City of London's left-right Bobbsey Twins in West Germany) was delivered by Kissinger. The former Secretary of State took the opportunity to expound that the greatest threat to the security of the western alliance was the monstrous growth of Communism within Western Europe and the longstanding weakness of NATO's conventional forces in the same area: "NATO's weaknesses, which are usually swept under the rug, urgently need to be faced and corrected if we are to redress the potentially very dangerous state of the regional balance in Western Europe."

Kissinger reasserted the Tavistock Institute-authored "chicken game scenario" of testing the Soviet Union's preparedness to move into head-on nuclear confrontation with NATO in defense of certain "limited" points of contention: "The Soviet Union presents the paradox of a strong military power which is somewhat 'amorphous' politically; its current inability to meet its economic, nationalities and alliance problems probably explains why it has 'backed off' crises with such rapidity' in ways

which 'did not correspond to the correlation of forces.' " (11).

Kissinger's keynote was the theme of the conference. A series of seminars were devoted to an extensive report to the Commission prepared by Frankfurt School founder and 30-year British agent Richard Lowenthal on the threat of Eurocommunist parties entering coalition governments in Western Europe.

The approach spelled out by Lowenthal's task force centered on manipulating the "Red menace" bugaboo to facilitate left-right destabilizations against the Italian and French governments: More specifically, it was to defeat the emergence of labor-industrial coalitions (which would include the Italian and French Communist Parties) while setting the stage for a "Chile-style" coup against the Andreotti government. The line Kissinger and Lowenthal floated at the Bonn conference has been the centerpiece of the City of London's strategic deployments since that date.

Intelligence Penetration

The Trilateral Commission has also been engaged in an effort — intensified in recent weeks — to destroy the U.S. military and intelligence establishment, and install a command structure dominated at the top by London agents of influence. This effort has been a central feature of Trilateral Commission-sponsored "reorganization" of the project headed by Graham Allison.

Following several months of intensive press black propaganda from *The Washington Post* and *The New York Times* criticizing the Central Intelligence Agency's strategic evaluations capabilities and track record, Trilateral Commission member Robert Bowie (12) was appointed to head the National Intelligence Estimates (NIE). Under Bowie, the NIE is to be an "authoritative" source of psychological warfare directed equally against the Soviet Union and the U.S. own strategic allies within NATO.

More recently, the name of Henry Owen has emerged as a rumored appointee to a newly created Pentagon post, under Secretary of Defense for Policy. This position, designed as part of the Allison reorganization plan and announced by Secretary of Defense and Trilateral Commissioner Harold Brown, in his first month in office, would consolidate all strategic planning and military intelligence functions in one single command post. In effect, Owen, Trilateral Commissioner and director of foreign policy studies for the Brookings Institution, would preside over the Defense Intelligence Agency and the National Security Agency. While this appointment is not yet confirmed, the dangers of such a Trilateral Commission coup within the Pentagon must be emphasized.

One of the most important steps taken by former Secretary of Defense Rumsfeld was to insure the complete independence of the military intelligence command structure. From the military standpoint, it is self-evident that several independent channels of intelligence and strategic policy proposals are vital to insuring that executive level decisions are made on the basis of accurate information and consideration of all viable options. From the immediate political geometry in which Rumsfeld was operating, it was crucial to insure that an

“independent” line of command was maintained for traditional military-intelligence networks, outside of the consolidated CIA, given the well known efforts of Kissinger, Schlesinger and company to capture centralized control over all information flow and policy.

If the Owen post is established, the London-Trilateral forces will have effectively captured every channel of strategic intelligence, military policy and covert in-

telligence flowing into the White House. Such a controlled environment of utopian military incompetence and patently rigged strategic military and economic intelligence represents a profound danger. The prospect of a blunder-precipitated strategic confrontation not only becomes a very real possibility; the likelihood of such a war trigger increases with every further consolidation of London-Trilateral control.

—Jeffrey Steinberg

FOOTNOTES

1. *The Economist*, “America Going Cheap for Christmas” Dec. 18, 1977.
2. *The Financial Times*, “Beware a bear trap”, Dec. 15, 1977.
3. *The Trilateral Commission’s Coup d’Etat* Feb. 1977.
4. Kalimtgis, Costas, *New Solidarity*, “Expel Britain’s Kissinger for Treason — Part III” Jan. 31, 1978 Vol. 8 No. 93.
5. New Solidarity International Press Service, from an unpublished interview.
6. William Stevenson, *A Man Called Intrepid, The Secret War*, Harcourt, Brace, and Jovanovich (1976).
7. Kalimtgis, Costas, *New Solidarity*, “Expel Britain’s Kissinger for Treason Part II” Jan. 20, 1978 Vol. 8 No. 90.
8. Lyndon H. LaRouche, *The Hostile Fantasy World of Zbigniew Brzezinski* Jan. 1977.
9. *Executive Intelligence Review*, Jan. 24, 1977 Vol. V No. 3.
10. President Carter’s 250,000 vote margin of victory in New York State delivered 41 electoral college votes to the Democratic Party slate and provided the margin of victory in the electoral college. A joint U.S. Labor Party-

Committee for Fair Elections investigation focused in part on the compiling of court admissible evidence of a magnitude of fraud within New York that exceeded the Carter vote margin. The evidence compiled was presented before Federal Courts in New York and Ohio during December, 1977. It is known that intensive pressure was placed on those Courts to reject the groups’ residential results be frozen pending investigation and convening of new elections.

11. *Dialogue* No. 15, Fall 1977 excerpts of an interview from Henry Kissinger.

12. Robert Bowie, a Trilateral Commission member, a founder of the “Dr. Strangelove” Committee on the Present Danger and a professor at the Harvard Government Department headed up the “Team B” strategic analysis group and was appointed in summer, 1977 as head of the National Intelligence Estimates (NIE). Henry Owen is currently being reported as the slated head of the Defense Department’s Policy division as Under Secretary for Policy.

Saudis Push For Geneva To Break Mideast Deadlock

With the collapse of the Sadat-Begin peace initiative, Saudi Arabia has opened a bold campaign to reroute Middle East peace efforts into the rapid reconvening of a Geneva conference as the best vehicle for securing an overall settlement.

The Saudi push to Geneva is reflected in Riyadh's refusal to cooperate with the Carter Administration's ineffectual efforts to revive the moribund Israeli-Egyptian dialogue. On March 5, the day that Assistant Secretary of State Alfred Atherton was to have arrived in Riyadh to solicit Saudi backing for his mediation efforts, the Saudis suddenly canceled the visit. The snub was a deliberate move on the part of the Saudis to disrupt Atherton's shuttle diplomacy and underscores the Saudi commitment to pursue a comprehensive peace at Geneva involving all parties, including the U.S. and the Soviet Union.

According to several Washington-based Mideast analysts, the Saudis are pressuring the Carter Administration to revive the historic Oct. 1 joint U.S.-Soviet communiqué recognizing Palestinian rights and urging the reconvening of Geneva as the basis for further peace efforts.

One week before Atherton's expected arrival, Saudi Arabia's domestic news service condemned Atherton's diplomacy as a "tranquilizer" for the Middle East and a way for the U.S. to avoid doing what it should be doing: pressuring Israel to make badly needed concessions in the occupied territories and on the crucial Palestinian issue. The broadcast likened U.S. mediation efforts to Henry Kissinger's disastrous step-by-step diplomacy. Atherton himself was personally informed that "dialogue is meaningless" unless Israel changes its intransigent position.

Underscoring Saudi efforts to secure a durable settlement, Foreign Minister Saud al-Faisal has announced his plans to depart on a major tour of the Arab world in the near future to organize for Geneva. The Saudis have already issued a call for the convening of an Arab summit to consolidate Arab unity. According to informed sources, Saudi Arabia is discreetly communicating with the Soviet Union on the prospects of reconvening the Geneva conference, for which the Soviets are co-chairman.

Foreign Minister Saud has emerged as the most vocal Saudi Arabian critic of the "go-it-alone" aspects of Sadat's peace initiative. Saud is also reputed to be one of Saudi Arabia's most sophisticated officials, a leader who sees the importance of developing relations with the Soviet Union in defiance of Saudi Arabia's traditional anti-communist posture. Over the past several weeks, public statements from King Khalid and Crown Prince Fahd have also recognized the importance of the Soviet Union.

Jordan Also Welcomes Soviet Role

Despite efforts to pull Jordan into the Begin-Sadat talks — intended to lock the Palestine Liberation Organization and Syria out of the peace process and ensure the signing of dangerous bilateral accords in lieu of an overall settlement — Jordan's King Hussein has adamantly refused to give in and is making it known that he will not join Sadat unless Israel agrees to withdraw from the occupied territories and to accept some form of autonomous Palestinian state on the West Bank. According to the March 8 *Washington Post*, Hussein, in an interview with Austrian reporters, called for stepped-up Soviet involvement in the Mideast peace efforts and stressed that only U.S.-Soviet cooperation can bring about an overall settlement, either in Geneva or at the United Nations.

An editorial entitled "The Return to New York" in the March 2 Jordanian daily Al-Rai spells out Jordan's position and the signs of a major shift in the Middle East:

"All signs indicate that Atherton's attempts to put an end to the Egyptian-Israeli deadlock by means or formulating a declaration of principles have passed unnoticed.

"It seems that the U.S. Administration is convinced now, more than at any time before, of the futility of the bilateral negotiations. This is owing to the wide contradiction between the peaceful demands and Israel's expansionist objectives. Hence we can understand the new signs that several sides are making.

"The first sign — the commentary of the Damascus paper *Tishrin*, which emphasized Syria's support for the efforts exerted to set up a just and lasting peace in the Middle East, irrespective of the source of these efforts.

"The second sign — the statements of the U.S. State Department spokesman asserting that his country is not attempting to exclude Syria from the peace efforts.

"The third sign — the report published by Cairo's *Al-Ahram* about Rumania's endeavors to contact a number of world capitals with the aim of discussing the possibility of implementing Waldheim's proposal for the convocation of a conference in New York to include the parties concerned with the Middle East dispute.

"If the New York conference has so far been seen only as a theoretical way out of the deadlock that has confronted the peace efforts, it also specifically constitutes a visible way out for several problems that have troubled Arab relations.

"Jordan and Syria championed the initiative of the U.N. secretary general at the time as the best means to continue Arab and international cooperation for the sake of the future of the Middle East, international stability, and world security.

"Despite the persistence to continue the bilateral negotiations in the hope of softening the Israeli attitude and the failure to achieve any tangible positive result — and we can say that the negotiations have completely failed to introduce radical changes to Israel's arrogant stands — the opportunity still exists to strengthen and support the aforementioned positive signs with the aim of holding the New York conference. Yet, it depends on the U.S. Administration's taking a harder line toward Israel, if Washington does not wish to see itself, together with the parties concerned with the dispute, in the Israeli bottleneck."

Sadat Remains Stubborn

King Hussein's refusal to accept anything short of an overall settlement has opened the way for the consolidation of ties among Jordan, Syria, and the Palestine Liberation Organization. PLO executive committee member Abu Maizer met this week with the Jordanian

Ambassador in Damascus, while PLO Foreign Minister Farouk Kaddoumi will arrive soon in Amman for talks with King Hussein. Concurrently, a high-level PLO delegation led by Yasser Arafat flew to Moscow for talks following the conclusion of a mutual defense pact between the Soviets and Syria. The Soviet-backed Syria-Jordan-PLO axis will provide the muscle necessary for getting Geneva back on track.

Isolated as he is, Egypt's President Sadat is stubbornly — and suicidally — holding back from refocusing his peace efforts on Geneva or the United Nations. In an interview last week in the Egyptian magazine *October*, Sadat condemned the Oct. 1 joint Soviet-U.S. communiqué and dismissed the idea of reconvening Geneva altogether. Commented one well-informed Middle East analyst, "For Sadat to opt for Geneva would be the same as admitting the failure of his initiative, and that's something he just will not do."

—Nancy Parsons

Does Israeli Cabinet Crisis Spell Doom For Begin Government?

Over the past week, a bitter conflict has broken out *within* the Israeli cabinet over the controversial issue of Israel's building new Zionist settlements in Arab lands occupied during the 1967 Arab-Israeli war.

Defense Minister Ezer Weizman has emerged at the head of a cross-party faction opposed to the expansionist policies of Foreign Minister Moshe Dayan and Agriculture Minister Ariel Sharon.

ISRAEL

Prime Minister Menachem Begin appears to be delicately straddling the fence between these two groups, but his statements on March 8 and 9 affirming Israel's "right" to control and settle the West Bank irrespective of external and internal pressures to the contrary indicate a strong tilt toward the Dayan-Sharon camp.

Begin's attitude sets his government up for a fall on two accounts. First, U.S. Administration pressure on Israel to abide by internationally recognized protocols insisting on Israel's withdrawal from the West Bank will help Weizman's faction to prevail. Second, Weizman himself — now touring in the U.S., where he is being delicately cultivated as a pro-U.S. Israeli leader by Administration policy-makers — has taken a very strong position *against* appeasing Sharon and Dayan. He has threatened to resign if new Israeli settlements are approved, and has told Washington press sources that "I put my foot down very hard!" in a phone conversation with Begin March 7. According to France's *Le Matin* March 8, Weizman declared in the U.S., "The next week will be decisive. I will not allow a group of fanatics to sabotage the peace process."

A former Israeli parliamentarian analyzed the developing Israeli faction situation in the following way:

The Begin government is a fleeting episode. Weizman, the Liberals (a faction of the ruling Likud Party — ed.) and Yadin (deputy Prime Minister and head of the Democratic Movement for Change group) have stood up to Begin in a way that was not expected. Begin himself, according to close personal friends, is melancholy, and is talking of resigning.

If he were to resign, that would trigger an easily identifiable realignment in Israel. Weizman, some of Begins' own Herut faction in the Likud, Yadin's people, and the Labour Party would come together to present an alternative involving a normal, objective policy involving the West Bank. After Begin resigns, a process can begin of moving toward giving up the territories.

You cannot take it for granted that every world leader is normal. Every leader to some extent is mad. Begin has great virtues, he is very learned and so on, but on the basic fundamental point of the West Bank, he's mad. He won't agree to *any* settlement that involves giving up the West Bank.

A second Israeli analyst corroborated the above thesis. Commenting on a spate of rumors this week that Weizman, Finance Minister Simcha Ehrlich, and Sharon are all threatening to resign, the expert noted:

All the talk of resignation in Israel by these Ministers probably will end up with Begin resigning. This is a growing possibility: after Begin's visit to the U.S., if sufficient pressure is put on him by the U.S., it will lead to a situation where *any* Israeli Prime Minister would have to make concessions —

concessions which Begin simply can't make, so he would have to resign.

Baltimore Sun commentator Ruth Cale reported from Jerusalem March 8 that Weizman is clearly emerging as the number two man behind Begin, ahead of Dayan and Sharon, in the current internal fight:

The only person to emerge untarnished from the Israeli leadership's lamentably unsophisticated handling of the peace-making process and other major national upheavals is in the view of many sober Israelis the charismatic defense minister, Ezer Weizman. No wonder that he is being widely tipped as the most likely successor to Prime Minister Menachem Begin....

....While Messrs. Dayan and Sharon became increasingly controversial because of their nationalist ideology, arbitrary decisions and ill-considered public statements, Mr. Weizman attended to his defense bailiwick with quiet efficiency, never putting a foot wrong or talking out of turn. No wonder, that his popularity has climbed steadily, and that recently he reached the top of the charts, ahead of both Mr. Begin and Mr. Dayan (Mr. Sharon wasn't even mentioned.)....

Mr. Weizman has emerged as an "establishment dove," who sincerely wants to clinch peace with President Sadat, and doesn't want to cheat with tricky formulas and last-minute creations of "facts" in disputed regions....

The (Israeli) people are plainly tired of periodic upheavals such as they have been exposed to by Dayan and Sharon and also occasionally by Mr. Begin. They want a level-headed and hard-fisted and honest no-nonsense man at the top, who will not get sidetracked in the peace-making business by religious mystics and toughs who claim settlement in certain occupied areas is more important than peace (as one of Mr. Sharon's aides recently declared in public).

It seems Ezer Weizman is likeliest to have these qualities. His supporters hope that on his visit to the United States, his first trip to America since he took over the defense ministry, he will impress Americans as he has impressed the Egyptians.

Dayan Mobilizes, Begin Boxed In

Dayan has not been dissuaded by the rise of Weizman's star from trying to build a grass-roots movement in favor of his own policies. The *Jerusalem Post's* political affairs correspondent reported March 2 that Dayan supporters in the Israeli Knesset (parliament) are urging him to form an electoral list under his banner.

The Post then went on to say:

A source close to Dayan said that the Foreign Minister now feels the lack of his own political organization, since he is in the government at Begin's discretion and has no independent backing. One source claimed that Herut and the Liberals don't particularly like Dayan.

Dayan himself has so far denied any ambitions of heading a political group. Observers, however, believe he would like the option of having an organized political backing should there be a need or the right opportunity for it. Dayan is seen likely to launch a new party should Begin step down or if members in the various parties split over a crucial question — such as the future of (the West Bank).

Nevertheless, Dayan is meeting with potential supporters. The moshav (an influential organization of Israeli agriculture cooperatives) members are unhappy with the Labour Party's alignment with the more dovish Mapam, and a source close to Labour's Chairman Shimon Peres yesterday predicted some may break away should Labour and Mapam continue their alliance.

Dayan has also maintained contact with some members of the La'am faction in the Likud, whom he reportedly met two weeks ago. He is also associated with the Forum for Political and Social Questions, which tomorrow will discuss the implications of peace on Israel.

Post reporter Mark Segal reported March 1 that "it is certainly premature to dismiss Dayan as a political lightweight with no political base of his own." Segal noted that "Begin is giving Dayan full backing" during current controversies — including Dayan's provocative revelation that Israel is arming Ethiopia — that had led to calls in the Knesset for Dayan's resignation.

The conservative Italian daily *Il Giornale* went one step further than this March 7, reporting that Begin has "become the prisoner of Dayan."

Begin has certainly lent credence to this assessment throughout the week, with his repeated assertions that Israel is justified in refusing to relinquish control of the West Bank and his arrogant denunciation March 8 of 300 Israeli reservists and officers who had, in an unprecedented act in Israeli history, signed a petition denouncing "a government which prefers the frontiers of a Great Israel to an Israel living in peace with its neighbors." Begin accused the petitioners of committing a "disservice" to Israel for "publicly advising" the government in this way.

CPD, Led By Schlesinger, Push Washington-Tokyo-Peking Axis

U.S. Energy Secretary James Schlesinger, his allies within the Carter Administration, and the confrontationist Committee on the Present Danger, have renewed their campaign for a Washington-Tokyo-Peking military alliance against the Soviet Union.

JAPAN

Schlesinger's Asian strategy was outlined in a syndicated column Feb. 28 by CPD executive board member John Roche titled "The Tokyo-Peking Axis — A Natural." Roche claims there is a "symbiotic" relationship between Japan and China, both economically and culturally, which, combined with the well-known stumbling blocks in Japan's relations with the Soviet Union, have once again made China the centerpiece of Japan's policy in Asia. This is all very good, says Roche, as an alliance between the two countries would be on an anti-Soviet basis. "The Greater East Asia Co-Prosperity Sphere is back on the drawing board," says Roche, referring to Japan's wartime economic bloc. "This time under the joint Chinese-Japanese auspices. Given the talent and resources involved, this coalition could in a decade radically shift the balance of forces not merely in Asia, but in the world at large."

Schlesinger's top ally within the Carter Administration, National Security Advisor Zbigniew Brzezinski, announced yesterday that he will travel to China in early May to revive talks on U.S.-China relations that have stagnated since Secretary of State Vance's trip to Peking last August. While little has been released on Brzezinski's plans, it is widely believed that he will discuss with Chinese leaders the policy statements made by Defense Secretary Harold Brown, who told Congress last month that close working relations between China and the United States would be a helpful bulwark against the Soviet Union in Asia. Brzezinski, whose staff is dominated by pro-Peking "experts," is rumored to favor U.S. arms sales to China.

Another CPD ally, Democratic Senator Henry Jackson, returned from China last week where he met with top Chinese officials including Vice Premier Teng Hsiao-ping, the architect of China's present anti-Soviet policy and an advocate of Japanese rearmament against the Soviets. Jackson stressed the need for U.S. technology exports to aid the development of China's oil reserves. While Jackson's office dismisses reports that his trip was coordinated with Schlesinger's Energy

Department, Jackson took with him a legislative assistant from the Senate Energy Committee, and a task force has already been established within the DOE to study such a transfer of oil technology to Peking.

Schlesinger has personally headed the drive for U.S. development of the PRC's oil reserves, having used the issue over the past year to keep official channels between the two countries open while the Administration's official policy places China on the "backburner." Last year, the highest ranking Chinese officials ever to visit the United States investigated American oil technology at the invitation of the DOE.

The Japan "CPD"

Simultaneous with these U.S.-based efforts, a small, pro-CPD clique in Japan is using its extensive networks of influence in Japan's military and defense-intellectual community to promote Japanese rearmament and the use of Japan, in cooperation with China, as a counterbalance to the Soviet Union as the United States reduces its military presence in Asia.

Early last month a new defense think-tank, the Japan National Security Research Center, was established to push the CPD line. The main organizer of the center was Hideaki Kase, a "defense intellectual" with close ties to the London International Institute of Strategic Studies. Kase, along with former Japanese Defense Agency chief Michita Sakata and former high-level Foreign Ministry bureaucrat Shinsaku Hogen, form the intellectual core of the avowed pro-Schlesinger wing of Japan's defense establishment.

Within the Japan Defense Agency (JDA), a significant grouping has picked up the CPD line and is promoting the idea of "consultative ties between the JDA and China's armed forces. Last month a group from the JDA travelled to China for such "consultations," and the JDA announced last week that a top official from the Agency's Intelligence Division will go to Peking late this month. On the broader rearmament issue, leading JDA officials such as Defense Bureau chief Keiichi Ito, have argued recently that Japan's postwar "peace" constitution allows for "strictly defensive" nuclear weapons.

The success of the Schlesinger line in Japan is by no means assured, however. The vast majority of Japan's business community opposes any attempt to place Japan in a position antagonistic to the USSR. Moreover, Japan's domestic sensitivity concerning defense issues places huge roadblocks before any rearmament efforts.

Japan's business policy was made clear by Toshio Doko, the head of the country's big-business federation, at a Tokyo press conference after Doko had just signed a

\$20 billion eight year trade agreement with China. Doko emphasized that Japan's deals with China should in no way interfere with Japan-Soviet economic relations. Doko's statement should put to rest the widespread interpretations of the China-Japan trade deal as the major step of a "tilt" toward China and away from Japan's traditional policy of "equidistance" between its big neighbors. The trade deal with China — and there are plans to expand its terms in 1981 — is a big boost for Japan's ailing economy. However, any "tilt" toward China would quickly close the door to economic deals with the Soviet Union potentially far bigger than that concluded with China — and business will not tolerate a closing of that door.

The government of Prime Minister Takeo Fukuda, is also moving to put the lid on the warhawks inside the JDA. The government recently forced Defense Bureau chief Ito to retract his "pronuclear bomb" statement. The government is also opposed to the withdrawal of U.S. troops from South Korea precisely to avoid pressure for a Japanese military buildup.

The Soviet Response

The combined effect of the recent moves by the Fukuda government toward signing a long-stalled "friendship" treaty with Peking, the military exchanges between Japan and China, and the Japan-China trade deal have raised grave fears in Moscow, and the Soviets have begun to counterattack.

In a dramatic attempt to publicize its commitment to good relations with Japan, the Soviet Union published on Feb. 23 in *Izvestia* an until-now secret working document for a Japan-Soviet Friendship and Cooperation Treaty. Japan has continuously rejected the Soviet treaty offer, insisting instead that an ongoing territorial dispute between the two countries must be resolved as part of a full peace treaty formally ending World War II.

The Soviets hoped that a preliminary "cooperation" treaty, which shelve the territorial dispute (the Soviets insist the dispute is "groundless," and does not even exist) and puts down on paper the areas in which the countries do agree, would balance the political effect of Japan signing a treaty with China, and help maintain good relations between the two countries.

It is widely thought in informed circles that the Soviet decision to publish the secret draft treaty, a move which angered Japanese government officials, was made only after Soviet officials concluded a roadblock had been reached in efforts to promote the treaty with the Fukuda government. The publication was designed as an appeal to business and political circles in Japan that favor closer relations with the Soviet Union.

Observers have noted, however, that the Soviet attempts to negotiate a preliminary treaty with Japan were bound to fail because of the Soviet "hard-line" negotiating position on the territorial dispute. CPD circles have often gleefully claimed that one of the keys to their strategy in Asia is the "unskillful" way the Soviets handle Japan.

Prior to the publication of the secret draft, the Soviets made a last-minute attempt to end the deadlock in treaty negotiations with Japan. Soviet Ambassador in Tokyo Polyanski last week requested a meeting with Prime Minister Takeo Fukuda to deliver a personal letter from Soviet President Brezhnev. The letter, according to Japanese press reports, urged Japan to sign the preliminary cooperation treaty. Fukuda dispatched Chief Cabinet Secretary S. Abe to meet with Polyanski, and the Japanese press widely reported that a "heated argument" took place between two officials in a downtown Tokyo restaurant, with Abe, restating the Japanese position that a resolution of the territorial dispute is the top priority between the two countries.

The Soviets have also issued a fresh warning to Japan against signing any treaty with China that contains the infamous anti-Soviet "antihegemony" clause. This clause, which Japan has tried to water down into a statement of "international principles," has been the stumbling block preventing Japan from signing the treaty with China. The February issue of the Soviet journal *New Times* stated: "The inclusion in the treaty of an 'antihegemony' clause would draw Japan into the channel of Peking's hostile policy toward the Soviet Union . . . In whatever form, even the most abstract, the 'hegemony clause' is worded, the substance and tenor of the Sino-Japanese treaty will not change."

—Kevin Coogan

Indira Gandhi Winner, Congress Party Loser In India's State Elections

The Congress Party, the party that governed India without interruption for 30 years up to March 1976 lies in total shambles after last week's state elections enabled

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former Prime Minister Indira Gandhi to make a full political comeback. As head of a splittoff of the Congress Party (appropriately named Congress-I, I for Indira),

Gandhi's round-the-clock electioneering, particularly in southern India, produced resounding victories for candidates backed by her in the Feb. 25 elections, reestablishing her as India's top political campaigner.

The verdict in Gandhi's favor has thrown all other parties, including the ruling Janata Party, onto the defensive. Political opportunism and expediency have become the name of the game in New Delhi, and the prospect of returning to Mrs. Gandhi's fold has become an enticing one for many fence-sitting legislators. The result now is that all parties have extended their

membership deadlines and the national parliamentary process is rapidly shifting in Gandhi's favor.

While Gandhi herself did not contest any seat, she has regained stature and recognition in such a way that a variety of electoral options are open to her. But her victory is dimmed by the greater crisis that it has produced. On the one hand, Gandhi's campaigning demonstrated strongly that the ruling Janata Party's mish-mash economical and political programs are not viable. For this she is now the recognized champion.

But in place of the Janata platform, Mrs. Gandhi has offered little in substance. Her mass appeal as a champion of the "poor" and her populist and demagogic appeals to the population will not suffice to fill the vacuum. The net effect is to leave a yawning political void in Indian politics and to advance the conditions of instability, and chaos across the country. The inability of the Janata party ruled central government to effectively extend its authority over the state government is obvious. Those within the government party who have been calling for a tougher "law and order" approach to the country's problems are in fact strengthened by Mrs. Gandhi's reemergence as a national leader.

Mrs. Gandhi's victory can be measured in other terms. The potentiality of the formation of a cross-party alliance of forces around the program of a unified India committed to large-scale economic growth of industrial production and modernization of the agricultural sector, a step up from the Nehru policy along those lines of the 1950s and early 1960s, is now stalled. The attempt of the Janata government, particularly through the efforts of Home Minister and self-styled economist Charan Singh and Industries Minister and "socialist" George Fernandes, to impose the World Bank policy of ruralism and "small is beautiful" cottage industry has created tremendous uproar. Leading political figures from all parties, including Janata President Chandrashakar, Petroleum Minister Bahuguna, former Congress cabinet ministers K.R. Ganesh and Ragnatha Reddy, top civil servants, state leaders, forces around the Prime Minister himself, and even top Communist leaders have expressed their opposition to these policies. Many observers of the Indian political scene have been watching for some kind of realignment of these forces, particularly involving the Congress and Janata parties, that might create a clearer, more programmatically defined lineup of political forces in the country.

Mrs. Gandhi for her part has now succeeded in making herself, and her personality, not her policies (which are completely unclear), the issue over which a national political realignment will take place. Her election victories underscored the complete inability of the regular Congress leadership, including parliamentary leader Y.B. Chavan and Congress President Brahamandra Reddy, to project any kind of dynamic image and clear policy alternative to the populace. As a close analysis of the election results in several major states will show, Mrs. Gandhi was able to accomplish her goal of projecting herself as the "real" Congress while the Janata Party showed itself to be unable to capitalize on the divided state of its opposition.

Election Roundup

As the accompanying chart shows, the Congress-I took

	TOTAL SEATS	JANATA	CONGRESS-I	CONGRESS	CPM	CPI	OTHERS	IND.
KARNATAKA	224	59	149	2		3	11	
MAHARASTRA	288	100	62	69	9	1	34	13
ANDHRA PRADESH	294	60	175	30	8	6	●	15
ASSAM*	126	48	8	23	11	6		19
MEGHALAYA*	60			20				34
ARUNACHAL*	30	7						9

*Returns still incomplete

two major southern states, Andhra Pradesh and Karnataka. In Maharashtra, a highly industrialized state, the plurality went to the Janata Party but not sufficiently to provide any stable state government. Here, the Congress-I came in a surprisingly strong third, demonstrating that Gandhi's hold is more than a mere southern constituency. In the contested northeastern states of Assam, Arunachal Pradesh, Meghalaya, regionalist parties scored the best, reflecting the tribal propensities of this area. Out of 80 million voters, nationally, over 75 percent went to the polls. As contrasted with the major three contenders — Janata, Congress, and Congress-I — both Communist Parties did poorly, despite the CPM's hope that it could capitalize on its control over the West Bengal state government to expand its regional base. It is expected that major reorganization will take place within the communist movement, particularly on questions of coalition and electoral alignments.

Southern States

The southern states provided the real test of Gandhi's popularity. In Karnataka, Gandhi's Congress victory is largely the doing of former Chief Minister Devraj Urs. Urs chose to leave the Congress and go with Mrs. Gandhi's side for largely inner party factional reasons. However, reliable analysts have pointed out that Urs, even if he had formed his own independent party the results would have favored him singlehandedly. The reason for this is economic policy. Devraj Urs, for the years he ran the state, embarked on a major assault on the upper castes and took up the cause of the Indian lower caste majorities by forcing land redistributions, minority rights, and other measures to improve the condition of the villages. He took on the problem of village money-lenders. It was Urs's mass base which Gandhi happened to cash in on. The most interesting feature of the vote returns is that actual personalities and politicians were voted for. The returns in Karnataka for the Congress and Congress-I were also much smaller than in the 1971 elections. In fact Congress vote returns have been steadily declining over the last decade, demonstrating that in the mind of the voter, the Congress Party has failed ultimately to respond to their needs.

The Andhra Pradesh returns demonstrate this even more starkly. Andhra has the most coherent Congress machine: even during the March 1976 electoral rout of the Congress in north India, Andhra voters gave the Congress almost 100 percent of the lower house seats.

This time, at the state level, one experienced observer pointed out that they voted for "Indirama" (Mother Inqira), because she is identified by the landless and untouchable laborer with their hopes for future improvement. The recent Janata government statements that it will impose a northern language over the nation if at all possible; the recent atrocities against harijans (untouchables) in Gandhi's home state of Uttar Pradesh and her upholding their rights, all helped her. In contrast to this, Congress President Brahmananda Reddy made his biggest blunder aligning with the Reddy caste landlords, virtually handing the election to Mrs. Gandhi and destroying the credibility of his party in the state. In fact, Gandhi became identified with the image of the Congress freedom struggle, while Reddy was run out of town. Interestingly, in neither Karnataka nor Andhra did the ruling Janata Party make any inroads, thus proving itself to have no base in south India. This is a real credibility gap for its national image.

The Maharashtra Model

The best reflection of the tremendous schisms and the possibilities for new realignments is evident in the Maharashtra returns. The Janata got a plurality because it is the ruling party; but more significantly Congress-I did strongly, showing that at the back of the mind of the Congress machine there, the desire for unity of both Congresses is not out of the question. In fact, many observers have pointed out that, in Maharashtra as in the other states, had the two run on one platform of unity, they would undoubtedly have swept the elections. The election results mean that some form of coalition has to emerge. The governor of the state has called on the Janata to form a coalition; if it forms a government it will be collapsible at any moment. The other possible alternative is a Congress coalition, but under this lies the more important question of what type of alliance this will involve.

The Congress Question

The Maharashtra situation will ultimately determine the major issue on the political agenda: whither Congress? The elections have shattered the Congress as an institution; now the party must deliberate on how it will reorganize. On Jan. 1, Gandhi, after a prolonged inner party factional struggle with other party leaders, formed her party, gave it the same name, and launched a full force campaign to prove herself the "real" Congress. In part the elections proved her point but left unanswered the bigger question: will the Congress run as the retinue of "personalities"? Or will the organization have an institutional-programmatic base? Since the election, Mrs. Gandhi has made clear that she wants the Congress fully under her control. Urs and others have attempted to moderate her stand, pointing out that should her position prevent the unity moves in Maharashtra, she will be viewed as a wrecker. Urs and other elders realize that one Congress is essential for any reorganization. Another

possible alternative has been formulated by former Petroleum Minister K.D. Malaviya. Malaviya has called for an All India Congress Committee convention, to elect a new president and reunite the parties.

Efforts to bring coherence out of the chaos are also seen in current moves inside the Congress Party. Brahmananda Reddy resigned as party president in the post election crisis and former Foreign Minister Swaran Singh has been appointed temporary president. Singh and the Congress Working Committee (CWC) have released a resolution "urging partymen against being hustled into taking any hasty and opportunistic decisions in this moment of crisis." Meanwhile, the party leadership is negotiating with the Congress-I on the Maharashtra situation. An agreement there will have national implications.

Indira Gandhi

Gandhi's own intentions will play a large part in the resolution of the crisis. So far she has been secretive, with only hints of future plans during her post-election press conference. Aware that the Congress-I performance has thrown water on months-long watergate-style investigations of her emergency government, she is responding to the sway of public opinion in her favor. She has made strong accusations, that the government is out to destroy her public image as a recognized "national leader." However, she has refuted rumors that she will seek an electoral office now, indicating instead that she will organize national agitation campaigns on economic issues. When one journalist asked her whether her son, Sanjay, the man who used his mother's office to promote forced sterilization during the emergency period, would now come back, she said, "He is old enough to make his own statements." This is a small effort by her to distance herself from the "caucus" — the World Bank backed clique that ran her government during the emergency. But many feel this is not yet enough to remove deep suspicions that these forces still have a major say in Gandhi's actual actions.

What Next for the Janata?

The Janata Party is currently in equal disarray. This is partly because most of the party's leaders realize that Gandhi, even at 60, can outwait most of them and has greater stature as a national leader than any of them. But it is as well a reflection that she has so capitalized on their failures that now each faction is pushing for a "reorganization" to clean out their opponents by either "Gandhi-baiting" or by feeding fears of her comeback. Home Minister Charan Singh is a major figure in this factional struggle and many believe he is behind the push to remove Chandrashekar as Janata Party president. Any moves to wrest the party presidency from Chandrashekar will unleash within the Janata a crisis only parallel to the current situation in the Congress's ranks.

— Leela Narayan

The Panama Canal Debates:

Approaching Kissinger's Second Vietnam

The first showdown in the U.S. Senate over the proposed Panama Canal treaties is now scheduled for March 16, when the Senate will vote on the treaty guaranteeing the neutrality of the Canal after Panama assumes full control in the year 2,000. According to anti-treaty sources close to the Buckley family, which has helped lead the British-infiltrated Fabian wing of America's

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"conservatives" in over three weeks of filibuster and stall tactics, the vote will be 34 against the treaty — exactly the number required to block passage.

The same sources are predicting that Senate rejection means, "Bye, bye, Torrijos" — that is, the overthrow of Panamanian head of state, General Omar Torrijos, shortly thereafter.

Those same sources might as well add: "Bye, bye, Carter; Hello, Mondale and another bloody Vietnam," for that may well ensue from a treaty rejection and Torrijos's overthrow.

Executive Intelligence Review has previously documented (Vol. IV, #32) that the Panama Canal treaty negotiations were *designed* by British-linked policy planning networks in the U.S., most notably those tied to Henry Kissinger, to lead to precisely the explosive situation now facing the United States. The most explicit statement of this "Second Vietnam" strategy was contained in the "print-out" put together during 1976 by two of Kissinger's top protégés, Roger Fontaine and James Theberge, and published in the Commission on Critical Choices Report for Americans on Latin America in early 1977. Briefly, the Panama Canal negotiations, as a British strategy, have three objectives:

Second Vietnam: The deliberate provocation of a nationalist "jacquerie" in Panama, including probable guerrilla warfare and possible sabotage of the Canal, which will require U.S. military intervention. The appropriate nationalist climate for the activation of agent provocateurs in Panama is to be created either through rejection of the treaties by the U.S., or as a backlash to heavy-handed "Ugly American" actions during the negotiations themselves. Kissinger has repeatedly stressed throughout the year his own determination to commit "all the troops" necessary in the event of such nationalist chaos. Estimates of the minimum American troops required under those circumstances to defend the canal are put at 100,000.

Confrontation with Cuba: U.S. military intervention into Panama is almost certain to bring the U.S. into face-to-face confrontation with Cuba, thus turning Panama into another pawn in the global confrontation strategy

with the Warsaw Pact now sought in numerous arenas by the British faction within the U.S. headed up by Brzezinski and Kissinger. A showdown in Panama is also seen as a means to destroy Cuban influence in the Caribbean, a pet obsession of Brzezinski.

Dump Carter, Install Mondale: Recent press coverage of the canal negotiations has stressed that Carter's presidency is now at stake with the treaties. According to the London press, Senate rejection will signal to the world that Carter does not "speak for the American people," nor has the authority at home to provide leadership. Undermined at home, the argument goes, President Carter will be too weak to sustain U.S. strength in the Mideast negotiations, or face the Soviets at SALT — setting the preconditions for Carter to be forced to step down. Lawrence Marks, in an article in the *Sunday Observer*, bluntly stated that "failure to ratify will irreparably damage the President at home and abroad...the penalties of failure for U.S. stature and influence in the world could be savage..."

At the same time, the threat of "public degradation" is being used to extract from the beleaguered White House a commitment to Brzezinski's confrontationist posture in other areas. Kissinger-conduit William Safire delivered a blunt ultimatum in the *New York Times* March 6: "I would not want the world to know that a U.S. president, even a not very competent one, does not speak for the U.S. in foreign affairs." The condition for Senate support, however, must be "specific assurances that any SALT treaty would ensure veritable security, that the Senate's lawful right to approve arms sales would not be subverted by a doctrine of executive package deals, and the Cuban mercenaries in Africa no longer considered a 'stabilizing force' by the ideologue who misrepresents us at the United Nations."

With cliff-hanger estimations of Senate support for the treaties down to the wire, Safire's "offer" may be one the White House cannot refuse.

Making the Canal an Issue

President Carter was saddled with the Panama Canal treaties before his Administration took office through the recommendations of the two planning bodies putting together his Latin American policy: the neo-Fabian Institute for Policy Studies, and the so-called Linowitz Commission, headed by Sol Linowitz, the man who personally headed the U.S. negotiating team. Both set the resolution of the canal issue as the first necessary step for improving relations with Latin America. At the same time, both bodies stressed "human rights" as a topic to replace discussion of trade, debt and development! The malleable Carter was sold the idea with the promise of a place in history as the president who "ended U.S. colonialism."

The grandiose style in which the negotiations were

announced was the initial step in sabotaging a possibility of negotiating the necessary peaceful transition of the canal to Panamanian control. The fanfare around the treaties triggered the predictable emotional responses in Panama and the U.S., thereby eliminating a climate conducive to flexible negotiations.

The next step was to build the Panama Canal into a major national issue in the United States. To that effect, the major British-linked press outlets in the U.S., led by the *Washington Post*, have conducted a psychological warfare campaign to present the Canal as the last line of defense of America's receding power — a line calculated to goad the conservatives' typical loser's mentality. On Feb. 12, the *Washington Post* ran a long feature article by Harvard University Professor William Schneider entitled "Behind the Passions of the Canal Debate," which essentially catalogued the deliberate linguistical manipulation of the U.S. population carried out by press and pollsters over the past year on the canal issue.

Schneider quoted one Dr. Robert Dorn, a professor of psychiatry at Eastern Virginia Medical School: "Any political talk that implies that we are giving away something which is currently viewed in fantasy as part of ourselves, or possibly being 'robbed' of something which is a part of us, certainly stirs up a response. *If such key words as 'ours,' 'giving away,' and 'robbed' don't work*, there is always the back-up idea of others wresting away control of this 'essential link' that keeps our 'country intact.' The fragmentation of our nation is, indeed, a frightening fantasy" (emphasis added).

The much-touted poll results on the Canal treaties were the result of such linguistical manipulation, Schneider points out. He demonstrated in particular how the "vast shift" in public opinion in favor of the Canal reported after several national polls taken in January was a direct result of the questions asked in the polls themselves — not a shift in attitudes. The polls of NBC, Associated Press, and Opinion Research Corporation of Princeton, New Jersey in September and October 1977 had all asked vaguely worded questions along these lines: "The new treaty between the United States and Panama calls for the U.S. to turn over the canal to Panama at the end of this century..." Such questions produced the majority response opposing the treaties. Subsequent polls all added such clauses as: the U.S. "would retain the right to defend the canal against a third nation" or "with the U.S. retaining military defense rights." Lo and behold, "public opinion" shifted to support!

The networks of Richard Viguerie and associates did the rest. Viguerie, close to British networks in the conservative movement like the Buckleys, used his role as the principal fundraiser for the conservatives to portray the Canal as the best possible "gate-receipts" tactic of Republicans and Conservatives. The mentality which Viguerie fostered was epitomized by Utah Senator Laxalt, who early in the year called the canal issue "the hottest thing to come down the pike since gun-control in the Sunbelt states." With Viguerie ensuring that every conservative received a mammoth supply of anti-treaty postcards, the Canal was turned into an issue of political survival for conservatives — and to hell with U.S. interests.

The real irony, however, in the success of the mass

psychological campaign behind the buildup of the issue is captured in the pathetic remark of Lawrence Marks in the *Observer*. The psychological profile on which intensely patriotic Americans in the conservative movement have been manipulated is a straightforward projection of British rage at the loss of the Empire!

Dangerous Senatorial Antics

Once hooked, conservative opposition in the Senate has played faithfully into the Kissinger Second Vietnam strategy, adopting tactics which will provoke maximum reaction within Panama. One such tactic has been to force through amendments to the treaties as negotiated, which serve, as one aide to Senator Baker put it, as a "killer amendment." Nearly every amendment proposed has been an elaboration of Kissinger's doctrine of "limited sovereignty" for Panama, including the granting of perpetual rights to the U.S. to station troops in Panama as the U.S. unilaterally decides, and a call for the removal of the clause prohibiting U.S. intervention in the internal affairs of Panama — completely unacceptable to any government in Panama! Such antics ensure that, even if the treaties pass the U.S., the attached amendments will require a second national plebiscite in Panama (the treaties as negotiated were overwhelmingly passed in an Oct. 23 plebiscite) which, all estimates indicate, will lead to rejection.

The second prominent tactic has been to personally smear Torrijos with unproven charges of drug-running, portraying the present Panamanian government as unfit to guarantee the treaties. Led by Senator Robert Dole of Kansas, the Senate held two farcical days of "secret session" early in February to hear testimony by the Senate Intelligence Committee on the supposed involvement of high Panamanian officials, including Torrijos' brother Moises, in drug-running.

Spokesmen for the U.S. Drug Enforcement Administration stated before the Senate entered closed session that no reliable evidence exists against any Panamanian official. Even vociferous treaty opponents such as Sen. Jesse Helms admitted afterwards that the only evidence presented in the secret session had already been published in the U.S. press!

For its part, the Panamanian government angrily charged Feb. 24 that the "evidence" for the drug scandal is based on the testimony of Col. Amado Sanjur, a fascist military officer who led an abortive coup against Torrijos in 1969. Several Panamanian citizens arrested for drug offenses in U.S. territories also charged that the U.S. Drug Enforcement Administration pressured them while they were in U.S. prisons to falsely implicate the Torrijos family in drug-running, according to Panamanian press accounts published Feb. 25. Col. Manuel Noriega, the head of Intelligence of Panama's National Guard, has previously stated that the majority of drug traffic passes through the Canal Zone — under U.S. jurisdiction and where Panamanian officials are not allowed to operate!

Undaunted, the British-run U.S. press went right ahead with the "scandal." The *Washington Post* ran a front page lead story Feb. 22 headlining that Torrijos personally had turned a blind eye to the drug networks, and claiming in the same article that relations between the

U.S. and Panama may already have been strained by the Senate's actions. The *Post* ran a second article that day selecting out columns from progovernment papers in Panama as a demonstration that the Panamanian government was close to cutting off negotiations.

Jacquerie of "Mexican System"

Conservatives in the Congress have been convinced that the treaty debate should be used to bring down Torrijos — with his alleged ties to Fidel Castro and "communism" — and replace him with a democratic government "more compatible" to U.S. interests. These legislators have not yet caught on that, according to the Commission on Critical Choices report, Torrijos' ouster is itself the desired *trigger* for a new Vietnam and a new round of confrontations: the downfall of the current Panamanian government will inevitably lead to disruptions ranging from "low-level violence to guerrilla warfare" (in the words of the report) that would justify U.S. military intervention.

Although the Torrijos government is a mixture of monetarist World Bank-tied agents and popular-based pro-development forces, it is the only present basis for a stable government in Panama. In fact, factions within the government are discussing the formation of a "party of government" along the lines of the Mexican PRI as the next step in consolidating a secure modern republic. The organizing for a "Mexican system" government was explicitly launched in October with the founding of a "Broad Front of Lawyers," to strengthen the pro-development faction within the government, a front expanded into a broad front of professionals at last week's Founding Congress. The purpose of the lawyers' faction, as demonstrated in their first organizing statement, is to "contribute to a better orientation of our citizens regarding the tasks undertaken by the national liberation process," through a program of industrialization and economic development as the next major task of government in Panama.

The Panamanian Communist Party supported moves in this direction two weeks ago with a call for a labor-industry alliance on behalf of national interests, according to an *EFE* wire of Feb. 22. In an article in *Unidad*, their newspaper, the Communist Party explained that there "exists a common denominator between the businessman and worker," and only by mutual support can labor and business ensure the healthy activity of their enterprises. The Communist Party has consistently played a critical role in moderating student and worker anti-Americanism, organizing support for the Torrijos government and its efforts to negotiate a peaceful transition of control over the canal. The Communist Party, working closely with the Professionals Front, has also served as the primary voice for economic development of the country.

U.S. conservatives, however, in their blind opposition to "communism" are openly coordinating with Torrijos's "opposition," a potpourri of the old Panamanian oligarchy, and the Maoist and ultraleft agents of the Institute for Policy Studies in Panama!

Five of the principal "opposition" groups, including both "left" and "right," met in Florida Feb. 12 to coordinate their strategy against the treaties and set up

formal collaboration towards the formation of a broad "civilista front" whose only unity is a demand for a return to "pluralist democracy." Spokesmen for the group told reporters that the intent of the meeting was to gain U.S. support for an alternative to the Torrijos government.

The chairman of the meeting was Arnulfo Arias, the Panamanian politician known to be closely working with Ronald Reagan. Arias, the pro-Nazi head of the oligarchic Panamenista Party whose crazy nationalism led to the failure of his three previous attempts at Presidency, has been coordinating opposition with the Maoist terrorists since the 1969 Torrijos coup. Besides the Panamenista Party, representatives of the Christian Democratic Party, the terrorist Social Democratic Party, the non-existent Republican Party and the newly formed "leftwing," IPS-run "Independent Movement for Democracy" attended. At the meeting, Arias called for a moment of silence for three Panamanian "national martyrs," including an open terrorist!

The opposition groups have further made clear they will not negotiate a stable treaty with the U.S. The final declaration from the Florida meeting stated that *any* amendment, modification, or even clarification of the treaties must be subjected to a second plebiscite in Panama. Kissinger-linked networks have been widely proclaiming that this will be the kiss of death for the Torrijos government. The final document further threatened that if Torrijos did not accede to demands for a return to "formal democracy" in Panama, "violence and destruction" might be unavoidable. A spokesman for the five parties who had met in Florida told a reporter following the meeting that their plans already include the repudiation of *any* treaty signed by Torrijos if they come to power — in order to demand even more radical concessions from the U.S.

—Gretchen Small

Kissinger's Panama Scenario

Kissinger protégés Roger Fontaine and James Theberge, for the Commission on Critical Choices for Americans, lay out the following scenarios for Panama in the Commission's 1977 volume, Latin America: Struggle for Progress. (Lexington Books, D.C. Heath and Company, Lexington, Mass.)

The Panama Canal could well be this country's most intractable problem in Latin America ... a ratified treaty may not end the matter while security questions may go unanswered....

...the following scenarios are offered as the most likely. In the first, the Senate would ratify in 1977 a treaty that returns the Canal and the Canal Zone to Panama after a fixed period of continued U.S. management and defense....

The more likely chain of events, however, would begin with the Senate rejection of the treaty. The first likely consequence will be the overthrow of Torrijos, who has risked his prestige on getting a favorable treaty. This would not damage American interests.... Predictions of

what would happen next have varied from low level violence to guerrilla warfare....

The worst possible outcome would be a prolonged campaign of terrorism and outright guerrilla warfare. In such a case, U.S. military forces would be employed to protect the Canal as well as American lives and property. But the effectiveness of our counterinsurgency would be limited because of the sanctuary that Panama proper would offer to the guerrillas.

...no group (in Panama) is now capable of conducting such a campaign. If it were to do so in the near future it would require outside help. That help could only come from Castro's Cuba. In such a case, the United States should certainly take measures to protect itself from outside intervention....

...without foreign or official Panamanian support, guerrilla warfare would not resemble Vietnam's but the urban terrorism that once flourished in countries like Brazil and Uruguay. Robberies, kidnappings, bombings, and assaults on police and civilian functionaries in the Zone and Panama proper may well occur.... U.S. military and police units would find it tempting to chase terrorist groups into Panamanian territory, thus provoking nationalist outcries in Panama.

"Panama, The Great Divider"

Sunday Observer (London), by Laurence Marks, Feb. 12:

...Fifty-five per cent of Americans are opposed to giving up the canal. Some Senators' daily post — it's the biggest mail producer since Watergate — is running 40-1 against. Yet failure to ratify will irreparably damage the President at home and abroad.... But like other 'great debates,' it touches depths of emotion that do not respond to argument....

It is about how America should relate to a world that seems recently to have become unmanageable. It is also about whether Americans should feel ashamed of their past. It is about feelings of powerlessness and self-respect — with all their potential for violent reaction.

The canal is not an issue of global importance. Changes in patterns of trade and military technology have reduced its value. But it is seen as a symbol of retreat and vulnerability.

The tone of the popular debate reminds one less of the bitterness of Suez than of that curious episode a few years ago in which an undistinguished BBC-TV series on the Empire revealed uncharted layers of quiet, stubborn resentment at the suggestion that British colonialism had been shameful....

Mr. Carter has mounted an intensive exercise in persuasion — a trial run for the far more critical debate over arms limitation with the Russians....

All this exposes Mr. Carter to enormous political risk.

Having boldly staked his leadership on Panama instead of shelving the issue as did both Nixon and Ford, the penalties for failure for U.S. stature and influence in the world could be savage.

Defeat would encourage the impression that the

President no longer speaks for America and that an unpredictable Congress is now the arbiter of foreign policy.

It would alter Soviet calculations in its bargaining over arms limitation at Geneva, would probably increase the chances of Senate rejection of a SALT treaty and would cause the Middle East nations to feel anxious about the U.S. role as a guarantor of any peace agreement.

"Behind the Passions of the Canal Debate"

Washington Post, by William Schneider (Associate Professor of Government, Harvard University), Feb. 12:

Last year Senate Majority Leader Robert C. Byrd of West Virginia declared that the Panama Canal treaties negotiated by the Carter Administration were doomed unless public opinion shifted decisively. He, like most others, thought voters overwhelmingly opposed the treaties. Several polls, after all, had indicated that opposition was running as high as 10 to 1.

Then earlier this year, prospects suddenly changed. The treaties appeared to have a chance. A Gallup Poll taken in early January found for the first time that more Americans supported the treaties than opposed them. A vast switch in attitudes appeared to have taken place.

No such thing.... The fact is that American opinion had never been as massively against the treaties as thought.... Why, then, the sharply different public, press, and political perceptions? It should come as no great surprise to anyone by now that answers to polls depend on the questions asked....

A look at all the questions asked over the past year reveals that "control" of the canal has long been the key issue to the American public. Any question which specifies that the U.S. will hand over control of the canal to Panama elicits a strongly negative public reaction — unless the meaning of "control" is further qualified.

Oligarchy versus Nation-Builders

Compare the ennui of the "oligarchy" with the dedicated nation-building focus of the founding statement of the Lawyers Broad Front. Ironically, it is the former with whom U.S. conservatives are working, out of fear of the "communism" of the latter! First, excerpts from "Waiting for the Treaties — Tropical Malaise and Endless Mañanas", by Sally Quinn, published in the Washington Post, March 5:

The "oligarchy" of Panama is, in fact, no longer the small despotic group of very rich people who control the country — because they don't. But they still refer to themselves as the "oligarchy" because they do have the money and, in Panama, money is still power. So, since their leader, elected President Arnulfo Arias, was deposed in a bloodless coup by Omar Torrijos, they have been allowed to live the same way....

One gets the feeling that Torrijos could be overthrown at any moment — if only someone would think of it. But nobody really hates him because they can't figure out

what he stands for. Besides, it's too much trouble.... "We wake up every morning hoping there was a coup the night before, said (one oligarch) "But, it's like waiting for Godot." ... She shrugs listlessly.

Still, there are those who say things will change. "After the treaties...."

The following is an excerpt from the "Punto de Partida column of Griselda Lopez, in Panama City's La Republica, Oct. 18, 1977, entitled "Lawyers Broad Front Outlines Objectives":

Following are the objectives of this broad nationalist front (of lawyers — ed.):

1. To bring together as many lawyers as possible into a permanent group to analyze and discuss domestic and international problems.

2. To disseminate the results of our analyses and thereby contribute to a better orientation of our citizens regarding the tasks undertaken by the national liberation process....

Minimum program of objectives with which other professional and social forces can identify:

1. The improvement of the agrarian reform, which implies:

A) A more vigorous implementation of the constitutional principle which assigns a social function to the land so that large idle estates can be used by the agrarian reform, while at the same time protecting the integrity of large commercial production sectors whose yield falls below the national production average, provided they do not clash with national and social interests.

B) To expand state, social and mixed properties with

these lands and distribute these lands among the landless peasants.

C) To pursue a dynamic organization policy of small and medium independent producers and provide them with technical and financial assistance.

D) To implement agrarian jurisdiction by creating special courts.

2. Development of the national industry.

This includes:

A) The utilization of a portion of the overall economic surplus to establish new industries (mainly state, municipal and mixed) such as fertilizer, light machinery, farm implements and other industries.

B) The strengthening of existing private industry through strict protectionist measures and by granting loans at low interest rates.

3. Increasing participation of the state in the control of foreign trade.

4. Consolidation of relations with Third World countries by establishing embassies in countries of these areas.

5. Improving the educational reform.

Educational reform must be related to the tasks of agricultural and industrial development set forth in this program. Along these lines, we propose an integral education which, at the same time, includes the most advanced scientific and technological courses and implants the great values of universal culture in our people. The national meeting of lawyers feels that the elimination of problems of high social tension such as unemployment, poverty, open and hidden mendicity and illiteracy depend on the bold execution of this program of minimum objectives, some of whose aspects are already being implemented.

Kennedy's Criminal Code Reform Bill Threatens Constitution, Economy

The Labor Organizers Defense Fund testified before the House Judiciary Committee March 6 against the controversial Criminal Code Reform Act, a revamped version of the hated S-1 bill.

This new edition of the supposed reform of the U.S. criminal code sailed through the Senate last month and hearings are expected to last into the third week of March when the bill will be put to a vote in the House. Senator Ted Kennedy (D-Mass.), the sponsor of the bill, has kept it a carefully guarded secret as to just how much of the original S-1 legislation, which drew protest from a wide range of constitutional and citizen groups remains in the bill.

A nonprofit organization with both an educational and litigation function, the LODF has been involved in numerous cases defending the Constitution and the American system of scientific development and progress.

Portions of the Fund's March 6 testimony appear below.

This is the most important bill before Congress in many, many years — not simply because it would effect major changes in the system of criminal justice but because, in the guise of codification of existing laws, the bill makes a devastating attack on fundamental principles of American law.

Will Congress merely act as a rubber stamp for certain courts and their case law, and for executive branch commissions and their recommendations, or will it legislate policy to foster the growth and development of American citizens and the American economy?

This criminal code reform is designed for a zero growth, de-industrialized economy. It contains the mechanisms to insure that the American population — historically *and now* firmly committed to industrial progress, scientific development and individual advancement — will be held in line for policies antithetical to the American tradition. Every section of the population is subjected to the bill's impact. Perfectly law-abiding citizens will see their children's minds and lives destroyed by the drastic relaxation of marijuana laws — a model for the states. Corporations, labor organizations and political organizations will become the targets of continual harassment and prosecution. Criminals will be recycled through the jails for a continuing life of crime. This so-called reform codifies the very social and political policies which are at the root of the collapse of our economy and of American power and influence internationally — continuing Fabian attacks on science, progress, development and the creativity of the individual.

The provisions of this bill might be suitable if the United States were to return to its status as a part of the British colonial empire. If Congress proposes any other course for the future of our country, then this proposed Criminal Code Reform is simply a travesty of justice...

The Constitution established, as the particular responsibility of Congress, the encouragement and development of commerce and industry. The granting of corporate charters by the states was intended to further commercial and economic development also, by providing individual capitalists with some measure of protection from the risks of entrepreneurial ventures. The immunities granted by corporate charter have remained essentially inviolable until this time, under statute. Corporations were not considered capable of criminal acts, for such acts were outside the legitimate purpose of their charter. And only a fraudulent use of the corporate shield knowingly to carry out criminal activities was considered to confer responsibility on an individual. However, Chapter 4 of this bill on Complicity eliminates almost all the immunities of corporate charters, and establishes entirely new categories of prosecution, not for knowing criminal intent, but for *criminal negligence*. Such a standard is unknown in American law except in cases which directly threaten the lives of individuals.

Does Congress intend to strip corporations of their immunities? Does Congress intend to make private enterprise, already choked and fettered with innumerable regulations, subject to criminal penalties in the normal course of business? It is precisely the suffocation of production, and of scientific development that has so weakened the dollar. Certainly it is true that Naderites and environmentalists, within the Justice Department and without, have succeeded in establishing certain case law precedents which infringe on corporate immunities. Is Congress, the only *legitimate* legislative body, prepared to rubber stamp this attack on the American System?...

Congress cannot codify provisions such as Section 403 (b) Omission to Perform a Duty of an Organization, or Section 403 (c) Reckless Failure to Supervise the Conduct of an Organization, particularly when the offenses for which an executive could be charged as a *principal* extend even to violations of regulatory law. No corporate officer or organization head could be adequately compensated for running such personal risks.

The criminal code reform also incorporates, at least in the Senate version, economic warfare provisions which have far-reaching implications. Just recently a Louisiana firm, which builds oil-drilling rigs, was convicted for involvement with extortion and racketeering

activity. That same corporation is in the process of acquiring a large nuclear engineering firm. Under the "Racketeering" provisions of the criminal code reform, this normal acquisition process might very well be regarded as a violation of Section 1803 Washing Racketeering Proceeds because the Louisiana firm could be adjudged involved with "a pattern of racketeering activity" as defined in Section 1806 (e) . . .

Since the time when Robert Kennedy ran the Justice Department, with the extra-governmental assistance of Ralph Nader and his zero-growth followers, corporations have been subjected to unprecedented Watergate-style attack. Robert Kennedy developed the investigative techniques which are reflected in Senator Kennedy's bill, before you today. The history of the last ten years demonstrates the selectivity of their use, and their completely unconstitutional nature. These are political tools deployed against pro-development forces.

This bill is designed to codify the case law and precedent created by Kennedy victories and to eliminate any obstacles to their future success. It is in that context that the Witness Tampering (Section 1323), Perjury

(Section 1341) and False Statement (Section 1343) portions of the bill can be understood. Each one of these provisions is designed for the specific purpose of entrapping individuals and organizations in unknowing criminal violations of the law.

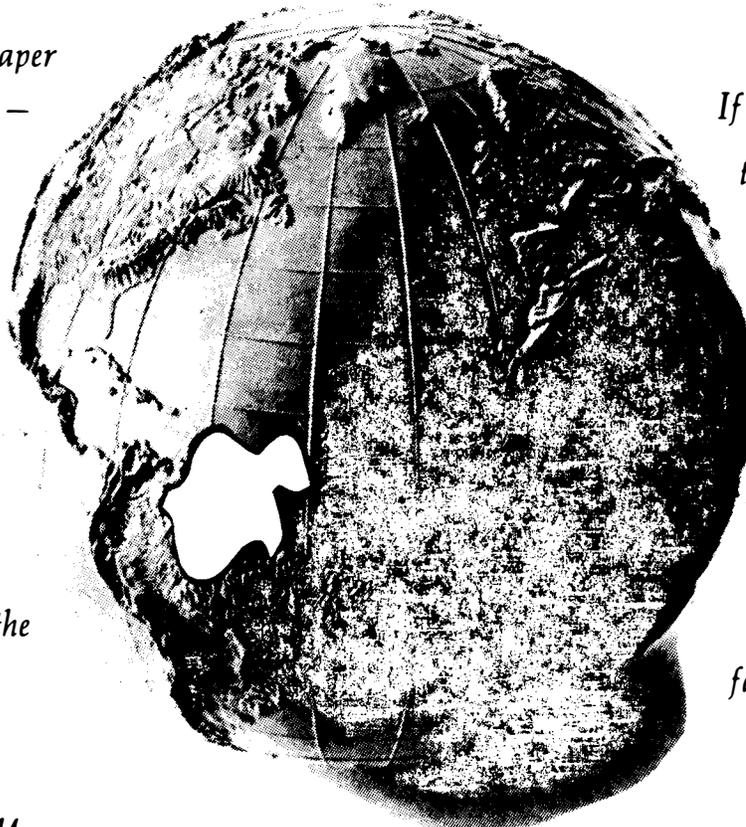
The bill, both conservatives and liberals claim, "just codifies existing law." To the extent that existing law is based on case precedents issued by British-influenced, Fabian and nominalist judges, this is true. To the extent that criminal law has been determined by the proposals of the evil Law Enforcement Assistance Administration (a Kennedy creation) such as the Omnibus Crime and Safe Streets Act of 1968, this is true. However, Congress is now in a position to be fully aware of the havoc created by Kennedy Justice methods. Under the Racketeering Influence and Corrupt Organization (RICO) provisions of the Safe Streets Act, they have waged extensive economic warfare against corporations, trade unions, and other organizations. Should Congress codify this "existing law?" Every section is totally counter to the intent and specific statement of the U.S. Constitution.

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