

# EXECUTIVE INTELLIGENCE REVIEW

December 19-25, 1978

The EMS bandwagon  
-plus the Brussels communique-

## Legalized dope?

The drug banks and the pot lobby want it —  
will the U.S. submit?



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# EXECUTIVE INTELLIGENCE REVIEW

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## Legalized dope?



They decriminalized marijuana in New York State in 1977. Since then, says a just-released state report, heavy pot-smoking among teenagers has shot up 300 percent, while use of harder drugs has also soared. Now the NORML pot lobbyists have come out and called for legalizing marijuana completely. What's next? Perhaps the proposal of one of NORML's top medical advisors, mass distribution of cocaine chewing gum?

In our SPECIAL REPORT, a team of researchers from our Counterintelligence, U.S., and Economics desks has put together a full briefing on who's pushing dope and who's fighting to stop them. Our coverage traces out who's behind the pot lobby, gives full details of the New York State report, and reveals how the megabuck drug financiers and their organized crime fronts are reacting to the threat of exposure.

Featured: from our Paris bureau, an exclusive interview with a leading medical expert on the effects of marijuana, Professor Gabriel Nahas. **page 8**

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### NUCLEAR OR GASOHOL?

In an exclusive interview in our THIRD WORLD section, the head of Brazil's state oil company Petrobras discusses his nation's energy plans for the future. And as an accompanying analysis by Latin America editor Dennis Small explains, that energy future is now being pursued in two, contradictory directions — advanced nuclear energy, and retrograde “biomass” schemes. Which way Brazil solves its energy dilemma will have dramatic effects on the whole hemisphere. **page 39**

### PARREN MITCHELL, VOTE FRAUD, AND BALTIMORE'S ZIONISTS

The reelection campaign of Baltimore Congressman Parren Mitchell, current head of the Congressional Black Caucus, was conducted through massive election fraud and intimidation of voters, charges his opponent, independent U.S. Labor Party-supported candidate Debra Hanania-Freeman, who is asking Congress to certify her as the representative from Maryland's 7th District. Reporter Renee Reniotis went to Baltimore to investigate. Her findings, featured in our U.S. REPORT, include long-standing allegations of election irregularities against Rep. Mitchell and a nexus of connections linking him to the underworld, racial and antiwar violence, and the judicial “watergating” machine run by newly elected Attorney General Stephen Sachs on behalf of the Baltimore Zionist establishment.

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**ALL ABOARD  
THE EMS BANDWAGON**

On Dec. 5 the new European Monetary System was formally inaugurated. Now Italy and, as we go to press, Ireland have signed on, leaving Britain the odd man out, and making the EMS a central political issue around the world. Our coverage of the story in INTERNATIONAL this issue leads off with a review by Contributing Editor Nancy Spannaus of the important political spin-offs of the EMS decision, backed up by reports on how the EMS is affecting the political scene in the Midwest, the U.S., and Japan. **page 21**

And in ECONOMICS, extensive excerpts from the Brussels communique founding the new system. Plus, the technical details of the new EMS arrangements are explained in depth — and with an eye to what they will mean over the next months for the fundamental issues of world economic policy. **page 29**

**COMING SOON**

- A full report on the 'China card' — and China's 'America card.'
- A different sort of bank robbery . . . when a bank steals money from its own customers. The U.S. Labor Party is charging that the Bank of Nova Scotia and several other banks have purloined thousands from its accounts — and their convincing evidence raises questions about how safe *your* money is.

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really negotiated at the July 1978 Bremen and Bonn summits of industrialized countries . . . and how the European Monetary System launched at Bremen was *modeled* on a 1975 proposal by the American political economist Lyndon H. LaRouche, Jr. as the "seed-crystal" of a new, development-oriented world monetary system . . . how the United States can get into this system and out of the depression . . .

## ... REPORTED HOW

fusion energy researchers in the United States achieved the milestone breakthroughs reported in August, 1978 from Princeton, and what other advances are coming in this clean, cheap and virtually unlimited solution to the world energy crisis . . . how and why there was a massive sabotage attempt against the U.S. fusion program, and who's backing fusion now . . . what were Japan's and the Soviet Union's offers in 1978 to the USA for joint fusion R&D.

## EXECUTIVE INTELLIGENCE REVIEW

October 17-23, 1978



## ... DOCUMENTED

what's behind the world outbreak of terrorism . . . the names of the global networks that deployed both "left" and "right" terrorism to kill Juergen Ponto, Hanns-Martin Schleyer, and Aldo Moro—and plan an even bigger terror wave for the United States . . . Executive Intelligence Review provides the first-hand documentation from the world's press, including accurate translations from non-English sources, showing how continental Europe, Japan, the East bloc, the Arabs and developing sector countries are seeing and acting on events.

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# Kennedy, Haig and the threat of war

When the Camp David accords were announced last fall the Anglophile U.S. press was unanimous in proclaiming the event as a stupendous political victory for President Carter that ensured his Democratic Party renomination and probable election victory in 1980.

Yet barely had the delegates arrived for the mid-term Democratic convention in Memphis last weekend when the *Washington Post*, *Christian Science Monitor* and Rupert Murdoch's Fleet Street USA operations all but announced that Sen. Ted Kennedy could have the Democratic nomination for the asking, and Kennedy himself delivered a demagogic tub-thumping attack on Carter Administration budget and economic policies in an open bid to become the party's top dog.

This publication, which had consistently forecast a Kennedy deployment against Carter when others including the White House, were characterizing Teddy as "the President's most loyal supporter in the Senate," was right and the skeptics were wrong.

No crystal-ball gazing was required at *EIR* to produce this scoop; it sufficed merely to identify the Kennedy machine, as we had, as the creature of the British Secret Intelligence Service networks operating in the United States to understand that when British international political-financial interests were gravely threatened, Kennedy and the Anglo-Zionist Lobby would be hurled against the U.S. President.

What happened between Camp David and the present moment was no dramatic shift in the domestic U.S. political climate, but the decision to stabilize the dollar and the official creation in early December of the new European Monetary System

despite the months-long efforts by the City of London to wreck it before it got off the ground. With these developments came the first signs of real approval from the Carter Administration for the Schmidt-Giscard war-avoidance economic development package, and prospects for the speedy conclusion of a SALT II agreement and thaw in U.S. relations with the Soviet Union.

Therefore the British acted using their remaining intact capabilities, among them Sen. Kennedy and his cohorts in the Zionist Lobby. While British SIS moved to manufacture as quickly as possible international crisis in the Middle East and Persian Gulf, a Kennedy drive for the Presidency was launched to split the Democratic Party. The Kennedy operation was facilitated by the Carter Administration itself, which foolishly handed the Kennedy forces their opening by adopting a "fiscal austerity" model for the 1980 domestic budget, while pledging real dollar defense increases for a major arms buildup for NATO.

Kennedy declared open season on Carter by taking aim at this "guns not butter" budget target. Without the slightest pretense of offering a viable economic alternative (other than slave labor jobs programs straight out of Hitler Finance Minister Hjalmar Schacht's old notebooks) Kennedy delivered a tirade which included a line-by-line attack on sections of the preliminary budget. This he prefaced by joking that "I am always addressing Democratic Party conferences but it's always the wrong year."

The Kennedy clique went wild over this unofficial announcement that Kennedy was at last shooting for the top spot, his subsequent modest disclaimers to the contrary.

"There could be few more divisive issues for America and for our party than a Democratic policy of drastic slashes in the Federal budget at the expense of the elderly, the poor, the black, the sick, the cities and the unemployed," Kennedy continued, while vigorously attacking defense spending as inflationary. But while Kennedy was posing as the "peace candidate," securing the support of 40 percent of the convention delegates against the White House budget resolution, numerous top Zionist Lobby operatives were describing to interviewers their alliance with "friend of Israel" Ted Kennedy in a situation in which, as one put it, "We need an international crisis now to stop SALT." Another flatly predicted the collapse of Camp David and a new Mideast war. (See below for text of these interviews.)

But other Zionist spokesmen made

## THE STUDY OF POLITICAL SEANCE

In the midst of a burst of oratory celebrating the Democratic Party's ability to "cut the budget with compassion," Vice-President Walter Mondale suddenly paused, perhaps remembering the days when the Humphrey-Hawkins slave labor jobs programs were not so out-of-fashion.

"And let's not forget that great American Hubert Humphrey," Mondale intoned. "This is the first Democratic Party convention Hubert Humphrey has missed since his death."

Perhaps Hubert's medium has lost the message.

it unmistakably clear that the littlest Kennedy was simply being used as a stalking horse to split the Democrats, opening the way for a more committed British lunatic wearing Republican Party livery who would not back away during a new Cuban crisis — NATO commander in chief General Alexander Haig was the preferred candidate cited.

In a press release issued Dec. 13, U.S. Labor Party chairman Lyndon H. LaRouche, Jr. revealed that "the proverbial boys in the back room have decided on the ... candidates for the 1980 elections. At this moment, Senator Edward Kennedy will secure the Democratic nomination and will lose to Republican nominee General Haig."

"General Haig's election would mean general thermonuclear war," LaRouche stated. "The danger with Haig is not that he is a military professional, but that this former Henry Kissinger officeboy is professionally unfit to command a squad on latrine duty. The fight between West German Defense Minister Hans Apel and NATO Secretary General Joseph Luns has been in large part a result of professional military strata's horror of Haig's lunatic quality of military-command incompetence."

LaRouche went on to identify Haig as "an agent of the British queen," picked up and trained by the same former Defense Department official Fritz Kraemer and related networks who manufacture and deploy Kissinger and James R. Schlesinger.

## Zionist lobby boasts 'We back Kennedy's war against Carter'

*In exclusive interviews made available to this Review last week, Zionist Lobby spokesmen explained how they plan to use Sen. Edward Kennedy's challenge to President Carter as an integral part of their geopolitical designs for new Mideast wars and a thermonuclear showdown with the Soviet Union. Excerpts follow.*

*An aide to REP. STEVE SOLARZ (D-N.Y.), member of the House International Relations Committee:*

Solarz has sent a letter to President Carter demanding that he support a multi-billion dollar Marshall Plan for the Middle East as part of the Camp David accords; 16 other members of the International Relations Committee have signed also. Frank Church (D-Idaho) is doing the same thing in the Senate. Carter is a cheap S.O.B. We're demanding a public commitment to a \$5 billion aid package in the first year, most of it for military aid to Israel . . . Carter and his crowd are real skinflints . . . it's that Georgia crowd. They've declared war on the left and they won't shell out for Israel either.

Well now Kennedy has declared war on Carter, and we're supporting

him. Kennedy is a great friend of Israel. Sen. Henry Jackson (D-Wash.) and Sen. Daniel Moynihan (D-N.Y.) would make great Presidents, but they can't win. But Kennedy can, and it's war — Carter's firing friends of Israel, friends of labor and the poor. We've got to back Kennedy to force Carter to shell out for Israel, which is the key to the defense of the free world against Communism. They have to get air bases and billions for the military or the Camp David deal is off. We trust Kennedy — he'll stand behind Israel.

*JAY LOVESTONE of the International Affairs Department of the International Ladies Garment Workers Union and a foreign affairs advisor to the AFL-CIO:*

The key to the international situation is Iran. Israel won't be able to get any oil if the Shah falls. Then we can't pull out of the Sinai, Camp David's off — then it's war.

The Communists are behind the trouble in Iran . . . It's part of a Soviet plot to get control of the Mideast and then the world. Grab one country at a time, that's how the Soviet Union operates. It's an old thing that goes back to the 1920s; its

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called Rapallo. It's an old Stalin trick.

France and West Germany, that's the 64 billion dollar question. We have the formulation to deal with that, but I can't tell you what it is, it's secret intelligence that I can't reveal...

Scoop Jackson won't be running for President in 1980, he's got no heart for it anymore. Moynihan's a great guy, but he can't run. But we've got an ace in the hole — (NATO Commander in Chief) Alexander Haig. He'll run as a Republican. Haig's a great hero because he forced Nixon to resign. The British and our people at NATO headquarters know that Haig can save the U.S. Kennedy's strategy is wrong, he's too soft on the Com-mies, but we won't attack Kennedy, he's doing Carter a lot of damage. . . .

**CARL GERSHMAN**, *executive director of Social Democrats USA:*

We are in a de facto alliance with Ted Kennedy . . . he's the only one fighting Carter. The trouble on the foreign policy front is that our forces are dormant. The danger is that SALT might get through . . . The only way we are going to beat SALT is by getting an international crisis. We need an international crisis *now*. If we get an international crisis over Iran now, then we stop SALT . . . If you want to know what's really going on in the Middle East, you gotta speak to Israeli intelligence . . . If we can't get a Democrat who's tough enough, it'll be Haig in 1980, though it'll be tough to sell a Republican to the labor movement.

**RICHARD PERL**, *aide to SEN. HENRY JACKSON:*

The Soviets have thousands of trained cadre in Iran . . . working with the religious groups . . . The Administration wants SALT so they won't talk about the Soviet actions in Iran . . . they're not sharing information on this with us. The Republicans are sleeping on this one. If Iran goes, then a Qaddafi regime comes in and goodbye Saudi Arabia . . . This can help us get an Israel-Egypt peace treaty . . .

## EIR's Quijano spreads the word to Texas

"What are you doing to take this message where it's needed, to other parts of the country?" was the lead question posed to *Executive Intelligence Review* Editor-in-Chief Fernando Quijano at the close of the Fusion Energy Foundation's Nov. 30 luncheon conference in Houston, Texas.

Quijano was the featured speaker at the event, which tied together recent huge Mexican oil finds with the prospects for fusion energy development and a world economic recovery based on Third World industrialization. He announced plans for a major national educational drive to bring the vital twin issues of the newly adopted European Monetary System and Mexican oil development and industrialization programs to American business and political leaders.

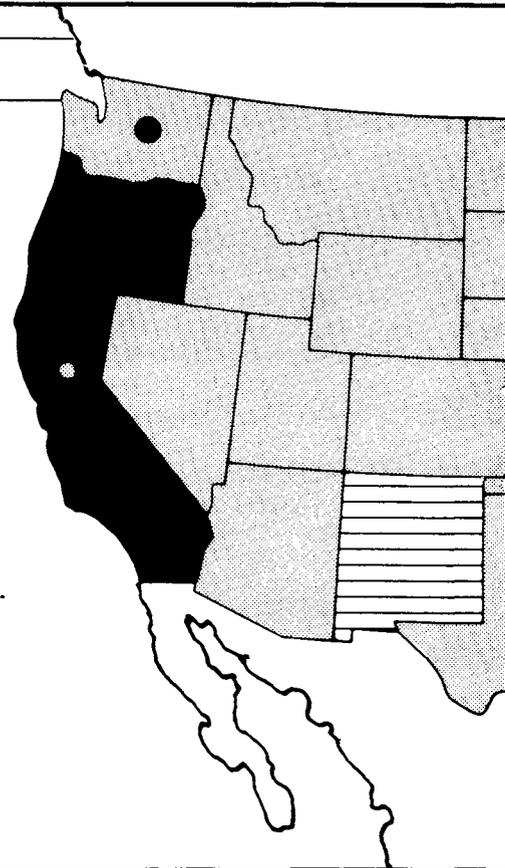
**Energy and high technology**  
The Houston meeting, titled "A High Technology Energy Strategy for the U.S.," brought together more than 30 representatives of the key Southwest-based Fortune 500 industrial corporations. Dr. Morris Levitt, executive director of the Fusion Energy Foundation, opened the event with a discussion of the recent breakthroughs

in U.S. fusion research at Princeton.

Quijano, just returned from Mexico City, reported in detail on the Mexican oil finds—a story that this Review was the first to cover accurately in the U.S. A dramatic picture of President Lopez Portillo's program for rapid industrialization based on trading Mexican oil and gas for advanced technology in steel, nuclear energy, and capital goods industries unfolded as Quijano spoke. But, he pointed out, the Carter Administration has so far tried to cordon off the U.S. from Mexico's development plans with barbed wire.

Uwe Parpart, director of research for the foundation, emphasized in a concluding presentation that the enormous potential of U.S.-Mexico cooperation for trade and development is exemplary of the type of economic boom that can be fostered in the context of the new European Monetary System. More American business leaders are demanding the information and orientation they need to take advantage of these new opportunities. The *Executive Intelligence Review* has designed an ongoing seminar series to meet this demand which will convene in Detroit on Dec. 14, in New York on Jan. 11 and in Washington, D.C. on Jan. 31.

# Legalized dope?



On Dec. 1 the National Organization for the Reform of Marijuana Laws, the nation's top drug lobby outfit, announced that its official line on marijuana has been changed. After years of calling for "decriminalization," NORML is now demanding full legalization of the drug.

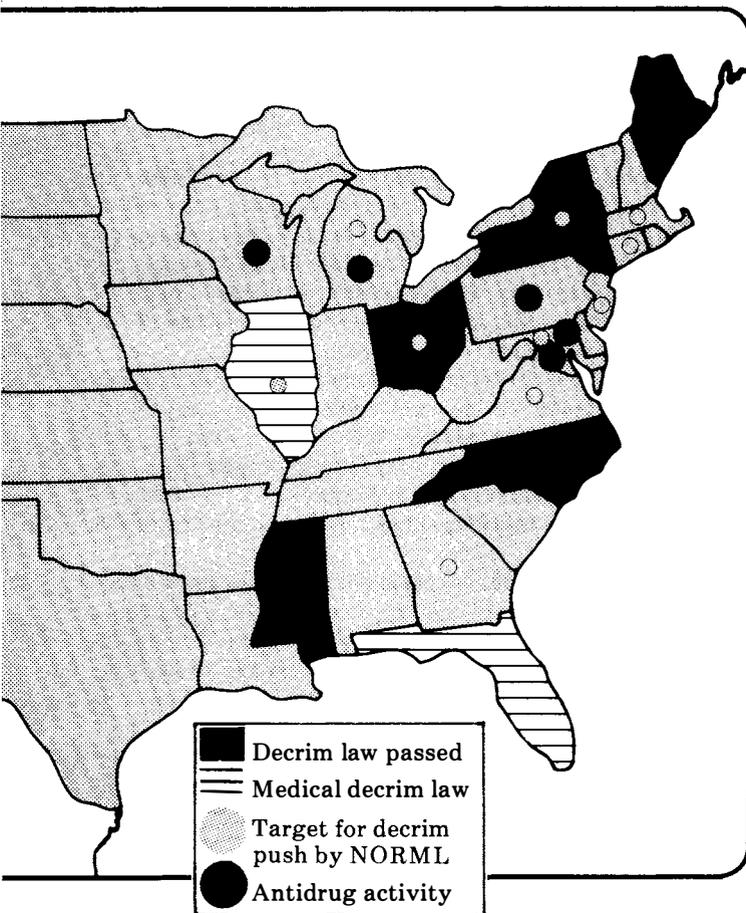
Two weeks before, NORML held a conference in Guelph, Ontario to tout the economic benefits of a full-fledged dope culture. One Gatewood Galbraith (any relation to John Kenneth?), the president of a pot-lobby group in Kentucky, told the gathering that if North American farmers were permitted to grow and market marijuana, sales — estimated at \$4 billion a year now — would flow into the "straight" economy. Legal marijuana, he concluded, "would be an enormous shot in the arm" for the United States.

Galbraith's choice of metaphor is right on target. A just-released report from New York State shows that in the year since decriminalization went into effect there, not only has "heavy" marijuana use soared among children grades 7 through 12, but so has the use of *all* drugs, from "angel dust" to heroin. And now NORML is saying right out loud that decrim was just the first step.

In its program and its personnel, NORML reveals what's behind it and the rest of the pot lobby effort: a sophisticated campaign to legitimize the gigantic international trade in illegal drugs and the billions it

supplies to City of London and other dirty money financial centers, while at the same time subjecting the U.S. population to subversion by drugs in an operation of a scope not seen since Britain put China on opium.

The accompanying map shows where NORML is focusing its energies, as well as where "medical decrim" — marijuana for glaucoma patients, for example — is in force. But whatever NORML and its supporters may insist are its liberal intentions, the reality is obvious. In October 1978 Peter Bensinger, Director of the U.S. Drug Enforcement Administration, told an assembly of law enforcement officials at the annual meeting of the International Association of the Chiefs of Police that coastal states such as Maine and Oregon where marijuana had been decriminalized have become major smuggling points for marijuana, as a direct result of the decriminalization laws. Weeks before, a new evidentiary link between NORML and big-league drug running surfaced through a series of drug raids in New England. After several tons of marijuana was seized off the coast of Massachusetts, the accused dope smugglers were represented in court by James Lawson, the head of the state chapter of NORML. In the course of the official investigation of the case, it was learned that the front money for the captured marijuana shipment had been provided by mob chieftain Meyer Lansky and fugitive Robert Vesco, who built the pyramid



marijuana and heroin, championing such practices as making heroin available to "ease the passage" of the terminally ill. In 1977, NCTIP lobbied to establish the first fully implemented heroin maintenance clinic in the U.S., targeting Ohio as one of the first states to have decriminalized marijuana.

Not surprisingly, the committee is tied to the hospice, or "right to die," movement of Elizabeth Kubler-Ross, a close ally of Ted Kennedy in the U.S. The hospice gang seeks to create centers where terminally ill patients are given a mind-deadening concoction of heroin, cocaine, alcohol, tranquilizers, and chloroform, called the Brompton Mix.

The funding of the drug advocacy movement and the hospice grouping overlaps. The Kaiser Foundation is a major contributor to the Drug Abuse Council, a central clearing house for studies on drug use and information created by the Ford Foundation. Kaiser, which includes on its board Kingman Brewster, the current U.S. Ambassador to the Court of St. James and a member of the Order of St. John, also finances Hospice, Inc.

The Joseph and Rose Kennedy Institute for the Study of Human Reproduction and Bioethics at Georgetown University is also a funder of the movement, not surprising given Senator Kennedy's own attitude on the marijuana issue, or the fact that his former brother-in-law Peter Lawford is a member of NORML's Advisory Board.

#### The pot politicians

To create the ambiance appropriate to getting the U.S. acclimated to drug proliferation, a working relationship has developed between politicians, organized crime, "social engineers," and various intelligence agencies.

Take the case of Senator Jacob Javits. The New York Republican has sponsored a federal marijuana decriminalization bill in the U.S. Senate for the past five sessions of Congress. The aging Senator, who is also one of the leaders of the Zionist lobby in America, is on the board of NORML. Javits also serves as National Chairman of the Anti-Defamation League of the B'nai B'rith, and in the leadership of a host of other Zionist agencies.

During the 1977 session of the New York State legislature, Javits played the critical role in arm-twisting the New York Republican party into passing a bill for decriminalizing marijuana which they had *defeated* two weeks earlier.

The whiskey-manufacturing Bronfman family in the middle of both the Zionist lobby and organized crime-backed circles also waged a personal campaign to push the decriminalization bill through. After New York Governor Hugh Carey successfully oversaw the passage of the decriminalization bill, the Bronfmans rewarded the Governor with a \$350,000 consolidated loan to cover his campaign debts. Javits is said to be directly connected to organized crime himself. According to a recent NBC television news report on the use of coal investment tax write-offs by organized crime figures, it was Senator Javits who personally notified organized crime bosses, like

financial bubble Investment Overseas Service which functioned as a conduit for millions of dollars for Israeli intelligence-directed drug-running and other operations.

#### Who is NORML?

NORML enjoys the support of such politicians as Senators Ted Kennedy and Jacob Javits, who have used their influence to protect illegal operations and even directly sabotage inquiries that could unveil the organized crime drug-runners and the powers behind them. The power nexus at the top is most efficiently identified with the Most Venerable Military and Hospitaller Order of St. John of Jerusalem, a sovereign secret society that pulls together the British monarchy, the financial might it represents, and allied circles internationally.

The relationship between the titled Lords and Dames of the Knights of St. John and the liberal pot advocates is direct. On the advisory board of NORML is Canon Walter Dennis of the Church of St. John the Divine in New York City, the headquarters of the Order of St. John in the U.S. Acknowledging this relationship, one NORML official said, "It's so nice to have the church on your side."

Another of NORML's allies in its efforts to flood America with mind-destroying drugs is the National Committee on the Treatment of Intractable Pain. NCTIP has lobbied with NORML for the "medical use" of

Meyer Lansky, that the Internal Revenue Service was moving secretly to close a lucrative tax-loophole.

From 1954-56, Javits, then Attorney General of New York State, helped cover up experiments by the CIA and the U.S. Department of the Army using LSD on unwitting patients. The program, known as MK-ULTRA, was created by British intelligence doctors and resulted in several deaths — two occurring in New York, which Javits was also complicit in covering up.

Then there's Teddy Kennedy.

Kennedy sponsored S1437, a rewrite of the U.S. Federal Criminal Codes which includes a provision for the decriminalization of marijuana. Like Javits, Kennedy is deeply involved in Zionist-organized crime associations. For example, among Kennedy's top 1976 campaign contributors is Joseph Linsey, a leading Zionist "philanthropist" with known ties to crime chief Raymond Patriarcha, and a business partnership with Meyer Lansky.

The immediate constituency of the "pot lobby," the some 23 million Americans who have used marijuana, was essentially created by British intelligence's MK-ULTRA project. (For details on MK-ULTRA's history, see our Dec. 5-11, 1978 issue.)

NORML's Advisory Board members, the scientific core that provides the prodrug studies used to con state legislators into voting for decriminalization, are direct descendants of the original MK-ULTRA grouping.

NORML's doctors, Dr. Norman Zinberg, Dr. Lester Grinspoon, and Dr. Andrew Weil, are all veterans of Harvard University, where they received degrees under Timothy Leary and an MK-ULTRA-dominated medical department. Grinspoon, the author of *Cocaine*, a popularized history of that drug's use and users, advocates the legalization of cocaine and heroin. NORML Advisory Board member Weil, also an editor of the *Playboy* of drug magazines *High Times*, advocates the development of "coca chewing gum" for distribution in the United States, and is presently conducting experiments in coca's effects.

Lest anyone believe that the LSD heyday is past history, recent articles and lobbying efforts by Grinspoon and other NORML associates indicate that another round of LSD experiments is planned for the present generation of youth, who missed the "love is Haight" LSD experience of the late 1960s. The Dec. 10 magazine of the *Boston Globe* carries a story entitled "LSD — Report from the Living Dead," setting the climate for reinstating the use of LSD in medical experiments on mental patients. At the forefront of this campaign is, again, Lester Grinspoon, who describes psychedelic drugs in his upcoming book on the uses of psychedelic substances at the Massachusetts Mental Health Clinic as "the most interesting drugs we've investigated," bemoaning the prohibition on the use and manufacture of LSD. According to the *Globe*, Grinspoon feels "we could learn a great deal from studying its effects if the drug were available for research."

— Michelle Steinberg

# The results of decrim

In the spring of 1977 the New York State legislature decriminalized marijuana. A report recently released by the state's Office of Substance Abuse documents the results of decrim: massive increases in initial, current, and heavy use categories of marijuana in school grades 7 through 12, plus jumps in initial and current use of virtually all other drugs.

The report also shows tremendous increases in drug use at younger grade levels, an explosion in use of the psychosis-inducing chemical PCP ("angel-dust"), and, most ominously, a pattern of passing rapidly from one drug to another and multiple substance use. So much for the argument that marijuana has nothing to do with use of other drugs.

No one familiar with the atmosphere in the state's high schools or streets should be surprised by the conclusions of the report. But legislators in other states, and in the U.S. Congress, should study its findings before allowing any further decriminalization — let alone legalization — of drugs.

The New York State survey is among the largest ever done in the U.S., including many done at the national level. The entire New York State school population of 1.8 million in grades 7 through 12, both public and parochial

**Table 1. Substance abuse among New York State students**  
1,817,000 students enrolled in grades 7 through 12, Spring 1978

Type of Substance <sup>a</sup>	Lifetime Use (Used at least once)		Recent Use (Used since school began in Sept. '77)	
	N	%	N	%
PCP (Angel Dust)	276,000	15.5	172,000	9.6
Hallucinogens	155,000	8.7	105,000	5.8
Cocaine	194,000	10.8	136,000	7.6
Inhalants	202,000	16.0	149,000	8.3
Heroin	47,000	2.6	31,000	1.7
Methadone (illicit)	44,000	2.5	28,000	1.6
Marijuana	964,000	54.2	833,000	46.4
Hashish	447,000	25.2	341,000	19.0
Stimulants	266,000	15.1	200,000	11.1
Depressants	189,000	10.7	120,000	7.1
Tranquillizers	220,000	12.7	150,000	8.8
Cough Medicine with Codeine	195,000	11.0	110,000	6.6
Other Narcotics	199,000	11.3	134,000	7.5

# in New York State

schools, was surveyed in 35,000 completed questionnaires. The students surveyed were randomly selected to conform to an appropriate mix of urban, suburban, and rural schools represented in eight separate Health Service areas in the state, and the study was presumably weighted appropriately between Catholic and public schools to include 146 public schools and 48 parochial schools. All numerical results are underestimates, since improperly filled out questionnaires were not counted.

hallucinogens such as LSD; 15.1 percent had used stimulants; 10.7 percent had used depressants, such as methaqualone, and 11.3 percent had used other narcotics, "such as opium, morphine and codeine."

While use of illicit methadone and heroin is "low" at 2.5 percent and 2.6 percent respectively, over 1 percent of the population had used each drug within the last 30 days. Use of methadone and heroin drops off in the later grades, suggesting the obvious conclusion that users of these two drugs drop out of school.

The Substance Abuse Survey actually indicates far greater drug use than even these numbers would indicate. Since the same agency's 1975 survey, the younger 7th and 8th grade public school population was added to the survey, as well as the entire parochial school population of grades 7 through 12.

Since 1975, "heavy" marijuana use has increased by 300 percent. This increase is even more dramatic because the same state agency revised its definition of "heavy" use upward from once per week to 10 or more times per month.

In the agency's 1975 survey, one out of every 17 students in grades 7 through 12 (6 percent) smoked marijuana once a week. The new survey, done in March-April 1978, shows that one out of every 6 students (17

## What the report showed

In summary, the 1978 survey showed that of the 1.8 million students in New York in grades 7 through 12:

- Over 960,000 students — more than 54 percent — have used marijuana at least once. 220,000 (13 percent) have used hashish once.

- At least 275,000 students (16 percent) have used PCP (angel dust), a highly dangerous substance which has led to six deaths in the Long Island area alone in the past year.

- At least 155,000 students — almost 9 percent — have used cocaine at least once, and 7.6 percent have used cocaine since September, 1977.

- Almost 9 percent of the students surveyed had used

**Table 7. Multiple substance use since school began in September 1977 among New York State students by grade**  
1,817,000 students enrolled in grades 7 through 12, Spring 1978

Number of Substances	Total	
	<u>N</u>	<u>%</u>
No Prescription Misuse Nor Illegal Substance Use Since School Began in September 1977	882,000	49.2
<b>Number of Substances Used:</b>		
1	387,000	21.6
2	196,000	10.9
3	101,000	5.6
4	61,000	3.4
5+	167,000	9.3

### NOTES:

to Table 1

Example of How to Read the Table: Among responding students, 276,000, or 15.5%, have used PCP (angel dust) at least once.

Note. The number of users in the table are underestimates since they do not include the nonrespondents.

\*% Less than 0.5%

\*\* Less than 500.

<sup>a</sup> Hallucinogens such as LSD, mescaline, and psilocybin; stimulants such as amphetamines and diet pills; depressants such as barbiturates and methaqualone; tranquilizers such as Valium and Librium; other narcotics such as opium, morphine, and codeine.

Date of preparation: September 25, 1978

to Table 7

Example of How to Read the Table: Among the responding students in Grades 7 through 12, 100,000 or 16.7% used one substance since school began in September 1977.

Note. The numbers reported in the table are underestimates since they do not include nonrespondents.

\*% Less than 0.5%.

\*\* Less than 500.

<sup>a</sup> Included are all substances mentioned in the previous tables.  
Date of Preparation: September 25, 1978

percent) smokes marijuana more than twice a week. In fact, adjusting its figures to conform with its own 1971 and 1975 surveys on public school students in grades 9 through 12 only, the 1978 results show that 64.4 percent of all public school students in grades 9-12 have used marijuana at least once, a dramatic increase over the 42.1 percent of such students in 1975.

#### **New pattern: Heavy use of multiple drugs**

One conclusion of the New York State report is misleading: "For most of the other substances besides marijuana, lifetime use seldom persists as heavy use. At each grade level, generally less than 3 percent of the lifetime users of a given substance are classified as heavy users."

On the contrary, it is clear that a good proportion of the New York State school population is made up of heavy drug users. The pattern is rapid drug experimentation, with passage from one drug to another or to a combination of others. The accompanying table for the report shows a relatively high percentage of response to recent use (within the last 30 days) of virtually all drugs, while also showing a relatively low figure for use of any one drug 10 or more times per month (heavy use). It is clear that heavy use of varying drugs is the pattern.

Since school opened in September, 1977, 387,000 students (22 percent) used one substance (mainly marijuana). 358,000 students (20 percent) used two to four substances, and 167,000 (9 percent) used *five or more* substances. The report also showed that multiple substance use increases with grade level.

Alcohol has been used in combination with marijuana by 466,000 students (26 percent) in this same time period. This is directly related to heavy use of marijuana and passing from one drug to another or to multiple substance use. Medical evidence indicates that the habitual use of marijuana widens the nerve synapses of the individual, requiring either increasing amounts of marijuana or other drugs to produce a high or else the use of alcohol with marijuana.

The direct involvement of the international drug networks in drug distribution in the state's schools is shown by the large volume and number of drugs available all over the state and the high usage of cocaine. Use of cocaine at least once has tripled since the Office of Substance Abuse

survey in New York in 1971. The 1975 survey included no comparable data on cocaine.

A drug so dangerous that it must be considered in a category by itself is "angel dust." While the use of hallucinogens is described in the state report as not increasing significantly, in fact a new and more dangerous drug has been added to this armamentarium.

Addressing the PCP problem in Suffolk County, deputy director of Drug Abuse Services Victor Rugg singled out "angel dust" as the most dangerous new drug: "It extends to rich and poor. A lot of kids are lacing their marijuana with PCP, enhancing its hallucinogenic qualities, and they are taking it with alcohol, which is continuing to be a big problem. PCP is extremely dangerous — more dangerous than LSD, because it is so unpredictable, and we don't know how to treat overdose cases." Rugg told a *New York Times* interviewer that the six deaths in Suffolk County in the last year were PCP-related.

#### **Drugs and Violence**

The violence rampant in U.S. schools, such as outlined by the recent HEW report "Violent Schools-Safe Schools," must be correlated with the massive drug problem, particularly as regards PCP, cocaine, and "heavy" use of any one drug or combination of drugs.

In September, 1978, the New York City Board of Education reported that crime and violence in public schools had increased almost 6 percent in the last school year. Crimes involving narcotics rose by 16.3 percent. The National Education Association says that more than 60,900 physical attacks on teachers were reported in the 1977-78 school year (3 percent of all teachers were attacked). After 1500 assaults in NYC, the United Federation of Teachers has issued a manual which advises teachers never to be alone anywhere in school and to go home as soon as classes are dismissed. According to the HEW report, some 280,000 students are attacked at school every month.

In recent congressional hearings on drug use in New York City schools, chaired by Rep. Lester Wolff, it was reported that on any given day 20 percent of New York City's high school population is truant, and of these, 70 percent are estimated to be drug users by the Office of Substance Abuse Services. Frank McCorry, Director of Drug Abuse in Schools of the New York City Archdiocese, states another aspect of the problem: "You have students who sit back and don't learn, who come to school but don't hear or see anything. They have dropped out of school emotionally. That's the kind of problem that I see."

This is the first year that New York State Catholic schools participated in the state survey. Since all students and individual districts participating were promised confidentiality, it could not be determined whether or not the inclusion of the parochial schools might have lowered the overall figures for state drug use. So far, no school district has released figures on its district, although each may do so if they wish.

— Anita Gallagher

#### **WHAT ABOUT YOUR STATE?**

A copy of New York's Substance Abuse Services report is available from that office, Box 8200, Albany, New York 12203. The report and its findings have received little publicity, however, and most Americans don't know that every state is required by federal law to have an Office of Substance Abuse that conducts yearly surveys on drug use and files reports with the National Institute of Drug Abuse, and that these reports are available to the public. Do you know how the drug war is going in your state?

# A national fight to stop the evil of drugs

Not everyone is sitting still for the plan to drown the U.S. in dope. In cities around the country, groups as diverse as the World Community of al-Islam in the West, the U.S. Labor Party, and the National Federation of Catholic Physicians' Guilds are seeking to mobilize the public against decrim. In addition to opposing the pot lobby's efforts to get decriminalization passed, antidrug coalitions are also calling for recriminalization bills in states where decrim is already law.

Here are some of the highlights of that national campaign.

## MASSACHUSETTS

State Senator David Locke, a long-time opponent of legalized gambling, is reportedly planning to introduce a bill to establish a commission that will investigate the links between organized crime, legalized gambling, and the drug trade. He will also submit a bill calling on the U.S. Congress to take increased action against the international drug trade, including increased antidrug education in the schools.

In Boston, City Council President Albert O'Neill has called hearings on proposed legislation to decriminalize marijuana in that city, and has invited the U.S. Labor Party's antidecrim experts to testify.

## ILLINOIS

In Oak Lawn, a suburb of Chicago, the city council unanimously voted down a proposal to decriminalize marijuana. Their decision followed a 36-hour mobilization by U.S. Labor Party networks in the area that included organizing a barrage of calls to the councilmen from Oak Lawn residents.

Last week, the Michigan State House defeated an attempt to reintroduce a decrim bill, 52-49.

In September the head of the International Glaucoma Congress, Dr. John G. Bellows, released a statement to the Chicago Tribune debunking the myth that marijuana is a suitable medical treatment for glaucoma. In his statement, Bellows compared the marijuana cure with standard treatment and noted that a glaucoma sufferer would have to smoke pot every two hours, day and night, for the rest of his life to produce even minimally effective prevention of blindness, which pot advocates claim as an effect.

## CONNECTICUT

The World Community of al-Islam in the West and the U.S. Labor Party initiated an antidrug coalition here last month. The group's steering committee includes Herbert Quinde of the U.S. Labor Party, Norvelle Goff of the

## Catholic physicians call for aid to stop Colombia drugs

The National Federation of Catholic Physicians' Guilds passed this resolution at its October national convention.

Whereas, the illegal proliferation of marijuana and other mind-altering drugs has reached intolerable levels in the United States; and

Whereas, criminal elements in the nation of Colombia plan to harvest a crop of marijuana intended for the international drug trade; and

Whereas, the projected increase in supplies for the illicit drug market represented by the upcoming Colombian harvest poses an intolerable burden on the youth, parents, teachers, law enforcement personnel, as stated by Peter Bensinger, Administrator for the Drug Enforcement Administration of the U.S. Department of Justice, and on the general population, whose youth may be expected to be the marketing target of drug trafficking; and

Whereas, school-age youth in this country are already severely affected by this criminal drug traffic, with widespread abuse of marijuana and other drugs,

which threatens their health and well being as well as the educational process; and

Whereas, the means are available to eliminate this drug crop in Colombia; the Government of Mexico, in cooperation with the Drug Enforcement Agency of the U.S. and the United States Government, has chemically eradicated the bulk of that nation's marijuana and opium crops, causing a welcome disruption in the flow of dangerous drugs into the United States.

Therefore, be it resolved that:

The National Federation of Catholic Physicians' Guilds calls upon the President and Congress of the United States to take vigorous and timely actions by providing technical and financial assistance to the Government of Colombia, comparable to that given to the Government of Mexico in 1976, to facilitate the chemical eradication of the projected October marijuana crop. This must be done in the interests of the mental and physical health of the children of America and the welfare of the entire world.

Hartford NAACP, and Reverend Oseh Cole of one of Hartford's churches. As part of the group's activities, Labor Party representative Quinde spoke before the World Community of al-Islam's mosque in Hartford at a "Save the Children" dinner.

#### PENNSYLVANIA

Last September State Senator O'Toole introduced a bill, SB 1425, that would have decriminalized marijuana under the pretext of imposing stiffer penalties on the use of PCP. A floor fight in the legislature, prompted by constituency pressure, forced removal of the decrim section of the bill before it passed.

Then on Dec. 7 Philadelphia City Councilman Earl Vann introduced the following resolution to the council:

"Whereas, the use of dangerous and illegal drugs has become widespread in the school system, affecting thousands of students of every racial and ethnic group and every social and economic class; and

"Whereas, the alarming rise and open use of drugs is demoralizing the entire school community, reducing the effectiveness of the educational process, and causing irreparable harm to the lives of our younger generation; and

"Whereas, the present drug laws of the United States and of the Commonwealth of Pennsylvania have not been effective in halting this illegal use of drugs; and

"Whereas, the Philadelphia Board of Education has not been able, using the existing laws, to curb the spread and use of drugs by school children;

"Therefore

"Resolved, by the Council of the City of Philadelphia, that we hereby memorialize the Congress of the United States, and the General Assembly of the Commonwealth of Pennsylvania to promptly review the drug laws, to change and strengthen them, and to provide such new legal frameworks as may be deemed necessary to aid the drug and law enforcement agencies; and we hereby call upon the Board of Education of Philadelphia to take cognizance of the serious drug situation in the schools, and in cooperation with all drug enforcement agencies, police authorities, community organizations, and parents, to take immediate steps to eradicate the drug rings, and eliminate the use of drugs by young people in the school system.

"Resolved, that copies of this resolution be forwarded to the President Pro-tem of the Senate and the Speaker of the House of Representatives of the United States Congress and the Commonwealth of Pennsylvania, to the Superintendent of Schools, and all the members of the Board of the School District of Philadelphia, as evidence of the deep and abiding concern of this legislative body."

The resolution passed unanimously.

#### MICHIGAN

A state-wide antidrug coalition was formed in Detroit Dec. 11, with plans to get tough legislation against drugs introduced in the state legislature, which has been chosen by NORML as one of its 1979 decrim targets. Speaking at the press conference announcing the formation of the coalition were Alfred Akram of the World Community of al-Islam, Juan Torres of the U.S. Labor Party, and Max Dean of the Flint, Mich. NAACP. The group said it also plans to work with schools, boards of education, and local police departments to stop the spread of drugs. The three announced plans for a mass meeting in Detroit this week, which 1,300 people are expected to attend. It will be addressed by the Honorable Wallace Deen Muhammad representing the World Community of al-Islam, and U.S. Labor Party Executive Secretary Costas Kalimtgis.

#### CALIFORNIA

A coalition of law enforcement officials, Republicans, and religious leaders has joined with the U.S. Labor Party to organize for a repeal of Proposition W, which was passed in San Francisco in last month's elections. The proposition forbids police from enforcing existing antipot laws.

In Berkeley, the school board is preparing an antidrug campaign and a resolution against Proposition W to be introduced in the City Council there.

#### NEW YORK

The Erie County legislature has passed a memorial to the state legislature calling for the reimposition of criminal penalties for possession of marijuana and for tougher measures against pushers of other drugs and drug paraphernalia. A similar resolution was passed earlier by the Niagara County's legislature.

The U.S. Labor Party has been campaigning vigorously against the pot lobby across the state. Dr. Ernest Shapiro, a member of the New York State Non-Partisan Committee of Drug Abuse and a leader of the Labor Party's medical task force on drugs, has spoken at forums, schools, and meetings across the state.

In Buffalo, at a founding conference of the Humanist Academy Dec. 9 and 10, speakers from the Labor Party and the World Community of al-Islam assailed the moves to legalize marijuana. Abdul Ali Hassan, the chief Imam of the Community's Buffalo masjid, told the meeting:

"Religion must speak to the human mind, the reasoning process. Religion is life, the natural life of human beings based on truth. We have the power of reason, and that is a responsibility. . . . We (the World Community — ed.) have had much success with addicts — addicts such as Malcolm X and myself. We have a long-standing record against drug abuse, and we shall continue to work with the U.S. Labor Party to fight this evil."

# French expert: cannabis 'destroys man'

The following are excerpts, translated from the French, of an interview by NSIPS's Paris Bureau with Professor Gabriel Nahas, research director at the INSERM Institute of Toxicology in Paris and a member of the Anesthesiology Department of the College of Physicians

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## EXCLUSIVE INTERVIEW

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and Surgeons at Columbia University in New York City. Dr. Nahas has studied the effects of drug-abuse, with particular attention to marijuana and hashish, for 25 years, and his internationally renowned work is having an increased impact now.

Dr. Nahas was not available to reread the transcripts of this interview before it went to press, and has asked us to make clear that he cannot approve it down to its last details. Dr. Nahas suggested that readers refer to his published works\* for full elaboration of his views.

**NSIPS:** You mentioned publishing houses which promote the consumption of drugs, and mentioned Canada in particular. Are you thinking of books which are sold out of Canada?

**Nahas:** Yes, a whole series of books. The publishing house is called L'Aurore; I don't know its distributor in France. It's in Quebec and publishes a certain number of books which promote the use of drugs. There is one on cocaine, for example, and one on marijuana, with indications on where one can procure drugs, how to grow and cultivate marijuana, and how to use it, of course. And these books are sold freely in France, even though it violates the (1971—ed.) law which prohibits the promotion of drug use, especially among minors.

The same goes for the book *Dossier vert d'une drogue douce* (Green dossier on a soft drug) by Hugo Verlomme, published by Laffont. This book reproduces illustrations that have been published by an American magazine *High Times*, entirely devoted to drugs, and which details how to use them. *High Times* sells a million copies, so you can imagine the scope of the problem in the United States. . . . This magazine is commented on in Verlomme's book, which of course says the best about it. Even though *High Times* is prohibited in France, the *Dossier vert* is not.

I can understand the embarrassment of official circles who were warned about this. They received letters in-

\**Hashish, Cannabis, Marijuana*, P.U.F., 1976; *History of H*, Del Duca, 1977; *Marijuana: Deceptive Weed; Keep off the Grass*, Readers Digest Press, 1976.

forming them of the publication of this book, but they did nothing. Why? Because they are afraid of being attacked and treated as fascists. . . . And if ever the book were to be suppressed, well, this would really become an affair of state. You would see the headlines on the front page of *Le Matin* (a Parisian daily similar to New York's *Village Voice*—ed.): "The book-burners," etc. And let's not even mention *Liberation*. . . .

### Drugs and profits

**NSIPS:** What does this Canadian publishing house, L'Aurore, really represent?

**Nahas:** I think it's a rather marginal publishing house. These specialized, marginal companies publish books that have an audience because it's what youth are waiting for. The young want to use drugs, they want someone to tell them it's not dangerous, they want someone to tell them how to use them with the least possible risk. The publishing houses that put out these books obviously make very big profits.

There are such publishers in France. Mr. Verlomme attached a bibliography to his book, which lists only 60 books. The *Le Nouvel Observateur* called it "abundant." *Le Nouvel Observateur* was the first publication to talk about Verlomme's book, in an article which appeared in its Sept. 4-10 (1978) issue.

After the Reims Congress (July 22-23, 1978) which brought together the great scientific specialists on cannabinoids (marijuana, hashish)—biochemists, neurophysiologists, scientists specializing in cellular biology—and which was unanimous in its conclusion on the biological dangers of cannabinoids, the *Le Nouvel Observateur* reporter declared that perhaps we needed to do "more serious" studies! And the best is that reporter didn't even attend the congress. . . .

To get back to Verlomme's "abundant" bibliography, it contained 60 titles. In my book *Hashish, Cannabis and Marijuana*, there are 1,000 listed. Bibliographies, like that in the *Dossier vert d'une drogue douce*, all allude to books that are obviously favorable to drugs. Most of this bibliography is devoted not to scientific texts but to articles or books that promote the utilization of marijuana, *ignoring all scientific research*.

### Drugs and cognition

**NSIPS:** Can you describe your research findings?

**Nahas:** I now have the proof that cannabinoids have damaging effects on the physiological regulative mechanisms which permit man to develop and maintain himself until his death. It is now known that cannabinoids slow down the cellular division of all the cells of the organism, in particular the cells located in the sexual glands, in women as in men. The other damaging effect of cannabinoids, in

addition to this debilitating action on the reproductive system, is their impact on the brain, where they act by interrupting the relations between the neocortex and the paleocortex, the evolutionarily primitive portion of the brain. Cannabinoids also act to stimulate the center of pleasure which incites man to seek immediate satisfaction and to have immediate pleasure—this at the expense of perspective, at the expense of the future.

The great danger of cannabinoids is that of this stimulation of the center of pleasure in the adolescent before he has been able to develop the internal resources that would permit him to judge that, while satisfaction might be useful to him, it is also useful to society. And these are not conjectures, they are well-established physiological facts, which were established at the Reims Congress. Not to mention lung damage: the smoke from cannabinoids is much more destructive to the lungs than tobacco smoke. This was also established in the work presented in Reims.

These substances destroy what really distinguishes man from the animal. This is dangerous not only for the developing adolescent, but also for his progeny. When we see responsible people calling for the free sale of drugs, the availability of these substance for everyone, it seems to me that we really find ourselves in a very paradoxical situation. We have to fight, despite the fact that those who oppose drugs are in a minority. We still have to fight against this tendency, because it is a tendency which destroys, which destroys man.

*NSIPS: You commented earlier that rock music has the same destructive effect on the brain as drugs...*

**Nahas:** It is well known that many young rock players suffer from early deafness because of the intensity of the noise and also because of the repetitive notes. Under the combined effect of these two factors, lesions of the internal ear have already been diagnosed. I am talking about musicians, well, I don't know if you would call them musicians, those who perform these absolutely abnormal noises. And I think that these noises also stimulate some of the zones of the primitive portion of the brain, the rhinencephalon, which corresponds to the instinctive impulses and certainly not to the integration necessary to result in good music. I think that it's a return to very primitive, very animal music. It is very interesting to note that smoking marijuana and listening to this music is a conjugated experience, and from the physiological standpoint, the same receivers are in play.

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## 'High' finance finds

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*While NORML and the rest act as dope's advertising agents, the profits from the multi-billion-dollar illegal drug business are funneled through a network of organized crime fronts, to be snagged in British financial nets centered in Hong Kong and the Bahamas. Now, the drug financing networks are attempting to move openly into U.S. markets draped in the trappings of legitimate business. Two such ventures are Bahamas-based Resorts International, the transmogrification of the old Meyer Lansky-linked Mary Carter Paint co., which is the sole entry to date in the Atlantic City casino racket, and the Hongkong Shanghai Banking Corporation, the king of the British drug banks, which is bidding to acquire one of New York's major banking chains, Marine Midland.*

*The two operations had planned to set up shop with a minimum of controversy and public scrutiny. But "legalized drug banking" has run into problems. The "HongShang" is battling a demand from the U.S. Labor*

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## HongShang Bank pleads

*On Dec. 1, legal representatives of the Hongkong and Shanghai Banking Corporation finally responded to a U.S. Labor Party request for a hearing on HongShang's proposed takeover of the New York-based Marine Midland Bank and Trust Co. by flatly telling the Federal Reserve Board to keep its nose out of HongShang's business.*

*In a letter sent to the Fed by Stuart L. Pittman of the Washington law firm of Shaw, Pittman, Potts and Trowbridge, the HongShang representative makes no attempt whatsoever to refute Labor Party charges that the HongShang is one of the central controlling banks in the \$200 billion annual illegal drug traffic and that approving the Marine Midland takeover would leave the U.S. wide open to an influx of drugs and dirty drug money.*

*On the contrary, the letter, which is excerpted below, insinuates only that the Federal Reserve must stick to specific cases and does not have the authority to investigate the "global" implications of the proposed takeover in the "public interest." As to the Labor Party's documented charges of HongShang's role in the illegal drug traffic, the Pittman letter denies that HongShang "knowingly participated" in any such activities.*

*Among the charges entered by the U.S. Labor Party and repeated in the Pittman letter — but not denied — are that \$10 billion a year in illegal drug business passes through the British Crown colony of Hong Kong, the HongShang's home base, a colony with only a \$5 billion money supply; that the HongShang directly controls an*

# itself under heavy fire

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*Party and upstate New York antidrug activists — Marine Midland is headquartered in Buffalo — that the Federal Reserve Board disallow the acquisition. And Resorts International last week received a blow when New Jersey Attorney General John Degnan issued a report recommending that its Atlantic City casino be denied a permanent operating license on the grounds of its connection to organized crime. For details on the past history of Resorts' operations, see our last issue.*

*In the following report, we take a look at the HongShang's regulatory difficulties, and at excerpts from a letter from HongShang telling the Fed that the bank's links to the drug trade are none of U.S. bank regulators' business. And Executive Intelligence Review Economics Editor David Goldman presents a new angle on the issues and circumstances surrounding the Resorts International controversy.*

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## its case

*absolute majority of the colony's banking; and that a whopping \$1 billion is paid annually to buy the silence of Hong Kong police. Nor does the letter refute the Labor Party's information that the HongShang has used its influence to spring drug pushers from jails in Southeast Asia.*

*Whether or not the Federal Reserve will be bullied by the HongShang remains to be seen. The main restriction on the Fed's regulatory powers is that approval of foreign banking takeovers should only be allowed when the takeover is in the national interest. What could be more in the national interest than keeping the leading international drug bank out of the U.S.?*

"We have received from the Federal Reserve Board staff a copy of a submission dated October 26, 1978 and a supplement dated November 8, 1978 from the U.S. Labor Party, which requests a hearing on the application filed by The Hongkong and Shanghai Banking Corporation ("HSBC"), Kellett N.V., and HSBC Holdings B.V. to acquire a controlling interest in Marine Midland Banks, Inc. On behalf of HSBC, Kellett N.V., and HSBC Holdings B.V., we respectfully request that the Board deny the request of the U.S. Labor Party for the following reasons.

"The U.S. Labor Party has not and cannot establish that it is a party which could be aggrieved by approval of the application. To accept the precedent that a political

organization purporting to represent the general public interest has standing to obtain a section 3 hearing would make it difficult to deny in subsequent section 3 proceedings any organization claiming to represent the public interest and having no direct or specific interest in the outcome. . . .

"... Furthermore, the U.S. Labor Party's October 26 letter states that the justification for a hearing is to resolve not issues relevant to the specific statutory criteria in sections 3(c) or 4(c)(8) of the Bank Holding Company Act, but rather the issue "of the appropriateness and effectiveness of the entire bank regulatory procedure. . . ." It would be unwarranted for the Board to hold a hearing on this global issue as part of its review of an application for approval of a pending transaction, which the Act requires be completed within 91 days. In this connection, it should be noted that U.S. Labor Party literature, distributed in the vicinity of the Marine Midland shareholder meeting overwhelmingly approving the proposed acquisition, discloses its objective: legislation amending the Bank Holding Company Act to give exclusive jurisdiction over foreign bank acquisitions to the President and the Senate as though such transactions were treaties. . . .

*[The letter then enters into a lengthy review of some of the Labor Party's charges, including a "network" of involvement in the drug trade by British and international banks; British-based Far Eastern companies and the families that founded them; certain banks and government officials in Thailand, Hong Kong, and Macao, including the HongShang; and expatriate Chinese banking families and other overseas Chinese. It concludes "According to the U.S. Labor Party, a major objective of this 'network' is to use the illegal international drug traffic to adversely affect the United States."]*

"... The U.S. Labor Party's 'packet of evidentiary materials' contained in its October 26 submission is essentially a discussion of the worldwide illegal traffic in drugs. It is contended that 'the drug "industry" is run as a single integrated world operation' with \$200 billion per year of 'net, not gross annual sales, plus related payments.' The U.S. Labor Party alleges that the worldwide illegal drug trade is controlled by the London foreign policy and banking establishments, primarily represented by the Royal Institute for International Affairs, which is said to be a secret society established under the 1887 will of Cecil Rhodes with the purpose of extending British rule throughout the world. . . .

"On behalf of HSBC, Kellett N.V., and HSBC Holdings B.V., we affirm that none of them are part of any alleged network conducting illegal drug trade and that none of

them have knowingly participated, are knowingly participating, or will knowingly participate in any transaction that finances or facilitates the illegal traffic in drugs or in any other illegal activity. In fact, the protest cites no specific facts or laws constituting the illegality which is implied.

"Finally, it should be noted that the representatives of the U.S. Labor Party stated frankly to the Board staff at the meeting on October 18 that a motive in seeking a hearing was to further a larger objective to educate the public, legislatures and public officials at all levels about the above-described world network. Taking into account the broad sweep of the U.S. Labor Party's charges against public and private organizations and individuals around the world and the absence of relevant specific charges against HSBC, Kellett N.V., HSBC Holdings B.V. or their officers and directors, it appears to us that granting the U.S. Labor Party's request for a public hearing by the Board would not contribute to the decision-making process on this application and would result in unwarranted delay of HSBC's application. Furthermore, both section 3 of the Act and the Board's policy of expeditiously acting on applications would be frustrated if the precedent is established that hearings should be held on the issue of whether applicant banks, foreign or domestic, have financed activities that are alleged to be illegal without any substantiated allegation of specific illegal conduct by the applicant.

"It is respectfully requested that the request of the U.S. Labor Party for a hearing be denied and that the continuing presentations anticipated in the October 26 letter not be permitted to delay the processing of the pending application. Successful consummation of the proposed acquisition depends on expeditious approval by the FRB in order that the publicly announced tender offer may proceed as nearly as possible on the anticipated schedule."

Respectfully submitted,

Shaw, Pittman, Potts & Trowbridge

By Stuart L. Pittman

Counsel to

The Hongkong and Shanghai Banking Corporation

## British Intelligence's

Even battle-scarred observers of the long and dirty history of Resorts International and its strongarm subsidiary International Intelligence (Intertel) expressed surprise when New Jersey's state attorney general, Brendan Byrne appointee John Degnan, released the Dec. 4 report tying Resorts to America's best known mobster, Meyer Lansky. New Jersey Governor Byrne, a one-time hired hand of New Jersey's casino gambling lobby, started his career as the executive secretary to Gov. Robert Meiner, who took the New Jersey Statehouse in 1952 with the help of Lansky's lieutenant Abner "Longie" Zwillman. In shorthand, Brendan Byrne is a Lansky punk. Why did his people hit Resorts?

A close look at the Degnan document shows that it does no more than rake over the public record of Meyer Lansky financing of Resorts and connections to the crooked firm's leadership — just as Resorts charged. Part of the answer is that the Byrne gang had to put out their own expose of Resorts because "half of the U.S. government, including a couple of Senate Committees, are going after Resorts and Intertel." A number of hot trails have converged on America's number one laundromat for drug-related and other illegal dirty money. These include a Drug Enforcement Administration task force in southern Florida, including more than a dozen accounting specialists, who have been tracking the proceeds of Florida's \$7 billion a year dope "industry" for months; comparable activity by several other federal agencies and the Florida state and Miami police; and a gung-ho team of investigators attached to the Senate's Permanent Subcommittee on Investigations, which held penetrating hearings into Lansky's Florida activities last summer. Byrne et al. are scurrying for cover, for the little good it will do them.

Around mid-January, this angle will hit the headlines, and the Jersey press will be making mincemeat of the John Degnan "disclosures," actually a form of cover-up. That news is already dated in the law enforcement community. But only a handful of insiders in the "old boys" network of the intelligence community have an inkling of what is really at stake in the burning of Resorts. Elated with the smell of a fresh kill, most investigators haven't stopped to ask themselves who opened the doors at the top-floor offices in Washington for the Resorts investigations from a half-dozen agencies to go through — investigations which have been kept in the icebox for over ten years.

### Diversion, Inc.

A few thoughtful people are asking the right questions. "Watch for a diversionary situation," said a fine old gentleman who served New Jersey well in the House of Representatives until Resorts money bought his seat for the mob. "That's all you see in the headlines. It's starting

# Last Resort

out as a diversion — although it will certainly go out of control. Someone wants to bring the case up front right now. But look at what you don't read about. Senator Ted Stevens, almost killed in a plane crash. Young Bill Steiger [the 40-year-old Wisconsin Congressman who died of a reported heart attack the night of Dec. 4 — DG ], who had no previous history of heart disease. I'll bet twenty-to-one these were no accidents. 1979 is going to produce a good crop of men found in the bay with cement shoes."

Three Congressmen dead or nearly dead in the space of ten days, including Rep. Leo Ryan, who died at the hands of "People's Temple" assassins in Guyana, is enough to raise anyone's suspicions. But what do Stevens, Steiger, and Ryan have to do with each other — or Resorts International?

## Intertel

Those deaths, or Resorts' particular dirty money operations, have relatively little to do with each other. But they are intimately connected to another set of developments, more important, and more hidden, than any of these. One clue involves Resorts' 86 percent owned subsidiary Intertel, the biggest private spook agency in the world. Behind the scenes, much more heat is in evidence against Intertel than against its parent company Resorts. One of the biggest Texas oil outfits, which used to employ Intertel to screen its personnel assigned abroad, just dropped the security firm like a hot potato. When powerful corporate muscle turned on in New Jersey to shut Resorts down — muscle typified by the old Standard Oil of New Jersey networks that go back to the Eisenhower-Nixon Administration and earlier — word came through that the real target was not Resorts but the supersecret private spook agency.

A good way to describe Intertel is as the entity that, if unraveled, would take with it almost everything dirty and corrupt in the American intelligence community. And the intelligence community is now at war. Even the surface indications are startling. Up in front, Israel's foul secret intelligence agency the Mossad, and its collaborators in the American Anti-Defamation League of B'nai B'rith, are trying to shove the old stalwarts of the Central Intelligence Agency out of position. The public has not picked up on this, or wondered what a death-battle inside America's covert services might have to do with dead Congressmen, or the Jonestown shock headlines.

At this point a confession is in order: we *know* who is putting the squeeze on Resorts, and through what means, and have no intention of leaking information that would tactically enhance the position of the Mossad gang against any American political group. But we can give the reader sufficient indications to understand what is important to him in this case.

## The rundown

Consider, first, what Intertel is. Its president is Robert Peloquin, who went from the National Security Agency (NSA) into the Kennedy Justice Department, and headed the first Organized Crime and Racketeering section the Justice Department ever had. Peloquin supervised the 1965 "Operations Tradewinds" farce that allowed Meyer Lansky to grab Paradise Island in the Bahamas through the "ocean" Resorts International Front. Peloquin brought much of his staff with him to Intertel, including Walter Sheridan, another NSA veteran who went on to head Robert Kennedy's "get Hoffa" squad. Sheridan went on to NBC news, where he conducted the hatchet job against New Orleans District Attorney Jim Garrison's nearly successful investigation of the John F. Kennedy assassination. Israeli Intelligence's most important "mole" in the Central Intelligence Agency, former CIA counterintelligence chief James Jesus Angleton, now works for Intertel.

The full story on Intertel's filthy activities as a cover for the Israeli Intelligence-Zionist Lobby-British Special Operations-Mafia gang who murdered JFK and RFK appears in the book *Dope, Inc.* published this month, by Konstandinos Kalimtgis, Jeffrey Steinberg, and this author. Suffice it to say that exposing Intertel would also wreck the Mossad's attempt to take over American intelligence, and do a great deal to stabilize Iran and the Persian Gulf, now the subject of an Anglo-Israeli destabilization effort.

## Indonesia

Rep. Leo Ryan was the victim of the same British-Zionist lobby subversive group. According to well-informed sources in the California Republican Party leadership, Ryan went to his death in Guyana as part of a well-coordinated effort to bust up Gov. Jerry Brown's links to Israeli intelligence and its American friends. That little operation included the use of kooky Jerry Brown as a totem pole around which to gather every cult group in the state of California. As it happened, the noble objection of severing Brown's links to the Mossad — typified by New York financier Arthur Krim, a moving force inside Transamerica Corporation, the funder of the Project One brainwashing center that produced Jimmy Jones' "congregation" — was not conducted through noble means. Someone screwed up the Brown family's 10-cent-a-barrel rakeoff on Indonesian oil sold in California, and used the financial pressure to obtain political concessions!

The Indonesia story is not exactly a detour: it is a good example of what forces are at work. Former Gov. Pat Brown and his son Jerry got the Indonesian rakeoff through Arthur Goldberg's influence in the management of Indonesia's oil company Pertamina. Goldberg's agent

was a Mossad-linked shipowner named Rapaport. Pertamina's bankruptcy in 1976 — inspired by Brown's and Goldberg's enemies in the U.S. — began a chain of events which, earlier this year, promised to wipe the Brown interests out, along with Arthur Goldberg's London-based Great American Investment Company.

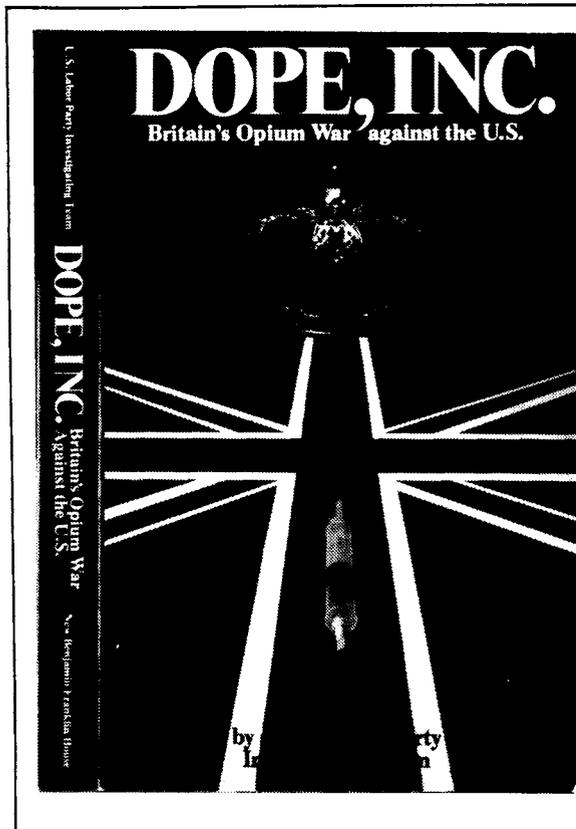
Goldberg, one of the worst thugs in American politics, financed his 1970 gubernatorial race against New York Governor Nelson Rockefeller through the same Mossad creeps who bankrolled the brainwashing operation that produced Jonestown, including Transamerica's Arthur Krim. That group stood to lose a lot when Jerry Brown's financial antagonists forced him to dump Lieutenant Governor Dimely, Brown's liaison with the kooky cult groups, earlier this year. They stood to lose everything when some of the "old boys" got Leo Ryan to knock over their little dope- and gun-running operation at Jonestown. So they murdered Ryan and accelerated the self-destruct scenario of the People's Temple.

Broadly speaking, the interests who wanted to clean out the Augean stables of the Brown Administration in California were the same ones who had tangled with Brown's environmentalists over the importation of Alaskan oil into California, and the same interests who object to the destruction of America's link to its allies Iran and Saudi Arabia. That reflects on the motive for the

apparent sabotage of Alaskan Sen. Ted Stevens' plane last week; Stevens was the most popular opponent of the environmentalist crazies, and also Republican Whip in the Senate. Young Rep. Steiger, who had already made his reputation as the sponsor of a promising piece of legislation for capital gains tax cuts to stimulate capital investment, was closely tied, as a matter of business, to the same interests.

A dirty-tricks war fought behind the scenes, through violence and scandal, isn't the best thing for the country. It is the case in the present situation that the Anglo-Zionist group has gone overboard, and pushed even some of their old friends and collaborators in the business, political, and intelligence community into fierce opposition. The old "Anglo-American" alliance is breaking up. But these issues must be fought out before the public view, the way the book *Dope, Inc.* presents them. What is most important in the Resorts International case, finally, is that the honest law enforcement officers who have been waiting for years to get these criminals — the same people, in some cases, who helped make *Dope, Inc.* possible — now have their chance. The "fight at the top" should be seen as an opportunity to wipe out the corrupt and subversive element in America's guardian agencies, as well as the policies behind such elements.

— David Goldman



## **The Book To Stop Britain's Drug War Against The U.S.**

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# EMS bandwagon gains speed

*The new monetary system is upping its global political impact*

Italian Premier Giulio Andreotti's Dec. 12 announcement that Italy will join the newly formed European Monetary System (EMS) has sharply shifted the world strategic situation toward realizing the EMS's goal as a "superpower for peace."

Andreotti's decision, taken with the strong support of French President Giscard d'Estaing, West German Chancellor Schmidt, the Vatican, and a parliamentary vote of approval, leave Great Britain without a shred of political cover in its opposition to the new monetary system. For just this reason, Italy's entry will touch off an international bandwagon effect toward the EMS among all those nations and industrialists, including in the U.S., who have been holding back for fear that the new trade and development-oriented money system would not become a political reality.

Statements issued by Andreotti and representatives of the French and West German governments over the past few days—statements blacked out of the U.S. media—have made the import of the EMS's institutionalization crystal clear. "This is a step in the formation of a new world economic order," announced Andreotti after the parliamentary vote approving his cabinet decision. "It will bring international economic stability especially for the United States dollar."

Speaking to an extraordinary conference of his Social Democratic party in Cologne Dec. 10, Schmidt defined the new system as a "superpower for peace."

But the major political gauntlet has been thrown down by the government of Giscard d'Estaing. The French President concluded an official visit with Jordanian King Hussein on Dec. 11 by announcing that the British Intelligence-authored and Carter Administration-championed Camp David accords were leading 180 degrees away from the "global solution" needed in the Middle East. The world situation is thus very tense and dangerous, he said, putting war-avoidance as the top national priority.

France is shooting for much more now that the EMS is established. Last week, President Giscard's party, the Union pour la Democratie Francaise (UDF), proposed a 100-point program for the European elections that has as its core a proposal that the Europeans launch a \$100 billion European Community loan, part of it for European investment for industrial recovery, the rest in the form of 10-year credits to the developing sector to enable them to buy European goods and technology. The dramatic French announcement was made at a party conference by

Jean-Francois Deniau, France's Foreign Trade Minister, indicating that this is also French government policy.

## Italy breaks with Britain

Italy's formal announcement that it will join the EMS on Jan. 1 rebuffs a campaign of blackmail and intimidation that ran from coup rumors to threats of personal assassination. The British were euphoric when they succeeded in getting Andreotti to abstain from the EMS at the formal decision meeting in Brussels on Dec. 5. While not crippling the operations of the EMS as a dollar-support, trade-promotion system, the Italian abstention had been a symbol of Britain's political muscle to stop the most personally committed political leaders from acting in their nation's self-interest.

Upon his return to Italy, Andreotti moved immediately to consolidate support from the Vatican and viable layers in the Christian Democracy and Italian Communist Party. He received more than encouragement from Giscard and



Schmidt. Giscard spoke to him by phone for 20 minutes after tracking Andreotti from town to town on Dec. 11.

The political groundwork for parliamentary and popular support was laid both by public statements for the EMS by Christain Democratic Party Chairman Zaccagnini, and by the circulation of a leaflet entitled "Seven Days to Join" within Italian working-class layers by the European Labor Party. Finally Andreotti not only faced down Italian Central Bank head and British agent-of-influence Baffi, but also felt confident enough to place the decision to join the EMS before the Parliament, where political shenanigans by British agents in the Socialist and Communist Parties were assured.

The effect of Andreotti's decision has been immediate throughout Europe. The Spanish government jumped in quickly with an announcement that it would join under associate status before it has European Community membership, and join with full status afterwards. The *Journal of Commerce* quoted sources indicating that Ireland will now move to join, and that other backsliders like Norway will now have to renegotiate terms in order to get back into the new monetary system. Only the losers will now want to stay out of the EMS, with Britain at the top of the list.

This doesn't mean the battle is over, or even that it will diminish, either in Italy or globally. British and British-tied Israeli circles still have the option of the Mideast war threat. The British Foreign Office and the BBC have sponsored Ayatollah Khomeiny in Iran, who is threaten-

ing a new oil embargo if he gets into power—the aim, to blackmail Europe. And the real fight is over the only remaining strategic asset the City of London can control: the United States government.

#### UDF conference: returning to Charles de Gaulle

The immediate impact that the EMS consolidation will have on diminishing the danger of war was the theme of the recent deliberations of Giscard's political party, the UDF. The political message of the party's conference was enough to strike terror into the hearts of the British: Giscard is carrying out his global strategy as the legitimate heir of General Charles de Gaulle.

Central to the UDF conference was the proposal for a \$100 billion international development fund as the real meaning of the European Monetary System. But the Giscardians at the conference went further. Giscard's associate Pierre-Christian Taittinger used uncharacteristically blunt language in his warnings of a war danger caused especially by the "tactical" nuclear warfare doctrine identified with Energy Secretary James Schlesinger. He tied Giscard's policies to those of General de Gaulle, whom he characterized as a "strategist" whose approach, like that of Giscard, was based on French leadership of a sovereign united Europe emphatically excluding Great Britain, and capable of mediating a global policy in the interest of peace.

The political intent of the French has been immediately reflected in the publicity around large economic develop-

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## France's \$100 billion program

Last week's remarkable French announcement of a \$100 billion European Community loan program is the kickoff to the new European Monetary System. The 100-point program proposed by President Giscard's party, the Union for French Democracy (UDF), is partly to finance a program of investments within Europe, "with a particular stress on employment."

The rest is to be used as a "European Marshall Plan": while European production is only running at 70 percent capacity, "Europe would put funds at the disposal of developing countries for a period of 10 years, funds which the beneficiaries would allocate toward purchases in Europe."

Jean-Francois Deniau, the French Foreign Trade Minister who announced the program to the UDF,

introduced the program as his party's and his government's proposal for the upcoming European elections.

Deniau was strong on the need for "an organized and independent Europe, a Europe which is at the same time a guarantee against war, a response to our economic and social needs, and an assurance of democracy and freedom." He said that "too many indispensable joint policies have remained in embryo," such as energy and scientific research.

*Les Echos*, the French financial daily, describes this European program as an attempt to set up a European Community-wide five-year plan. But the stress has been put on the "social policy" aspects—the requirements of trade unions and the population as a whole.

In fact, the program is going to be very hard for the French trade

unions, dominated by the Communist CGT, to reject. It stresses that certain policies which would be impossible to carry out on the national level are eminently possible when done on the European level. Deniau mentioned policies like retirement "a la carte" after age 60 (i.e., you can retire if you want but you don't have to if you don't want), the 35-hour work week, and a fifth week a year of paid vacations.

In conclusion, Deniau said that "Europe is not aimed at substituting itself for the United States but at bringing them something supplementary." This Europe will be "neither a satellite of the Soviet Union nor an annex of the United States."

The entire program must be ratified at the party's congress in February before becoming official.

ment proposals to be initiated along with the European Monetary System. All the French newspapers last week featured a proposal from the UDF for a \$100 billion dollar development fund for Third World development to be carried out in association with the EMS.

This is complemented by reports in the *Journal of Commerce* and European papers that the EMS nations will establish a facility matching the Eximbank in Washington in order to handle "giant export deals" which could be conducted in a "single currency bids" on "preferred terms," i.e. in dollars at subsidized interest rates.

UDF conference speakers including Giscard launched scathing attacks on the general secretary of the Gaullist RPR party, Jacques Chirac, who last week proclaimed his intention to launch a mass mobilization against the European Monetary System.

Chirac's remarks have generated a major factional battle inside the Gaullist party. Leading Gaullist "barons" like Alexander Sanguinetti are openly attacking Chirac and naming Giscard as de Gaulle's successor because of his success in establishing the EMS. The climate is thus being created inside the country in which Giscard will have the national political backing required to take bold initiatives.

#### Arabs and Soviets on the threshold

A similar process is now going on in West Germany on an unprecedented scale, and it is being repeated in the other European nations now poised to join the new mone-

tary system. The other major components of the world economic recovery system—the Arab world and the Soviet Union—stand on the threshold as well, with the Brezhnev faction's consolidation around a peace through development strategy the most significant backup for the EMS.

What remains open is the response of the United States. Conditions are now optimal for the consolidation of pro-industry, pronuclear forces on the same basis as Andreotti acted in a more difficult situation. "It's the EMS or economic catastrophe," Andreotti told the nation. He could have added that such an economic catastrophe would be a trigger for chaos that would lead directly toward thermo-nuclear showdown.

That situation is even more true for the United States. The Franco-German alliance, the continuation of the humanist tradition of city-building progress, has offered the United States the way out of depression, the way to peace and detente, the perfect package to realize the humanist Grand Design first put forward in the 18th century which won the American revolution. Either America joins the bankwagon, or the U.S. faces hell.

—Nancy Spannaus

#### IRELAND JOINS THE EMS

As we go to press, we learn that Ireland has officially decided to join the European Monetary System. This leaves Britain the only European Community member not in the EMS.

## L'Unità: 'The EMS is a mistake'

For months, the opposition to the European Monetary System within the Italian Communist Party has come from the wing controlled by Giorgio Amendola and Giorgio Napolitano. Implausibly, for Communists with a labor base, they have attacked it and other plans for emphasizing heavy industry. Their solution to the Italian economic crisis involves cutbacks in high technology; an increase in tariffs under the rubric of encouraging domestic food production; and light-industry investments in the economically backward Italian South.

The Amendola-Napolitano program is attacked by those, within the Communist Party and outside, who say that protective tariffs against French agricultural production—without any serious domestic invest-

ment plan—will only increase the cost of food to the population and that the "investments in the South" Napolitano and Amendola propose are nothing more than labor-intensive runaway shop operations.

This week the Amendola-Napolitano group was apparently in control of the Communist Party's newspaper L'Unità. Below are some excerpts from their comments on the Italian decision to join the European Monetary System.

L'Unità editorial, "And the reasons?," Dec. 13:

(Prime Minister) Andreotti has proposed immediate and unconditional adherence to the European Monetary System to the Parliament, but the deputies have sought in vain to find in his speech new elements and arguments to back up this abrupt change in the direction taken by the government and justified repeatedly by various

ministers. He has not devoted the necessary attention to the concerns expressed by the parties which he consulted, and has taken no account at all of those "thorough technical examinations" that were promised after Brussels.

... Only loans have been obtained, in a moment when credit is certainly not lacking on the international market. Nothing was achieved by way of commitments, on the other hand, regarding transfers based on EEC policy. And even for the regional fund, the foreseen increases are still not obtained. In short, the question of coordination of EEC policies, which is essential to avoid diverging behavior and to safeguard at least the right of the weakest countries to grow more rapidly than the others. And even on this nothing is gained.

... Because of this we continue to be convinced that immediate participation in the EMS, without conditions, is a mistake, is a risk.

# Mideast: arena for EMS peace policy

Both Jordanian King Hussein and Palestine Liberation Organization Chief Yasser Arafat last week publicly called on France to take a greater role in resolving the Arab-Israeli conflict. In remarks timed to coincide with Hussein's arrival in Paris, Arafat criticized French Mideast policy as being too much in the shadow of the United States.

Such statements reflect the coordination developing between leaders of the Arab world and the governments of France and West Germany to steer the Mideast negotiations back onto the Geneva track. The Euro-Arab political axis grows out of increasing displeasure in both sectors over the Camp David talks and U.S. Mideast policy. The necessity for a general Mideast peace settlement is recognized in Bonn and Paris as a critical precondition for heightened Euro-Arab economic relations through the European Monetary System and its sister financial institution, the newly inaugurated Arab Monetary Fund.

French President Giscard replied to the calls of Hussein and Arafat this week by taking time out from his talks with the Jordanian monarch to declare that "it is wrong to think that a global settlement can be reached in the Middle East through a partial peace." And one of Giscard's closest aides linked global instability to the threat of a separate Arab-Israeli settlement.

France is asserting its crucial role in the Mideast by calling on the European Community to adopt Giscard's stance on the need for an overall peace through the Geneva Mideast peace conference. A spokesman for the Economics Ministry of West Germany stressed that his country was in total harmony with France when it comes to the Mideast.

## Ending the Lebanese crisis

France's pivotal role in Middle Eastern politics has been closely coordinated with the Soviet Union and the Vatican. King Hussein will conduct talks with the Pope immediately following his stay in Paris this week. Nowhere has French-Vatican cooperation been more pronounced than in the Lebanese crisis. France has exerted considerable diplomatic muscle in arranging for a government of national unity for Lebanon — a move designed to isolate extremist Maronite elements associated with Camille Chamoun and backed by Israel.

Late last month Lebanese President Elias Sarkis made an extended visit to the Elysee Palace for talks with Giscard and other top French government officials. No communique was issued from the talks as a result of some tough bargaining by the French. Giscard informed Sarkis that he would only receive badly needed French aid to

rebuild Lebanon's wartorn economy and military if Sarkis stopped appeasing the extremist Israeli-backed factions of the Lebanese Falange and the Chamounists.

Such a bargain is calculated to deprive Israel of one of its most valuable allies which Jerusalem has repeatedly used to throw Lebanon into chaos and threaten Mideast peace.

France's relations with Israel have never exactly been warm. But the commentary which accompanied the Foreign Ministry's declaration calling for the EC to adopt French Mideast policy stresses that in the future Israeli-French relations will get even chillier.

## The Soviet connection

The visit of Soviet Foreign Minister Gromyko to Paris last month signalled a new era of Franco-Soviet cooperation. France has sensitively geared its foreign policy with consideration to the detente which has taken a positive turn between the USSR and Europe since Brezhnev's trip to Bonn in May of this year.

In this connection, the two-day visit of Iraqi Vice President Saddam Hussein to Moscow this week was an important complement to the talks between Giscard and King Hussein. Iraq has since the Baghdad conference of Arab heads of states last month become a pivotal nation in wielding an unprecedented degree of unification within the Arab world. It is precisely such unity — which has united the so-called radical and conservative states — that is vital to stepped-up regionwide economic development.

The French press put it quite well, in commentaries on the Baghdad summit, by linking the meeting to the prospects of a full economic development plan for the fertile crescent. This orientation has been behind the recent political and economic coordination by Iraq, Syria, Jordan and the PLO. One of the key institutional links in a pan-Arab economic plan is the Arab arms industry which is being chiefly advised by the French.

The Saudi Arabian Defense Minister held talks with Giscard last month and confirmed that in the future France will play an unlimited role in the arms industry. In the past week Iraq has announced the purchases of French Mirage jets, and then proceeded to finalize stepped-up arms supplies from the Soviets.

Such developments portend the kind of global cooperation which can go into bringing peace and development to the Mideast if the policies which France and her European partners advocate succeed in becoming the basis of Mideast policy in Washington.

—Judith Wyer

# The U.S.: Miller signals a shift

U.S. Federal Reserve Chairman G. William Miller, speaking before the prestigious Atlantic Bridge annual meeting in Frankfurt, West Germany Dec. 12, officially endorsed the new European Monetary System in terms that indicate a sudden improvement is in the works for Washington's bumbling international monetary policy.

"The EMS is a creative and courageous concept," said Miller. "There is some risk with any major innovations—but the new arrangement is a constructive approach toward greater monetary stability. All of us stand to benefit, and we wish you complete success on this important venture."

Miller's apparent change of heart reflects more than the friendly but forceful two-hour briefing he received from West German Chancellor Helmut Schmidt before his speech. Contrary to his assertion yesterday that he "has always been in favor of the EMS," Miller, with U.S. Treasury Secretary W. Michael Blumenthal, has since his January 1978 investiture consistently led the Carter Administration in collaborating with Bank of England Governor Gordon Richardson and British Chancellor of the Exchequer Denis Healey in opposing the efforts of West Germany and France to stabilize the U.S. dollar as the world reserve currency.

But the tremendous eagerness of the U.S. business community for a revitalization of the U.S. dollar and of world trade has produced support for the efforts of the German and French allies in this country, which Miller and all Washington can ill afford to ignore. Since Dec. 5 *Fortune* 500 corporations around the country have peppered the U.S. Labor Party—whose chairman Lyndon H. LaRouche, Jr., is widely recognized as the intellectual author of the EMS—with questions on the new monetary system, complaining that Washington is in the dark.

Enthusiasm is spreading throughout the U.S. industrial heartland. The Milwaukee *Sentinel*, in a Dec. 12 editorial entitled "New European Monetary System Holds Promise," endorsed the "dialogue between the U.S. and continental Europe" established by the EMS. The system "should be a milestone for monetary stability... with the German mark as its bulwark," lauded the *Sentinel*. The fact that the system is to be established "without the British pound" means the dollar will not be adversely affected, the editorial notes, and the exclusion of the British especially will promote a U.S. dialogue with West Germany and France.

"We're in favor of the EMS," said a major U.S. aluminum producer yesterday, "because it will promote industrial projects in the Third World. The myopic steel in-

dustry, which is only interested in U.S. domestic matters, had better wake up."

## The ECU vs the dollar

This seeming shift in the U.S. perception of the EMS reflects the demise of a hoax centering on the European Currency Unit (ECU), which Britain had demanded the EMS create as an alternate currency to the U.S. dollar.

While the British in London have overtly hit the dollar, their U.S. collaborators have used those very attacks to sabotage American support for the EMS. The Blumenthal Treasury and every anglophile economics reporter from the *New York Times* to the *Washington Post* have for months denounced the EMS as "antidollar" because of the ECU issue.

Now the floodgates of reality are opening in this country. Asked at his Frankfurt press conference by this news-service what in the world Healey meant by calling for the ECU as an alternative reserve currency to the dollar, Fed Chairman Miller said sarcastically: "I haven't the faintest idea what Healey means. It seems to me Healey should answer that question himself."

Commenting on the Healey Parliament speech, a high U.S. Treasury official admitted today that "The British have for a long time issued proposals to develop a new reserve asset. . . but the ECU is not a currency. The Europeans don't trade in it. It won't become a reserve currency." (For more on the ECU issue, see ECONOMIC.)

## 'Triffin doesn't know'

Reflecting this perception shift, the chief financial officer of a U.S. oil multinational, who had been receiving his briefings on the EMS from the British Chancellory previously, on Dec. 13 endorsed the EMS in an interview with this news service. The executive remembered clearly West German Assistant Finance Minister Karl Otto Poehl's recent assertion that the EMS will never create an alternate currency. He had a simple comment on Healey associate Robert Triffin's article in the December issue of the widely-circulated Council on Foreign Relations quarterly, *Foreign Affairs*. The article asserts that the ECU, which Triffin invented, is the centerpiece of the new EMS. "It's not exactly that Triffin is lying—he just doesn't know what he's talking about."

The *International Herald Tribune* reported today that the U.S. Treasury is now "furious about international proposals for substituting the SDR (the International Monetary Fund's Special Drawing Rights) for the dollar." This "SDR substitution" scheme, urged loud and often by British Chancellor Healey since the April 1978 IMF midterm conference, was until recently publicly supported by Assistant Secretary of the Treasury C. Fred Bergston.

Miller's new-found monetary expertise in particular reflects new U.S. corporate and banking interest in the long-term strategy of the "Consolidation Plan," proposed in October by West German Chancellor Schmidt and then Japanese Premier Fukuda, to reinvest the \$600 billion in unstable overseas Eurodollars in profitable Third World

development projects. Under this plan, the EMS-member and Japanese central banks, who hold some \$100 billion, would loan out "development dollars" at a government-subsidized 5 percent, half the going world dollar interest rate, to create demand for hard dollar investments. U.S. corporations would be urged to borrow, too.

Starting with Chase Manhattan Bank Chairman David Rockefeller's call Dec. 6 for lower interest rates, the U.S. business community seems to have warmed to the plan. A major business think tank told *NSIPS* it was studying the idea yesterday, while the Dec. 13 *Journal of Commerce* reported one facet of the dollar-recycling plan under the headline "EC Making New Attempt to Revive Export-Import Bank."

For the record, Miller this June was reported by worried West German banking sources to be circulating a joint memo together with Bank of England Governor Gordon Richardson, calling for an alternative Euromarket reform plan which would shut down the dollar as the reserve currency. They proposed U.S. banks be forced to raise their interest rates through the imposition of reserve requirements on the Eurodollar market, which would force American banks out of the international lending competition. They also proposed that the IMF okay all new loans, and that SDRs be substituted in for dollars—all of which was supposed to reduce the mushrooming dollars held overseas.

Questioned by a correspondent from this news service in Frankfurt, Miller yesterday disassociated himself completely from the Richardson sell out. "We must be careful," he said, "which plan we choose. After we have acted to stabilize the dollar, we can choose" the better plan. Corporate sources reported yesterday that Miller has told them more bluntly that the Richardson format is now "dead—totally unworkable."

Miller followed this up with a plug for a rising dollar, reversing his statement of early December that the dollar had "peaked." The uncertainty on foreign exchange markets due to unrest in Iran "has gone too far," he said. "It would be appropriate for the dollar to be somewhat higher, with potential for further appreciation as improved fundamentals become apparent in the period ahead."

Miller's shift may well swing the entire Carter Administration toward the EMS, Washington sources close to the National Security Council said, after last week's favorable statements from the State Department on the new monetary system. But it is apparent that only continued healthy political pressure from the U.S. business community—which ought to be joined by U.S. labor—will keep the Administration on the track.

—Kathy Burdman

## Japan: fighting in the shadows

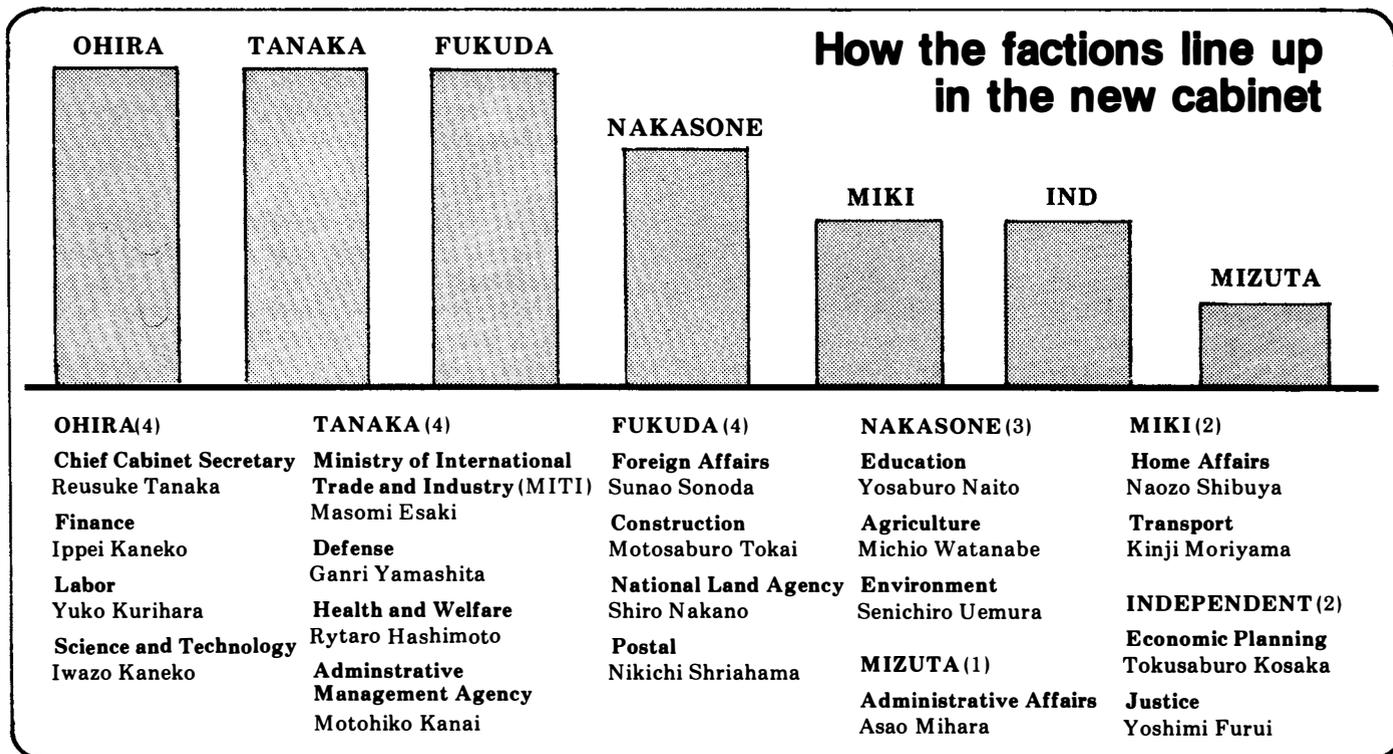
A top Japanese political reporter summed up the current situation in Japan after Masayoshi Ohira's elevation to Prime Minister last week. He remarked that now there existed two cabinets in Japan, the official cabinet announced by Ohira and the "shadow cabinet" of ruling Liberal Democratic Party (LDP) and business power brokers who were still warring with each other to make government policy.

The fight within the shadow cabinet of Japan is fundamentally centered around how Japan will respond to the European Monetary System. On one side there are the forces of the Mitsui bank networks and Mitsui's allies in the high-finance Shibusawa family who pushed their long time protege Masayoshi Ohira into power in one of the worst "dirty money" elections in Japan's history. These political and business networks are dead set on reversing the policies outlined by Prime Minister Takeo Fukuda who strongly supported a Japanese-German alliance to bring the EMS perspective to Asia.

Allied against the EMS's detractors are the forces of former Prime Minister Fukuda and his intraparty allies Yasuhiro Nakasone and Takeo Miki. This group enjoys the overwhelming support of Japan's heavy industry businessmen like Nippon Steel and Nippon Steel's major bank, the Industrial Bank of Japan. It is these industrialist forces which today are exerting their own pressure on Ohira to make sure that Japan continues the economic policies of the Fukuda government.

Last week the EMS forces in Japan won a major victory when it was reported that Ohira had decided to create a three-man task force led by Kiichi Miyazawa, a Fukuda ally and head of the Economic Planning Agency under Fukuda, to plan the upcoming Tokyo economic summit. Even more important than Miyazawa, however, is the decision of Takashi Hosomi to join the task force. Hosomi, a former high official of the "German school" inside the Ministry of Finance, is today a top advisor for the dirigist Industrial Bank of Japan. The third task force member is Nobuhiko Ushiba, Fukuda's Minister for External Economic Affairs and a leading Foreign Ministry bureaucrat who is also a known political enemy of Ohira's.

On virtually the same day that reports began to circulate about the appointment of the new summit task force, London's allies in Tokyo launched a major slander and disinformation campaign about Japan's true position toward the EMS. Late last week unnamed officials from Japan's Ministry of Finance leaked a story to the *Mainichi Daily News* saying that the EMS was "not only redundant but unwelcome in the interests of the world economy and international currency stability." The officials said that



the November announcement of President Carter's policy to defend the dollar combined with Federal Reserve chairman Miller's antibusiness "inflation control" policy "has already provided a strong enough remedy for the chaotic international foreign exchange market developments." The Ministry of Finance leak comes from a section of the Ministry wholly dominated by the Mitsui Bank networks.

Although Masayoshi Ohira has been presented in the Western press as a purely "Japanese" politician who is a virtual unknown in the West and whose policies would be little different from Fukuda, there was no missing the major significance of an Ohira victory in key circles in the United States and London.

The elation of top anti-EMS policy-making circles with Ohira's victory was best expressed by Harvard Professor Edwin O. Reischauer, an advisor to the Carter Administration on Asian affairs and U.S. Ambassador to Japan under the Kennedy Administration. In an interview last week Reischauer stressed that Ohira's victory "represents a great opportunity" for the United States, the implications of which Washington has yet to fully understand.

Reischauer provided a psychological profile of Ohira stressing both the new Prime Minister's loyalty to Washington as well as his cunning. He labeled Ohira as "the cleverest and at the same time paradoxically the most honest" of Japan's politicians, "much more a man of principle than Fukuda" and a man who would be "a very strong and lasting Prime Minister."

The real nature of Ohira's "dirty money" politics against Fukuda and the role Peking and London played in

financing Fukuda's defeat has continued to emerge in the two weeks since the election. According to rumors now circulating in the Japanese business community, the Peking-owned Bank of China used the Hong Kong and Shanghai Bank to launder money to Ohira's electoral campaign.

It has also been learned that in the 1930s Ohira was a protege of a Ministry of Finance official named Shima who was an agent of the Mitsuis. Shima spent the 1930s in New York and London, working closely with the then head of the Ministry of Finance, Sehin Ikeda, himself a top Mitsui official and the self-described "Hjalmar Schacht of Japan." This Mitsui clique was key in sponsoring the fascist "Strike North" group inside Japan's military which tried throughout the 1930s to push Japan into a war with the Soviet Union at London's behest. Today the inheritors of the Mitsui outlook want to use China as another marcher lord against Russia.

A Japanese banker in New York summed up Masayoshi Ohira's attitude to the EMS saying that "Ohira is trying to undermine the EMS. Ohira is not interested in the EMS." According to the banker, one of Ohira's top economic advisors, Osamu Shimomura, is arguing that Japan should simply focus on Southeast Asia and avoid getting involved in European politics.

The return of Japan to the role of a "cautious" plodding nonentity in international affairs is a line directly supported by Henry Kissinger. Kissinger gave out his "low profile" line on how Japan should behave in a recent interview with the *Yomiuri* newspaper. Kissinger said that if Japan took an aggressive diplomatic role (i.e., one outside

the dictate of London and Washington) "there is a great danger that you exaggerate and scare everybody after that. I think that Japanese policy will be more effective if it is restrained, than if it is extremely assertive, because that will unite all the people who were afraid of the previous policy." Kissinger added, "I think one of your troubles in the thirties was that you were trying to imitate the high posture of other countries, which does not come naturally to you."

The "low profile" outlook Kissinger called for was expressed clearly in the men Ohira picked for his new official cabinet. But the announcement last week of the industrialist-oriented taskforce for the Tokyo summit gives every indication that the pro-EMS forces in Japan's "shadow cabinet" are determined to fight back, and that the fight has just begun.

#### **The "low profile" Ohira cabinet**

The new Ohira cabinet is more remarkable for what it does not contain than for what it does.

It lacks any cabinet member with a political understanding of the world outside Japan. The one exception is Sunao Sonoda, Fukuda's Foreign Minister, who was maintained in that post by Ohira.

Ohira's decision to keep Sonoda, however, was largely due to the fact that Sonoda, although a Fukuda faction member, maintains a close personal relationship with the Ohira faction, especially Ohira's number-two man Zenko Suzuki. Sonoda nonetheless does represent an influence which will help ensure the continuation of Fukuda's diplomatic policies.

Unfortunately, Sonoda is weakest intellectually when it comes to economic affairs and Ohira maintains very tight control on the new cabinet's economic policy making. The new Finance Minister Ippei Kaneko is a former finance ministry bureaucrat who has been a protege of Ohira's since 1960 when Kaneko first won a seat in Japan's

parliament. The head of the Economic Planning Agency, Tokusaburo Kosaka, although officially an independent, is a total political opportunist with strong ties to the New York banking community. Given the presence of both Ohira and Kosaka in the cabinet, one Japanese reporter gloomily commented: "I do not see how Japan can resist the pressure from Washington."

The rest of the cabinet members are almost totally unknown outside Japan and twelve members (over one-half of the cabinet) have never held a cabinet post before. Many of them were chosen merely to ensure a balanced cabinet from the standpoint of internal LDP factional policies rather than for their skills. The new cabinet is almost perfectly balanced factionally with four Ohira ministers, four Tanaka men (Tanaka was Ohira's major LDP supporter), four Fukuda people, and three supporters of Yasuhiro Nakasone and two backers of former Prime Minister Takeo Miki.

Despite this apparent surface harmony of factions inside the cabinet the Liberal Democratic Party itself is now in the midst of a bitter "power struggle" which has yet to be resolved. Fukuda, still extremely powerful, effectively blocked Ohira's first choice for the position of LDP secretary general, the most important post inside the party and the one that controls party finances. The new LDP secretary general, Kunikichi Saito, although a member of the Ohira faction, is not considered to be a strong leader. Meanwhile a Fukuda faction member, Takao Kuraishi, managed to get the number two post inside the party, as head of the LDP's executive board. A Miki man, Toshio Komoto, got the party's policy planning post.

But the major behind-the-scenes struggle for power inside the LDP revolves around the fight between Fukuda and Ohira's top political ally, Kakuei Tanaka. These are the two men whose unity is essential if Japan is to return to an openly pro-European Monetary System position.

—Kevin Coogan

# How the EMS will work

## *The technicalities and politics of the new system*

In their recent public statements, West German Chancellor Schmidt and French President Giscard d'Estaing, the original proponents of the new European Monetary System, have left little doubt that their project is intended to eventually develop into a worldwide monetary system replacing the broken-down Bretton Woods agreement. The new system's broad objective is to generate a worldwide economic recovery by transforming hundreds of billions of presently idle and continually shifting Eurodollar funds into viable, long-term credits for industrialization of the Third World and modernization of the advanced-sector countries.

A final communique released on Dec. 7 by the European Community heads of state following the two-day summit in Brussels that formally inaugurated the EMS (see accompanying excerpts) details how the EMS will work in its initial phase. A close examination of the communique reveals that virtually the entire British and American

press establishment has been guilty of spreading two falsehoods concerning the EMS: first, that the EMS will establish a new international reserve currency, the ECU, which will replace the dollar, and second, that the EMS is merely a currency stabilization scheme.

In fact, the EMS will establish a *European central bank* the European Monetary Fund, which will generate long-term development credits and, eventually, supplant the International Monetary Fund, whose policies and program have long been dominated by the EMS's bitter enemies in London.

To summarize the main features of the EMS, and their far-reaching implications:

### 1. Establishment of relatively fixed currency parities in Europe

In recent months leading European as well as Japanese

## The Brussels communiqué

*From the unofficial English translation of the "Resolution of the European Council of 5 December 1978 on the establishment of the European Monetary System (EMS) and related matters":*

### A. THE EUROPEAN MONETARY SYSTEM

#### 1. Introduction

1.1 In Bremen we discussed a "scheme for the creation of closer monetary cooperation leading to a zone of monetary stability in Europe." We regarded such a zone "as a highly desirable objective" and envisaged "a durable and effective scheme."

1.2 Today, after careful examination of the preparatory work done by

the Council and other Community bodies, we are agreed as follows: a European Monetary System (EMS) will be set up on 1 January 1979 . . .

1.4 The following chapters deal primarily with the initial phase of the EMS.

We remain firmly resolved to consolidate, not later than two years after the start of the scheme, into a final system the provisions and procedures thus created.

This system will entail the creation of the European Monetary Fund as announced in the conclusions of the European Council meeting at Bremen on 6-7 July 1978, as well as the full utilization of the ECU as a reserve asset and a means of settlement. It will be based on adequate legislation at the Community as well as the national level.

#### 2. The ECU and its functions

2.1 A European Currency Unit (ECU) will be at the centre of the

EMS; the value and the composition of the ECU will be identical with the value of the EUA at the outset of the system.

2.2 The ECU will be used: (a) as the denominator (numeraire) for the exchange rate mechanism; (b) as the basis for a divergence indicator; (c) as the denominator for operations in both the intervention and the credit mechanism; (d) as a means of settlement between monetary authorities of the EC.

2.3 The weights of currencies in the ECU will be reexamined and if necessary revised within six months of the entry into force of the System and thereafter every five years or, on request, if the weight of any currency has changed by 25 percent.

Revisions have to be mutually accepted: they will, by themselves, not modify the external value of the ECU. They will be made in line with underlying economic criteria.

spokesmen have stressed again and again that a restoration of fixed exchange rates — not only within Europe but internationally — is essential for the expansion of world trade and industrial growth. The old system of fixed rates based on Bretton Woods disintegrated following President Nixon's floating of the U.S. dollar on Aug. 15, 1971, and the resulting "floating rate" regime has been a constant source of financial instability ever since.

As an intermediary step toward restoring fixed parities, the EC communique specifies that, as of Jan. 1, 1979, a system of narrowly fluctuating currency parities will be established among those European countries participating in the EMS. Each currency will be allowed to fluctuate against the others by a margin of only 2.25 percent above or below a specified "central rate." Countries which did not previously belong to the currency "snake" and have special problems, such as Italy, will be allowed fluctuation margins of up to 6 percent. The communique adds that these margins "should be gradually reduced as soon as economic conditions permit."

## **2. Pooling of dollar and gold reserves in a central fund**

Beginning Jan. 1, 1979, the European countries will pool 20 percent of their dollar reserves and 20 percent of their gold reserves — valued at about 25 billion ECU (European Currency Units), or \$33 billion — in an already existing

EC institution known as the European Monetary Cooperation Fund (FECOM). One purpose of the reserve-pooling is to achieve maximum coordination and firepower among the central banks in carrying out foreign exchange operations to maintain stable parities among the European currencies and in relation to other leading currencies, such as the U.S. dollar and Japanese yen. An additional objective is to provide centralized credit facilities to cover a host of European needs (see below).

A tantalizing aspect of this plan is that gold has been effectively remonetized, disregarding the International Monetary Fund's articles of agreement which allegedly "remove gold from the system." Although this is not explained by the communique, informed European sources say that the EC intends to establish a new official gold price somewhere between \$200 and \$240 an ounce, which will become the basis for valuing gold internationally.

## **3. Creation of centralized credit facilities for development**

The pooling of reserves in the FECOM is merely transitional to the formation of a full-fledged *European Monetary Fund*, which, the communique states, will come into existence "not later than two years after the start of the scheme." The EMF, according to high-placed West German and French officials, will function as an international development bank capable of issuing long-term credits to Third World and other non-European countries, as well as to the immediate EMS membership.

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## **...the Brussels communiqué**

### **3. The exchange rate and the intervention mechanism**

3.1 Each currency will have an ECU-related central rate. These central rates will be used to establish a grid of bilateral exchange rates. . . .

3.3 In principal, interventions will be made in participating currencies. . . .

3.5 An ECU basket formula will be used as an indicator to detect divergences between Community currencies. A "threshold of divergence" will be fixed at 75 percent of the maximum spread of divergence for each currency. It will be calculated in such a way as to eliminate the influence of weight on the probability to reach the threshold.

3.6 When a currency crosses its "threshold of divergence," this results in a presumption that the authorities concerned will correct this situation by adequate measures,

namely: (a) diversified intervention; (b) measures of domestic monetary policy; (c) changes in central rates; (d) other measures of economic policy. . . .

After six months these provisions shall be reviewed in the light of experience. At that date the questions regarding imbalances accumulated by divergent creditor or debtor countries will be studied as well. . . .

3.8 To serve as a means of settlement, an initial supply of ECU will be provided by FECOM against the deposit of 20 percent of gold and 20 percent of dollar reserves currently held by central banks.

This operation will take the form of specified, revolving swap arrangements. By periodical review and by an appropriate procedure it will be ensured that each central bank will maintain a deposit of at least 20 percent of these reserves with FECOM. A member state not participating in the exchange rate

mechanism may participate in this initial operation on the basis described above.

### **4. The credit mechanisms**

4.1 The existing credit mechanisms with their present rules of application will be maintained for the initial phase of the EMS. They will be consolidated into a single fund in the final phase of the EMS.

4.2 The credit mechanisms will be extended to an amount of 25 million ECU of effectively available credit. . . .

### **5. Third countries and international organizations**

5.1 The durability of EMS and its international implications require coordination of exchange rate policies vis-a-vis third countries and, as far as possible, a concertation with the monetary authorities of those countries.

5.2 European countries with

In the interim, however, the scope of the FECOM's credit-generating capabilities is more limited. According to the communique, the FECOM will utilize its gold and dollar reserve base to generate up to 25 billion ECU (\$32.8 billion) in credits as required by member countries, including 14 billion ECU (\$18.3 billion) in short-term credits for foreign exchange intervention and 11 billion ECU (\$14.4 billion) in medium-term credits to cover balance of payments deficits.

An additional 1 billion ECU (\$1.3 billion) a year in long-term credits will be made available to less prosperous European countries during the next five years through the already existing European Investment Bank. Special interest rate subsidies of 3 percent (about \$260 million a year) will be provided on these long-term loans, which will be used to finance "selected infrastructure projects and programs." In a recent speech to businessmen, Giscard said that the expanded credit facilities should foster the building of cities, ports, and highways, as well as the development of high-technology industries like computers and electronics.

#### 4. Open-ended EMS membership

The fifth section of the EC communique calls for "concertation with the monetary authorities" of third countries, leaving the door wide open for the extension of the EMS into a worldwide system. The communique specifies that "European countries with particularly close economic and financial ties with the European Community" may

link up more directly with the EMS through participation in the exchange rate and intervention mechanism. Candidates for such "associate membership" in the EMS include such non-EC European countries as Switzerland, Austria, Sweden, Spain, Portugal, and Greece. Spanish officials have already announced that they intend to apply for associate membership, and would like to become full EMS members immediately following Spain's expected entry into the EC.

#### THE ROLE OF THE ECU

An issue which has generated considerable confusion in the international financial community is the role of the European Currency Unit in the new system. The confusion is due to the stream of misinformation and obfuscation from the British and British-influenced American press.

The British press previously presented the ECU as a "new international reserve currency" designed to supplant the U.S. dollar, and predicted a dire new crisis for the dollar once the EMS went into operation. When the EC summit failed to establish the ECU as such a new currency, the London *Economist* derided the conference as "the Brussels dud."

Then on Dec. 11, British Finance Minister Denis Healey told Parliament that Britain had failed to join the EMS because it was just an expanded version of the "snake." Therefore, he announced, he intended to conduct an international campaign to transform the ECU into an in-

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particularly close economic and financial ties with the European Community may participate in the exchange rate and intervention mechanism.

Participation will be based upon agreements between central banks. These agreements will be communicated to the Council and the Commission of the EC.

5.3 EMS is and will remain fully compatible with the relevant articles of the IMF agreement. . . .

#### B. MEASURES DESIGNED TO STRENGTHEN THE ECONOMIES OF THE LESS PROSPEROUS MEMBER STATES OF THE EUROPEAN MONETARY SYSTEM

1. We stress that, within the context of a broadly based strategy aimed at improving the prospects of economic development and based on

symmetrical rights and obligations of all participants, the most important concern should be to enhance the convergence of economic policies toward greater stability. We request the Council (Economic and Finance Ministers) to strengthen its procedures for coordination in order to improve that convergence. . . .

3. The European Council agrees that in the context of the European Monetary System, the following measures in favour of the less prosperous member states effectively and fully participating in the exchange rate and intervention mechanisms will be taken.

3.1 The European Council requests the Community institutions by the utilisation of the new financial instrument and the European Investment Bank to make available for a period of 5 years loans of up to 1,000 million EUA per year to these countries on special conditions.

3.2 The European Council re-

quests the Commission to submit a proposal to provide interest rate subsidies of 3 percent for these loans, with the following elements: the total cost of this measure, divided into annual tranches of 200 million EUA each over a period of 5 years, shall not exceed 1,000 million EUA. . . .

3.4 The funds thus provided are to be concentrated on the financing of selected infrastructure projects and programmes, with the understanding that any direct or indirect distortion of the competitive position of specific industries within member states will have to be avoided.

3.5 The European Council requests the Council (Economics and Finance Ministers) to take a decision on the abovementioned proposals in time so that the relevant measures can become effective on 1 April 1979 at the latest. There should be a review at the end of the initial phase of the EMS. . . .

ternational reserve asset, to "relieve" the dollar of this burdensome role. The two-facedness of Britain's stance is indicated by the fact that the British government will attempt to convince President Carter at the upcoming four-power Guadalupe summit that the U.S. should oppose the EMS because it is "antidollar," and that the U.S. should support the development of the ECU as a new international currency to replace the dollar!

The truth of the matter is that the EMS has been constructed to coordinate massive intervention in support of the dollar. As Schmidt stated in a press conference Dec. 7, those who believe that the EMS will weaken the dollar are in for a big shock.

The ECU, a weighted basket of EC currencies presently equal to 1 EUA (European Unit of Account), or roughly \$1.31 at current exchange rates, functions primarily as an *accounting device* within the EMS. Although the communique states in the beginning that the ECU will be used "as a reserve asset and a means of settlement," it is clear from the rest of the text that the ECU will be used only to settle imbalances among the central banks. When conducting exchange intervention operations, the actual national currencies will be used, not the ECU, and ECU imbalances between central banks will eventually be settled through the transfer of national currencies. The ECU will also be used to determine when a particular currency is out of line with the others. Thus, the communique provides that when a currency has moved three-quarters of its 2.5 percent margin against the ECU basket, the country in question must take steps to rectify the situation.

## RELATIONS WITH THE IMF

Although the communique diplomatically states that "the EMS is and will remain fully compatible with the relevant articles of the IMF agreement," the actual provisions indicate that the EMS violates the spirit, if not the letter, of the recently amended IMF articles of agreement.

The IMF amendments seek to legitimize the "floating rates" regime, to eliminate the gold underpinnings of the world monetary system and turn gold into an ordinary "commodity," and to establish procedures to discipline those countries which maintain "artificial," stable parities for their currencies through market intervention. As we have seen, the institution of the EMS challenges all of these IMF rules.

Furthermore, the emergence of the European Monetary Fund as a new central bank capable of generating long-term low-interest development credits will thoroughly undermine IMF "conditionality," the practice of issuing credits based on imposition of austerity and the promotion of low-technology, labor-intensive projects, which further destroy the recipient country's ability to recover from its economic difficulties. That defines the political difference on which all the technical issues ultimately depend.

— Alice Shepard

## Britain fumes over EMS success

Virtually booted out of the European Monetary System because of its obstreperous behavior, Britain now faces total isolation. Even the consolation prize — the role of "shop steward" for the "second tier" of less prosperous European countries as Callaghan phrased it — has been snatched from its grasp.

Just a week before, the British were claiming victory for themselves. The surprise upset at the Brussels summit, when Italy and Ireland declined to join the EMS, served to "distract unwelcome criticism from Callaghan" reported the Dec. 6 *Daily Telegraph* gleefully. Far from being the sole dissident, Britain appeared to be in good company, and could look forward to an early collapse of the France-German plans.

Gloating that the British government came out of the summit "without credit but pleased with themselves," the London *Economist* of Dec. 9 pinned the blame for the "Brussels dud" on West German Chancellor Schmidt and French President Giscard d'Estaing: "Much has been lost" at the summit, reported the *Economist*, not the least of which is Schmidt's political standing. He has lost a "huge stock of credit just when he seemed about to add massively to it."

According to the *Guardian's* diplomatic correspondent Peter Jenkins, the "chief objective of Mr. Callaghan's international diplomacy" in the coming period will be to insure that Britain is not excluded from the "EMS-U.S. dialogue." To this end, former Cabinet Minister (and present head of the European Commission) Roy Jenkins has been sent to the U.S. to explain his own moth-eaten plan for world monetary reform — a plan which was tossed out the window at the Bremen EEC summit in July.

In Europe, Britain is banking on a resurgence of nationalism to emire the founding member-countries of the EMS in domestic strife. Callaghan told the House of Commons that "national considerations by all the nine members" had already prevented the EMS from coming off as planned. This was also the reason Norway had decided not to join, according to the *Financial Times*. The new European edition of the *Financial Times* cheers on Gaullist Party leader Jacques Chirac for his attack on the EMS and especially for his charge that Giscard is selling out France's self-interests.

Where has such nationalism led Britain? The European Community, sick of hearing Britain's complaints and pleas for special privileges, has now tossed the "British problem" back where it belongs. As far as the EMS is concerned, although Britain may be allowed to participate in certain EEC-level consultations and reviews, it will not even have the automatic right to participate in the low-interest credit facilities granted to Ireland, a country that has been tied to Britain for centuries.

In the words of the *Daily Telegraph*, the only thing the British "won" in Brussels was the achievement of "another milestone in (its) inexorable progress down the road to genteel poverty."

# A new strategy for NATO?

## Schmidt and the EMS force a shift

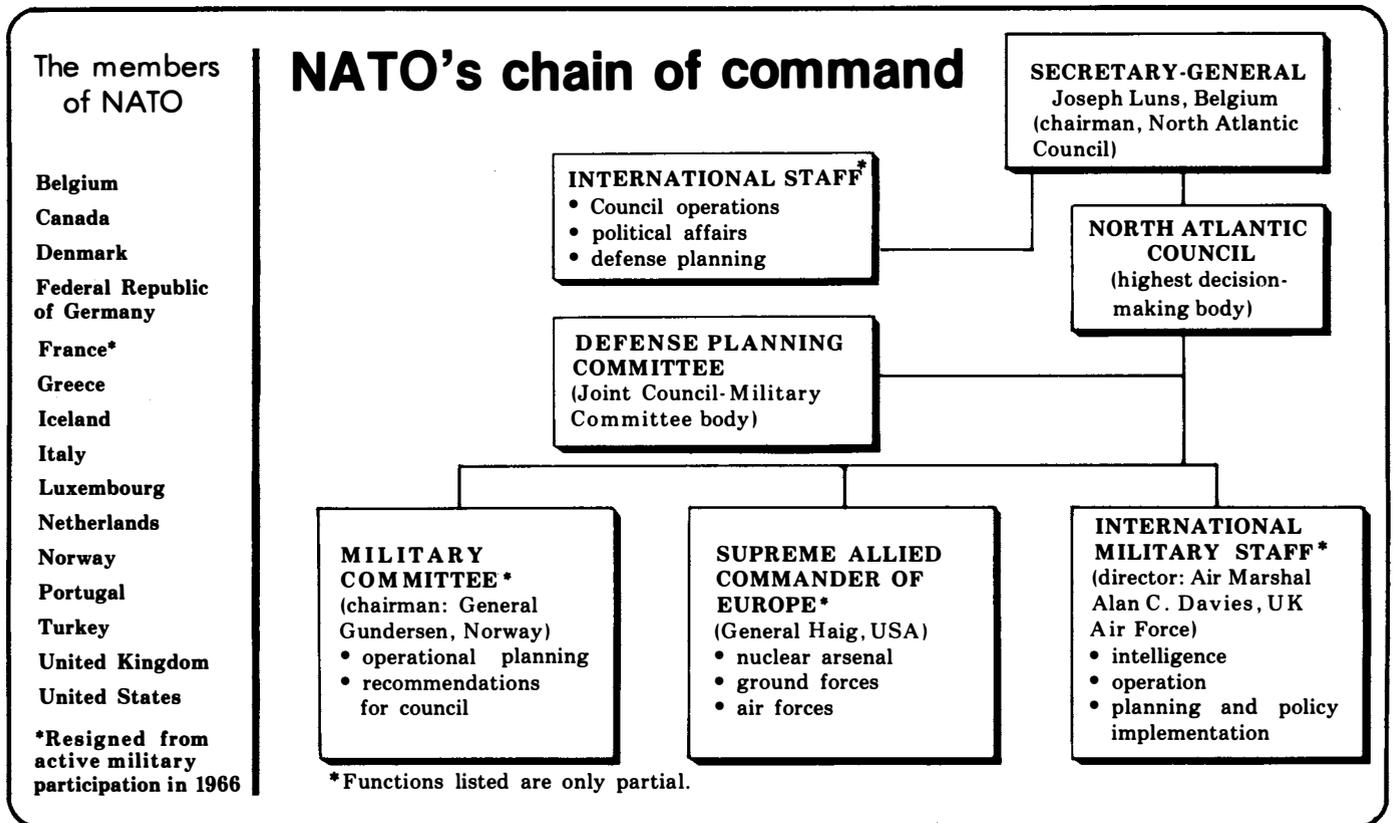
Four months ago, at the International Parliamentarians Union held in Bonn from Sept. 10-17, West German Chancellor Helmut Schmidt was a lone voice calling on NATO to reorient its policy from one of confrontation with the East bloc to a partnership for global development.

"Today we need an all-embracing partnership of political security in the interest of peace" Schmidt said there. "This partnership must be binding for all states throughout the world, irrespective of social and political aims or conditions." The leader of the strongest industrial republic in Western Europe emphasized that the key to global peace was global development: "I also wish at this point to reaffirm my view that progress on the North-South Dialogue is indispensable if international economic problems are to be solved and peace and stability in the world safeguarded."

At the time Schmidt went unheeded, as many Western leaders tried to latch on to the initial euphoria sparked by

the bogus Camp David settlement by predicting an expansion of NATO's purely military role into regions outside of the North Atlantic Treaty Organization, such as the Middle East and Africa. Nelson Rockefeller, the former U.S. Vice President, was foolish enough to predict that "NATO's frontier—the frontier of free Europe—is no longer just the frontier of Central Europe but is to be found in the Middle East and Africa as well... Soviet flanking moves in the Horn of Africa, the southern end of the Arab peninsula, and other areas must be matters of concern to the NATO nations...."

Faced with the plans of the Kissinger and Brzezinski faction within the U.S. government to set up two secret U.S. NATO bases in the Sinai peninsula, the threat of war between the Warsaw Pact and NATO prompted both West Germany and France to set up the European Monetary System. West Germany, the strongest European military power in NATO, and France, a member of the



NATO Council but not the military alliance, have begun the process of securing the economic stability that will bring peace.

As a result, their efforts on behalf of the EMS have also succeeded in bringing about a significant shift in NATO.

### THE END OF LIMITED NUCLEAR WARFARE?

Recently NATO policies were typified by the Autumn Reforger maneuvers in West Germany last September, which not only was an explicit provocation against the Soviets but left 16 people dead and caused over \$20 million worth of damage. Now the evolution to conceptions similar to Schmidt's is easily evidenced by the proposals that NATO policy boards adopted after they were presented by West German Defense Minister Hans Apel and his West German colleague, Foreign Minister Hans-Dietrich Genscher.

Apel publicly attacked three decades of British control of NATO at the NATO Council Meeting on Dec. 7 by calling for public debate, beginning no later than April 1979, on the doctrine of tactical nuclear warfare, the central doctrine in the updated version of British cabinet warfare promulgated by NATO General Secretary Luns, and NATO Supreme Commander General Alexander Haig. Expanding this debate outside of NATO, Apel said that the issue of tactical nuclear war will be "pursued both in the alliance and bilaterally," giving leverage to the debate over Franco-German proposals that have not passed through NATO headquarters in Brussels.

The widespread support that the NATO defense minister's conference gave this debate on what was previously accepted NATO dogma forced even U.S. Secretary of Defense Brown to promise, albeit vaguely, that there will be "a gradual change in the tactical nuclear warfare doctrine."

#### Development aid to Turkey

West German Foreign Minister Genscher's unprecedented proposal for NATO to support European Community aid to Turkey, Greece, and Portugal met with the same approval that Apel's proposal did. On Dec. 8, after the NATO Council session in which France participated, Genscher happily reported that the Council adopted his proposal "for a real political exchange, instead of just the usual prepared statements" by backing West Germany's plan for \$1.5 billion in an immediate EC grant to Turkey, and an eventual \$15 billion EC investment in Turkey's Five-Year Plan. According to Genscher, the NATO Council agreed because "the economic stability of a country is very important for securing democracy in some of the member and associated states."

The acceptance of this economic relief plan for the less developed countries of Europe is amazing since just three weeks ago NATO chief Luns was trying to use an aborted Spanish right-wing coup as an excuse to force Spain and Turkey into accepting International Monetary Fund austerity under the guise of NATO security. The more adamantly Turkey refused to surrender its sovereignty to the IMF's demands, the louder Luns talked about the

## Soviet press reveals...

*Pravda*, "What Is Mr. Luns Worrying About?" by V. Mikhailov, Dec. 3:

At the regular session of the NATO Nuclear Planning Group, held with the participation of generals and defense ministers, the leading role as usual went to the military men right from the start. The generals delivered reports on plans for the "modernization" of atomic warheads, that is, their replacement with neutron warheads. But then a newcomer to NATO, FRG Defense Minister H. Apel, asked to speak.

The questions under discussion at the session, he said, directly concern the themes of the East-West negotiations on limitation of the arms race, and therefore their solution cannot be left solely to the consideration of generals and military experts. "Who, in the final analysis, is running things here?" the minister asked, turning to NATO General Secretary Luns, who according to his status has the main role in the policy of the military bloc.

Apel's demarche, in the words of the magazine *Der Spiegel*, produced the following impression on those attending the meeting: "The generals froze. Luns, who was presiding, and who usually permitted himself to take a snooze from time to time during the reports of the military men, was roused by this unusual speech, and exclaimed: 'Everything discussed here is political.' Luns could not compose himself even during the recess, after which he undertook to lecture the FRG Defense Minister". . . .

The western press has expressed the view that Apel's demarche was caused by the NATO leadership's maneuvers around the problem of the neutron weapon. The FRG government has not spoken out clearly against this weapon of mass destruction, but its previously adopted wait-and-see position, based on the premise that "the USA itself must decide first," has now become increasingly untenable. . . .

At the same time, the NATO military apparatus, as the Nuclear Planning Group session showed, is acting as though the neutron weapon were already part of the NATO arsenal. This attempt by the Atlanticist strategists to induce the FRG surreptitiously to accept the "inevitability" of the neutron weapon, frightens many people in Bonn. Won't such a step destroy the system of new peaceable relations in Europe, and deprive the FRG of the possibilities that it enjoys as a result of the achievement of political detente?

## ...why Luns is worried

From all indications, Apel's statement was meant to prevent the FRG from being drawn into the conspiracy of the proponents of the neutron weapon.

More and more reports are appearing in the western papers about Bonn's efforts to get the NATO leadership to review its outdated strategic conceptions. "The good old days of NATO," notes the West German magazine *Stern*, "have already gone by. The long years are drawing to a close when NATO generals played with spreading inventions about the 'threat from the East' to force the NATO countries to new allocations for weapons."

The policy of the NATO military bloc, with its roots in the "Cold War," has become exceedingly dangerous for contemporary Europe, and this is evidently understood by sober-thinking political figures in the West. Opposition to this position is the essential precondition for the successful development of detente, for the achievement of agreement on reducing the exorbitant burden of armaments, the building of new peaceful relations on the European continent.

*Krasnaya Zvezda* [the Soviet military daily], "By NATO's Scenario," by Col. M. Ponomarev and V. Vinogradov, Dec. 3:

... In its basic characteristics the work of the North Atlantic assembly session (in Lisbon — ed.) took place according to the scenario worked out in the NATO headquarters. During the discussions there was no lack of the usual Atlanticist calls for continuing the arms race. However, not everything went smoothly for the directors of the latest NATO spectacle. The winds of positive change blowing across Europe could not help but penetrate the Lisbon hall where the parliamentarians of the NATO countries were meeting.

The report by Dutch labor party parliamentarian K. de Fries, evoked a hostile reaction from the orthodox Atlanticists, since he spoke out against the deployment of the neutron weapon in Western Europe, called for a realistic analysis of the international situation, and warned against attempts to use China as an "ally of the West." The American Senator J. Javits was furiously indignant. He introduced a counterresolution, with the support of the British delegation, rejecting that report. . . .

necessity for a "firm," dictatorial government for that country.

As a result of the West German proposal, the European Economic Community, now has an officially NATO-approved request to work out aid for Turkey through its channels, not the British-controlled IMF.

Genscher drove home the West German connection between development and security by insisting that the "contextual conditions for NATO's security" require that industrial countries contribute to the real independence and sovereignty of Third World nations through economic development. In a break with past NATO Council meetings, he also did not deliver the standard denunciations of the Warsaw Pact.

### Outflanking Britain

It did not take the British representatives to the NATO meeting, Foreign Minister David Owen and Defense Minister Fred Mulley, long to figure out the danger to both the tactical nuclear warfare doctrine and to the IMF's role as arbiter of Third World loans, both cornerstones of Britain's foreign policy. To reassert British hegemony, Owen proposed holding a special "political dialogue" between NATO and Warsaw Pact foreign ministers. As numerous British press accounts of the recent NATO meetings confirm, Owen's purpose in holding such a conference would be to destroy potential East-West cooperation through the use of the "human rights" issue, and by attempting to split Romania from the Warsaw Pact.

Genscher politely dismissed Owen's proposal as "premature," but France's new Foreign Minister, Francois Poncet, held a special press conference later to denounce Owen's proposal as "superfluous." The French government had already proposed disarmament talks around the Helsinki conference, Poncet said. The NATO Council did approve Owen's idea "in principle," but then effectively killed the ploy by making its implementation dependent on "further progress" in East-West negotiations.

The changes in NATO's stand on both limited nuclear warfare and development aid, with its implied attack on British strategy, has even knocked some sense into the Carter Administration, which usually is eager to play the "East bloc dissident" card. Right after the NATO Council meeting, U.S. Undersecretary of State Warren Christopher thoughtfully refused to gloat over Romanian differences with the Warsaw Pact, stating that the Pact "is only changing slowly and only in a matter of degree."

### The China option repudiated

The debate on arms sales to the People's Republic of China provided the third opportunity for NATO to reconsider its past policy. The NATO Assembly, the parliamentary arm of NATO, condemned the sale of arms to China "as a threat to world peace" at its Nov. 30 meeting in Lisbon. This resolution was immediately, and correctly, recognized as a major attack on Britain's proposed sale of Harrier military jets to China. The British delegate to this meeting, one Mr. Wiggins, was so surprised at this turn-

around that he did not publicly reveal his plea for support for the projected British sale.

By the time the NATO Council meeting convened one week later, on Dec. 8, the rethinking of this attempt to play the "China card" caused Luns to admit that NATO would neither openly encourage, nor stop, the sale of arms to China. U.S. representative Christopher acted cautiously and merely requested that NATO define its entire policy toward China.

#### National sovereignty vs. NATO

This strong support for the West German attacks on British NATO strategy has been building for a period of three months, ever since the end of the Autumn Reforger maneuvers.

During September, Apel was formulating his decision, based on the political damage caused by the maneuvers, that "there has to be a debate by politicians on military policy, because it cannot be that in NATO only the military authorities get to speak . . . here is an area where political leadership has to be demonstrated."

On the same day, Sept. 22, Apel also let it be known that he would personally review the scope and size of the 1978 Autumn Reforger maneuvers, which had the dubious distinction of being the largest war maneuver ever held. He also said the size of the 1980 maneuvers would probably be reduced.

The NATO official responsible for the maneuvers, Supreme Commander Haig, held a press conference with Apel in Hanau, West Germany right after the maneuvers, in an attempt to play down the criticism. This backfired, however, as Apel insisted before the press that he would still demand that the section of the NATO charter in which overall responsibility is held by elected officials and their representatives is upheld.

By Oct. 24, NATO Secretary General Joseph Luns, who had worked together with General Haig to convince Western Europe of the necessity of tactical nuclear warfare, made a special visit to Schmidt in Bonn, trying to tone down Apel's criticism. As a concession from Haig, Luns reported that the 1979 maneuvers would be smaller than those just held, but Schmidt refused to muzzle Apel.

The same day that Luns was rebuffed by Schmidt, Norwegian Defense Minister Hansen publicly rebuked British NATO Gen. Sir Peter Whitley for daring to criticize his country's parliamentary decision not to in-

crease its NATO budget beyond 3 percent in 1979. Hansen told Whitley, in one of the bitterest intra-NATO quarrels since the French left NATO's military arm in 1965, "Do not intervene into affairs which you do not understand, and do not interfere into the relations between the government and parliament in Norway."

Luns was subsequently publicly criticized by Apel at the Nuclear Planning Group meeting in Brussels, in a burst of invective rare for any defense minister. According to the Oct. 25 *Suddeutsche Zeitung*, Luns monopolized the discussion at the meeting, after which Apel became angry and said this was to prevent any political discussion. Luns immediately interrupted him, "We are always political here," only to be cut off in turn by Apel, who insisted "that as a minister with governmental responsibility, I will not allow anyone here to censor me."

In his commentary on this clash the well-known military correspondent for the *Zeitung*, Christian Potyka, wrote that "the real issue is the relation of the sovereign state of the Federal Republic of Germany to the inner core of NATO in Europe: Brussels headquarters. On a legal level, there cannot be any fight on the issue . . . but NATO is so fragile now, that it would not survive two of these publicly fought conflicts."

Potyka went on to reveal that Luns was particularly angry about the limitations Apel placed on him and on his plans for the modernization of tactical nuclear weapons. According to an article in the daily *Die Welt*, Apel told Luns, in some earthy dockworker language, that "Bonn will never give a blank check to the military," and that a clarification is needed on the issue of tactical nuclear war.

The West Germans kept this pressure up on Haig and Luns's operations in November, when Apel announced the long-awaited outcome of the Bundeswehr's reorganization plans. As the plan was originally formulated in the early 1970s by Theo Sommer, himself a leading member of the British Institute for International Strategic Studies, the Bundeswehr would be stripped of its independent intelligence, logistics, and training branches, in order to put as many West German soldiers as possible into a front-rank "meat wall" to oppose the Warsaw Pact. But in Apel's announced reorganization plan of Nov. 8 the only change was an increase in the number of brigades from 33 to 36, with no shift in the Bundeswehr personnel level, and no destruction of the army's independent support facilities.

—James Cleary

# Why Britain created NATO...

From its inception, the North Atlantic Treaty Organization was intended to block real reconstruction of Western Europe through East-West cooperation, such as that favored by then-General Eisenhower and Soviet Marshal Zhukov. Instead the U.S. was convinced to commit its armed forces, under Britain's guidance, to defending Western Europe against the "Russian imperialists."

Sir Winston Churchill was warning the world of the "Russian menace" as early as the spring of 1945. In March 1946 he delivered his famous Fulton, Missouri speech, in which he called for a "fraternal association of English-speaking peoples" to share "joint use of all naval and air forces" against the Soviet Union. However, the American population rightfully looked on the Soviets as heroes and comrades in World War II, requiring a substantial British effort to undermine American-Russian relations before Churchill's announced plan could be realized. Britain's strategists also chose the Canadians to play "North American brothers" to the U.S., to convince America of the need for "collective self-defense." But Britain had to be cautious, for fear that the U.S. might retreat into "isolationism."

## Canada leads off

The earliest open call for "collective self-defense" came on Aug. 13, 1947 by Canadian External Affairs representative Escott Reid, speaking before the Annual Conference of the Canadian International Conference of Public Affairs. Reid defended such a war-like pact as "consistent" with the aims and goals of the United Nations, according to Article 51 of the UN. One month later, Canadian Foreign Minister Louis St. Laurent established that Reid's remarks were official Canadian policy. That same month, in the Sept. 14 *New York Times* magazine section, then-President of the New York Council on Foreign Relations Hamilton Fish Armstrong became the first American to advocate the collective self-defense idea. Four days later, St. Laurent introduced into the United Nations a supplement to the UN Charter permitting self-defense arrangements.

Simultaneously, the British manipulated the "Greece crisis" in order to move the U.S. executive into an "anti-Communist" posture. Harry Truman's decision to intervene into the "crisis" and the March 12, 1947 "Truman

Doctrine" told the Soviets that the British had succeeded in capturing the American presidency.

J.D. Hickerson, director of European Affairs in the U.S. State Department "predicted" in October 1947 that the Council of Foreign Ministers in Europe (representing the U.S., the Soviets, France, and Britain) would fail to get a German settlement, and that this would catalyze inter-governmental discussions of a security pact. His prophecy was borne out on Dec. 15, when British Foreign Secretary Ernest Bevin insulted the Soviets to the point that the Soviet Union was compelled to pull out of the Council talks.

Using this "break in relations" between East and West, Bevin suggested a formula for a limited Western Union known as the Bevin Plan. This proposal, which led to the formation of the European-wide Brussels Treaty, specifically excluded the U.S. because, in Bevin's own words, demanding an American commitment at that point "might at this stage have disturbed the Senate of the U.S."

## How America was manipulated

While Bevin publicly campaigned for the Brussels Treaty, however, in private he proposed that Britain, Canada, and the U.S. meet secretly in Washington, D.C. to discuss the idea of a pact under UN Charter Article 51. Bevin's proposal followed by four days British intelligence's successful "Czech project," wherein British-controlled anti-Soviet networks inside Czechoslovakia were activated to provoke the Soviets into what was called the "Czech coup." The "coup" was the opening salvo of British-directed psychological warfare against the American population. During the March 1948 period preceding the secret meetings, three "prominent" U.S. journalists went on record in favor of an alliance against the Soviets — Marquis Childs, James Reston, and Walter Lippmann.

For his part, Bevin, in proposing the tripartite secret talks, manipulated the U.S. State Department with reports of "a threatened armed attack by the Soviet Union" against Norway to cause Norway to accede to Soviet demands. A defection by Norway to the Soviet camp, wrote Bevin, "would involve the appearance of Russia on the Atlantic and the collapse of the whole Scandinavian system. This would in turn prejudice the chance

# ...and how the U.S. got roped in

of calling any halt to the relentless advance of Russia into Western Europe.”

A highlight of the secret talks, which lasted one week from March 26 to April 1st, was a draft for a “collective self-defense agreement for the North Atlantic area.” written by T.C. Achilles, chief of the division of Western European Affairs in the State Department. Achilles saw such an arrangement as the beginning of a union “to which countries of western Europe and the North Atlantic would have to surrender some degree of their national sovereignty.”

The secret and controversial Achilles paper (known as the Pentagon Paper since the top secret talks were held in the basement of the Pentagon) will never come to light in detail — no country was permitted a copy to keep, the paper was classified as a State Department “memo” for concealment purposes, and the only copy disappeared!

A top negotiator for the British at these secret meetings was Donald Maclean, who subsequently defected to the Soviet Union, there operating as a British deep-penetration agent in the Soviet intelligence community. It is fair to assume that Maclean was feeding the Soviets deliberately provocative information on the secret meetings in order to heighten tensions between the U.S. and the Soviets.

#### **The Senate bamboozled**

During the three-month period immediately following the tripartite talks in Washington, Senator Vandenberg worked with the “Canadians” in the State Department to formulate a resolution praising the notion of collective self-defense. This was arm-twisted through the Senate Foreign Relations Committee and adopted by the Senate on June 11, 1948. The Vandenberg Resolution, while tame in its specifics, served two purposes. First, it defined “collective self-defense” within the parameters defined by the United Nations, closing off arguments over compatibility with the UN. Second, and most important, it opened the way to bypass the U.S. Constitution, which does not permit U.S. commitment to military pacts during peacetime.

Most senators had little idea of the significance of the resolution when they passed it. Many thought it was simply a statement of support for the Brussels Treaty. But later the Vandenberg Resolution, ghost-written by Achilles and Hickerson, was used by Truman and others to convince the wary Senate to ratify the North Atlantic Treaty — since the idea for NATO grew out of a Senate initiative!

What really gave the leverage for Senate ratification of NATO was the Berlin blockade of June 18. Britain’s Clement Atlee, in his *As It Happened*, was fairly direct in stating Britain’s interest in provoking the incident: “And although Greece and the Soviet coup in Czechoslovakia

opened the eyes of Congress quite a lot, it wasn’t . . . until the Berlin Airlift that American public opinion really awakened to the facts of life. Their own troops were involved in that, you see.”

As the NATO talks expanded to include France, the Netherlands, and Belgium and became public knowledge, Britain accelerated its military drive. The military body of the Brussels Treaty created the Western Union Defense Organization to begin joint military planning. British Field Marshal Montgomery was made chairman of the Commanders in Chief Committee, and Air Chief Marshal Sir James Robb was made head of the Air Force. In October, the Consultative Council of the Brussels Treaty announced “a complete identity of views,” and Canada formally announced its desire to join the Brussels Treaty — all placing tremendous pressure on the U.S.

As the NATO talks started up again in December, now with Luxembourg added, Dean Acheson took over as Undersecretary of State and hence as chief negotiator for the U.S. Acheson functioned virtually under the orders of British Ambassador to the U.S., Oliver Franks, consulting with Franks daily. The Canadian crew of negotiators, all working under the direction of then Prime Minister Mackenzie King, served as another conduit of British influence on the U.S. J.D. Hickerson, supposedly negotiating for the U.S., actually had been chief State Department expert on Canada for 20 years, and had a long and intimate working relationship with Lester Pearson, Hume Wrong, and other Canadian negotiators.

Nevertheless, Senate opposition to a “defense-pact” treaty loomed. In February 1949, an intense floor fight broke out over the very issue that the British had hoped could be muffled by the Vandenberg ploy—that the ratification of such a treaty was an automatic declaration of war without congressional approval, and therefore a violation of the U.S. Constitution.

The leading Senate opponent to the treaty, Senator Connally, was ordered into Truman’s office and threatened by Truman and Acheson of dire consequences if Connally and his allies did not accede to ratification. Fearing that the Senate would reject the treaty outright, Truman and Acheson offered a compromise. The treaty pledge was reworded to read “such action *as it deems necessary*, including the use of armed force” to define a member country’s commitment in the event of an armed attack on another member country. Connally knuckled under, and NATO was born.

Today the significance of that gesture toward the Constitution is slight, compared to the inroads NATO has made in forcing, as Achilles predicted, “surrender of national sovereignty,” and the damage done to U.S.-Soviet-European relations over three decades.

— Robert Kay

# Brazil's unresolved energy dilemma

*Including an exclusive interview with the head of Petrobras*

Brazil is a rarity among developing nations. It is simultaneously the site of Latin America's most technologically advanced and most retrograde energy-production programs.

On the basis of a model transfer-of-technology agreement with the government of West Germany, Brazil is now well on its way towards the construction of its first nuclear fission reactor, which will shortly be complemented by the Third World's first complete nuclear fuel reprocessing center. But the Brazilian government has simultaneously embarked on a labor-destructive, economically inefficient project to replace oil with "gasohol," alcohol produced from sugar cane.

Although many Brazilian politicians would vigorously deny it, these two energy programs are entirely contradictory, and imply two distinct, irreconcilable strategies of economic development for that nation. In the next three months, Brazil will be forced to choose which of these strategies it will follow over the coming years.

On Oct. 15, 1978, General Joao Baptista Figueiredo was elected to replace General Ernesto Geisel as President of Brazil, and on March 15 he will be inaugurated. The intervening five months are already being characterized by intense factional battles and negotiations to seize and then hold the key policy-making positions around the President. The battle is on between those who favor using nuclear energy to convert Brazil into an industrial giant, on the one hand, and those who prefer labor-intensive agricultural export projects on the other. The first would be a boom market for U.S. capital goods exporters; the latter an autarchic wreck of an economy headed toward total collapse.

## **Brazilian "Grandeza"**

Although Figueiredo has already indicated his preferences by declaring that "agriculture will receive top priority" in his administration, Brazil's Vice-President-elect, Aureliano Chaves, is widely being viewed as an "inside man" for the industrial faction. Chaves himself was previously governor of the state of Minas Gerais, and earned a reputation for building up basic industry there during his term.

Under the Geisel administration (1974-78), an entire stratum of prodevelopment industrialists, nationalist military men, and party politicians formed a loose factional alliance based on their common commitment to *nation-building*. They wisely chose to interpret the oft-

quoted drive for "*grandeza brasileira*" (Brazilian grandeur) as signifying the *industrial aggrandizement* of their nation. And they have made defense of the Brazilian-West German nuclear deal their rallying cry, violently rejecting the Carter Administration's misguided efforts to sabotage that accord.

In foreign policy, their "pragmatic" views of diversifying economic and diplomatic relations have been reflected in Foreign Minister Da Silveira's strategy of pursuing openings to the European Monetary System and Europe in general, and in his successful policy of establishing strong ties to Black Africa and the oil-producing Arab nations.

Domestically, this faction has fought to defend the powerful Brazilian state-sector industries, such as the national oil company Petrobras, from monetarist attack. And at their best, they have attempted to reverse Brazil's destructive, low-wage labor policies, which have driven whole areas of the country — in particular the impoverished northeast — to the brink of virtual starvation. The most significant step in this regard was taken by the "Group of Eight" Sao Paulo industrialists in a June 25, 1978 policy statement, which called for "measured increases of real wages" along with "moving toward an advanced industrial stage (of development) that must be based on a capital goods industry. . . ."

As one Brazilian banker summarized at the time: "The importance of the Document of the Eight is that it is a response to a Mao Tse-tung faction that wants to reduce investment and consumption in order to combat inflation, forgetting that we have to continue growing (economically) whatever the price."

## **Soy, sorghum, and sugar**

It is this "Maoist" faction in Brazil that is trying to stop the nuclear deal with West Germany, and which favors nonsensical "biomass" alternatives like the "gasohol" scheme. To give some idea of the social costs involved: it would take over 400,000 peasants farming sugar cane on 2 million hectares of land to provide as much energy as will be provided by 100 skilled workers manning only two of Brazil's slated eight nuclear plants. And the efficiency of conversion of solar energy into "gasohol," through the growing and processing of sugar cane, is a pathetic 0.23 percent.

Defenders of the "gasohol" program argue that its labor-intensive nature is actually one of its major ad-

vantages, and that, unlike nuclear energy or even oil imports, it requires no foreign exchange. This is a powerful argument in Brazil, which has a total foreign debt of \$40 billion and a staggering yearly debt service burden of \$9 billion, to the point that even nuclear energy's supporters find themselves agreeing that the backwards "gasohol" program can contribute to meeting the nation's energy needs. The far more rational solution, of favorably renegotiating Brazil's debt in order to eliminate the foreign exchange obstacle to capital-intensive programs, is all too rarely discussed in public.

The institutions that hold most of Brazil's \$40 billion in foreign debt — the World Bank, the International Monetary Fund, and City of London and Wall street commercial banks — are united in their insistence that Brazil forget its industrialization plans, and concentrate instead on repaying its enormous debt. Brazil, they insist, must become a giant agro-exporter, turning the bulk of its 120 million population into low-skilled peasant laborers producing coffee, soy, sorghum, and sugar cane for export to the world market.

These agencies have their allies and spokesmen within Brazilian politics, who at the moment hold sway over the incoming Figueiredo administration.

The key figure for the coming six-year term will not be President Figueiredo, but rather the eminence grise of his candidacy, the aging General Golbery do Couto e Silva. Golbery, himself a protege of the anglophile ex-Deputy Director of the CIA, Vernon Walters — U.S. military attache in Brazil in the 1960's — has to date been identified with a "geopolitical" interpretation of "grandeza brasileira" that is modeled on British neo-colonial expansionism. Golbery, however, is also widely considered to be one of the wiliest politicians in Brazil, who may well shift his "geopolitical" alignments in view of the growing ascendancy of the prodevelopment European Monetary System over the failing IMF and World Bank.

Persistent rumors in the Brazilian press indicate that Golbery will select for himself the position of Planning Minister in the Figueiredo Administration, a post he will mold into that of a virtual Prime Minister, and from which he will dictate the economic and foreign policies of the nation. Golbery is reported to favor Brazil's current Ambassador to London, Roberto Campos, for the Foreign Ministry, and wants to put the notorious Delfim Neto — a self-proclaimed Fabian socialist and Finance Minister during the 1967-74 period of labor destruction — into the crucial position of Agricultural Minister, from whence he would oversee the conversion of Brazil into a "Maoist" plantation.

Under such circumstances, it would only be a matter of time before the West German-Brazilian nuclear accord is jettisoned, and Brazil, the largest nation in Latin America, reduced to a third-rate economic and political power. No one in the Carter Administration is saying how they expect Brazil to continue its current process of "democratization" under such conditions.

— Dennis Small

# Petrobras's Araken de on the energy future

*The President of Petrobras, General Araken de Oliveira [ret.], talked with Executive Intelligence Review's Dennis Small and Joao Carlos de Almeida on Dec. 7 at the Brazilian oil company's New York City offices. Here is the text of their discussion.*

*EIR: What are Brazil's present energy problems? In particular, what difficulties does Brazil face, especially*

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## EXCLUSIVE INTERVIEW

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*since the beginning of the oil crisis, and which energy sources is Brazil studying?*

**de Oliveira:** After the 1973 Middle East crisis, Brazil faced a balance of payments problem because oil prices increased practically tenfold between 1968 and 1974. The last increases in late 1973 and early 1974 were the biggest. These had a direct effect on the country's balance of payments — 25 percent of our foreign exchange was spent on oil payments. As a result, within our energy balance, a greater national effort was needed to liberate ourselves as much as possible from dependency on oil imports in particular, but more generally on the energy we must import to fill out our energy needs.

Brazil's energy balance has some unique characteristics. Around 30 percent of our energy comes from hydroelectric power, 40 percent from oil, and 22 percent from firewood, charcoal, and sugar cane bagasse. Since the country is a major sugar producer, the sugar mills use the cane fibers for fuel. While other countries don't even compute wood and cane in their energy balance, Brazil has to, because they are a significant portion — 22 percent. The remainder of our energy comes from coal, part of which is imported. Brazilian coal supplies 10 to 20 percent of the coking coal needed by our steel industry.

Thus, starting in 1973, what did we seek? To decrease this external dependency which, discounting the 17 percent of oil needs produced in Brazil and the 3 percent of coal needs supplied locally, left us in 1976 with the need to import 40 percent of our energy.

On the other hand, the country does not want to stop its development. Since this development lies, above all, in industrialization, the country needs more energy. And this development — given the needs of transport and industry — has to have petroleum.

To reduce external dependency and permit greater energy consumption to sustain development, we are

# Oliveira of Brazil

making a real oil exploration effort. We set up a program to satisfy, within four years, Brazil's need to know what its petroleum potential is. This \$1.2 billion program will be implemented by Petrobras itself. Beyond this, the government authorized Petrobras to grant risk contracts to maximize investment in oil exploration.

Petrobras itself has 32 exploration rigs operating today off-shore on our continental shelf. Some of these rigs are totally operated by Petrobras personnel, except for key technicians who are contracted from the company chartering the rig.

We also have 17 risk contracts with international oil companies. From the time of their signing, mostly in 1976, these companies have three years for exploration, that is to reach a conclusion whether the area they selected does or does not have commercial oil possibilities. Of these 17 companies, five have already made drillings.

## The issue of nuclear power

*EIR: You have said that Brazil's policy is to continue developing the country, which will therefore require more energy and not less. One of the most disputed and most internationally debated aspects of Brazil's energy policy is the nuclear agreement between Brazil and the German Federal Republic. Some political observers have seen an attempt by the United States and other countries to stop this agreement in an effort to keep Brazil from developing without increases in energy production. Would you comment on the Brazilian nuclear agreement and how it fits within your nation's overall energy program?*

**de Oliveira:** How do we plan to increase energy production? On the one hand there is the oil exploration program, to be achieved with massive investments over a four-year term. On the other hand, we are going to develop other sources of energy, one of which has to be nuclear energy, because we have sufficient uranium reserves and because energy based on our hydroelectric potential is located very far from our consumption centers.

We have two ways of developing electric energy: either through coal-burning thermoelectric plants, or through our hydroelectric potential. Our coal is found in Rio Grande do Sul, Santa Catarina and Parana, and our energy consumption is in the Rio de Janeiro-Sao Paulo



axis. We would thus have to transport inert material for great distances which makes this alternative nonviable. We now use 20 percent of our total hydroelectric potential. But most of our hydroelectric potential, 80 percent of it, is located in the Amazon. Transmitting electricity from the Amazon to consumption centers is uneconomical because it is a distance of almost 3,000 kilometers, and the cost of transmission lines and energy loss makes it too expensive.

The third alternative is using uranium — using uranium for developing our energy supplies. We have no other purpose than this. Since we have adequate quantities of uranium and we lack technology, we searched for someone who wanted to give us technology, and we searched in several countries. The best offer came from West Germany, so we made a deal with them. There is only one objective: to develop our energy sources. We do not have other objectives.

*EIR: West German Chancellor Schmidt will visit Brazil at the beginning of next year. What topics will be discussed?*

**de Oliveira:** I don't know what is on the agenda, but I believe that it will include general economic questions of

interest to both countries, since that was the content of discussions during the visit of our President Geisel to West Germany. It will surely be matters of economic development which affect both countries. Of course, nuclear technology has costs, and we are also interested in minimizing the effects on our balance of payments. Thus it will be an exchange of ideas and opinions of an economic character.

*EIR: The European Monetary Fund was set up in Europe just two days ago. This is an agreement of — up to now — six European countries to form a European monetary and political union based on the political and economic concepts of its creators, Helmut Schmidt and Giscard d'Estaing. One of the greatest problems for Brazilian development is obtaining sufficient credit to be able to develop high-technology processes in hydroelectricity, nuclear and petroleum energy. Does the government of Brazil have a position or an interpretation regarding the European Monetary Fund, and do you foresee possibilities of it serving as a positive source of financial agreements? How do you see the broader question of diversification of markets, not only for exports and imports, but also the market of finance capital?*

**de Oliveira:** Our country lacks capital. An enterprise like Petrobras has had, up to now, the capacity to raise the capital needed for its programs, for its own exploration program and the exploration by the companies. And beyond this, we have programs set by the government. We have a development program to make us self-sufficient in nitrogenous fertilizers, and for this Petrobras opened up credit lines with the World Bank, the Interamerican Development Bank, French cooperative banks, and so on. You can see that the government has the right image to obtain credit, since Petrobras — an element of the government — has credit-worthiness.

Naturally we need such capital because we are interested in developing technology inside the country, in being able to create our own technology. We are interested in road, railroad, and urban mass transit plans because we lost a lot of time when oil was cheap and abundant. And when this was the case no projects were presented at any level that didn't use a petroleum product as its energy source. Petrochemical industries, of course, had to use petroleum, but other industries, such as capital goods, were designed to burn fuel oil and diesel oil.

Nuclear energy is not the only energy source we are developing. We are working on using Rio Grande do Sul coal at the mine head, so we don't have to transport the 35 percent cinder content. We are constructing coal gasification plants on site and using the gas for petrochemical products like ammonia and urea. In Santa Catalina, depending on capitalization decisions, we will probably have an iron ore reduction plant using coal gas to produce pellets or sponge iron for us to export instead of just plain ore. Further north, in Parana, we have a large shale oil belt which runs all the way south from Sao Paulo to Rio Grande do Sul. Petrobras is developing technology to extract oil from the shale. Even though the cost (\$17

per barrel) is slightly higher than that of imported oil, it wouldn't waste foreign exchange; and I think that by the time this unit is on stream at the end of 1982 or beginning of 1983, oil will already be at that price.

In addition, another energy source being put into production is alcohol, from sugar cane and from manioc.

All this has one purpose — to rectify our energy balance and decide what we will use of hydroelectric, coal, oil, et cetera, so that our energy balance becomes less dependent on imports. The goal of doing all this is so that four years from now, we can move to a model of energy balance which is more desirable for the economy of our country.

#### **On Mexico's oil discoveries**

*EIR: Mexico has just discovered enormous oil reserves. I understand that you passed through Caracas, Mexico City, and Houston on your way to New York, and I believe that you spoke with your colleagues, General Alfonso Ravard in Venezuela and Jorge Diaz Serrano in Mexico. I would like you to comment on the Mexican discoveries, on what they imply for Latin American energy policy, and if there are plans for Brazilian pur-*

## Petrobras of Brazil—

Petroleo Brasileiro S.A., or Petrobras, the Brazilian national oil company, is the cornerstone of the nation-building tendency in Latin America's biggest country. It is the 21st biggest corporation outside the United States, with assets of \$9 billion and annual sales of the same magnitude.

The early history of Petrobras reflects the vicissitudes of Brazilian politics.

Getulio Vargas won the presidency of Brazil in 1951 with the help of his nationalist slogan, "*O petroleo e nosso*" (The oil is ours). The idea of national control over petroleum took root, even with the opposition party, and Petrobras was created as the national monopoly over domestic oil production in 1953. There have been several efforts during the last quarter-century to weaken or even break up Petrobras, but the trend has been for it to take on ever-increasing responsibility for national development.

President Joao Goulart nationalized private oil refineries and handed them over to Petrobras at a mass rally only three weeks before he was overthrown in March 1964. While the armed forces, which took over the government in 1964, sharply shifted attitudes toward foreign investment in other sectors, most officers consider national control over petroleum a strategic imperative.

General Ernesto Geisel, now completing his term as President of Brazil, served as president of Petrobras from 1969 to 1974. Under his leadership, Petrobras changed from being a rather passive company, im-

chases or cooperation with Mexico. Could you also comment on Mexico's plans to use its energy resources to import capital goods so that, as stated by President Lopez Portillo, Mexico will become an advanced country in the 21st century.

**de Oliveira:** The data shown us really give Mexico a very great potential to develop her reserves. They export about 470,000 barrels per day today, and as a result of those exports are very rapidly building nitrogenous fertilizer plants; they also have a great plan to use the fertilizer to develop agriculture. They have two plants going and three 1,500-ton ammonia plants being built simultaneously. They are building ammonia pipelines to distribute this fertilizer. This is a very far-reaching program for the development of the country. They are also building natural-gas-fed petrochemical complexes, which is really the best raw material, the cheapest one for petrochemical production.

As far as Brazilian-Mexican commercial unity is concerned, we have bought some ammonia from them; we have a petrochemical agreement to exchange surpluses of specific chemicals, since we already have two

## cornerstone of nation-building

porting oil from the multinational oil giants while pumping out a few fields in Northeast Brazil, into the dynamic giant of today. An example of the way Geisel broke the old rules was Petrobras's direct purchase arrangement with the Iraqi state oil company, concluded in 1969, when the Seven Sisters had an effective international boycott against Iraq in reprisal for its oil nationalization. The Brazilian deal smashed the embargo.

Geisel followed up what turned out to be a lucrative deal from the Brazilian standpoint with similar agreements with other OPEC members. In 1972, Geisel launched Braspetro, a Petrobras subsidiary which has made major oil strikes in Colombia, Algeria, and Iraq and is also prospecting in Libya and Iran.

The Geisel Administration has made closer relations with the oil-producing nations, and with the Third World in general, a primary objective. General Araken de Oliveira, who has headed Petrobras during the Geisel presidency, has taken important initiatives of his own. Rather than accept depressionary cutbacks in oil imports to meet balance of payments problems, Petrobras spun off a trading company, Interbras, whose role has been to place Brazilian exports in new markets, especially through two-way deals with oil-supplying nations and the socialist countries. Petrobras is also busy producing petrochemicals and fertilizer to help raise Brazilian agricultural production levels.

petrochemical poles in Brazil and are building a third. And we have already signed a contract to buy Mexican oil starting in 1980.

Right now, the problem is with one of the products we could place in Mexico and which would be very useful for us — iron ore pellets. They need it for their steel program, since they still import iron ore. However, the (Mexican) ports are still too small. There is no way at the moment to send ships of iron ore there and have them return filled with oil. We can bring oil from Mexico on ships of 150,000 tons since they have set up floating oil buoys just outside the port where you can operate efficiently. But what we want, to minimize shipping costs, is to fill the ships both ways, and they are constructing a new terminal which will make this possible, at a location called Dos Bocas.

With Venezuela we have signed a contract to buy around 30,000 barrels (of crude oil per day — ed.), which will be increased to 50,000 barrels when the increment becomes available in March of 1979. All of our efforts are within the goal of interchange, of helping each other and minimizing the effects of buying because we are also selling.

*EIR: And your Houston stop?*

**de Oliveira:** During my recent stay in Houston, Texas, I had the opportunity to talk with a number of American businessmen. All of them were very interested in the development of Brazil, and were willing to do whatever is necessary for that to happen.

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*What Jack Anderson and Katharine  
Graham Wouldn't Print . . .*

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# Vote fraud machine in Baltimore is

*Independent's bid to oust Mitchell is focusing scrutiny on the role of*

*Although the election occurred more than a month ago, the race for Congress from Maryland's 7th District, in inner-city Baltimore, has yet to produce a legitimate winner. The apparent victory of incumbent Democratic Representative Parren Mitchell is being challenged by Mitchell's opponent in the November race, U.S. Labor Party-supported independent candidate Debra Hanania-Freeman, who has demanded that Congress certify her as the winner of the seat on the grounds that the margin of Mitchell's victory was provided by massive vote fraud and related election irregularities.*

*The Freeman-Mitchell contest, which is gaining national attention, has focused a spotlight on one of America's most pervasive urban problems: the growing employment, since John F. Kennedy's controversial election as President in 1960, of vote fraud, intimidation, and other irregularities to install and maintain in elective office supporters of the social-welfare, essentially Fabian outlook which characterized JFK and to this day characterizes the British-linked financial interests, such as New York's Lazard Freres, which backed his election. And, related to this, there is growing concern over the role of these same British-linked financial interests, closely linked, among others, to the official U.S. "Zionist lobby," in international drug, "dirty money," and organized crime networks.*

*The career of Representative Mitchell and his relationship to some of the pillars of the Baltimore political and financial power structure epitomize this problem, Hanania-Freeman and her supporters charge. Last month, reporter Renee Reniotis traveled to Baltimore to investigate. This is her report.*

## WHO OWNS PARREN MITCHELL?

The 1978 election is not the first in which Representative Parren Mitchell, the current head of the Congressional Black Caucus, has been accused of fraud in an election dispute. Yet, since his entry into Baltimore electoral politics, Mitchell has faced no visible opposition from either Republican or Democratic ranks. Those who might be inclined to challenge him are intimidated into terror in the face of a climate of terror generated by the Mitchell machine and his organized-crime-linked supporters.

The years-long "packaging" career of Mitchell is closely intertwined with the activities and interests of the "famil-

ies" of Baltimore. In Baltimore, the "families" — the civic elite — are dominated by a handful of Jewish families, among them the Meyerhoff, Blaustein, and Hoffberger clans who constitute the official "Zionist" community. They are descended from the British "Hofjuden" circles who entered the U.S. in the antebellum period as part of the Rothschild-August Belmont project to split the United States, and are today linked through the B'nai B'rith Anti-Defamation League and the American Jewish Congress to the British Knights of St. John of Jerusalem, Order of Malta. By no means all leading Jewish politicians in Maryland are part of the "families" — former Governor Marvin Mandel, for example, who was recently forced out of office after being convicted on federal corruption charges. Newly elected Attorney General Stephen Sachs, on the other hand, who as a U.S. Attorney several years ago initiated the investigation that led to the departure from office of both Mandel and Vice-President Spiro Agnew, is.

The "families'" political interests encompass both Republicans and Democrats, and their financial interests in real estate and foundation-funding are closely meshed with the international banks most directly tied to the world drug trade.

It is through the "families" that Britain's campaign to Englandize America as a deindustrialized British satellite are mediated in Baltimore political circles. Thus it is no coincidence that Mitchell's rise parallels and intersects the rise of Sachs and other local figures in the British effort: the Berrigan brothers — members of the Georgetown Jesuit "heresy" which figures prominently in British deployments — former Senator Joseph Tydings, the leading Kennedy ally in Maryland politics; and Grenville Whitman, a local antiwar-activist-turned-methadone-entrepreneur. Nor is it coincidence that Mitchell was able to garner the collaboration of the Associated Jewish Charities and the Jesuits when — as a race-baiting community leader in the 1968 Baltimore riots — he set up a "soup kitchen" operation to aid victims of the disturbances he himself was fanning. And it is no coincidence that the Mitchell of today is a prominent supporter of drug decriminalization and an equally prominent opponent of nuclear energy.

What does distinguish the Baltimore "families'" machine from others like it is that it played a greater role

# challenged

## *Zionism in U.S. elections*

in the British Watergate coup which ousted President Nixon — notably in the case against Agnew, but also through the “antiwar” activities of the Berrigans and the calls by Representative Mitchell, long before Watergate occurred, for Nixon’s impeachment.

### THE ‘COLORED KENNEDYS’

The Mitchell family — a politically prominent black family economically based in the undertaking business — stands in the same relation to the “families” as the Hofjuden Rothschilds to the “WASP” British nobility. Parren’s nephew, Clarence Mitchell III, was speaking more aptly than he was perhaps aware when he compared the Mitchells to another prominent parvenue clan, the Irish Kennedys, upon election to the Maryland House of Delegates in 1972: “We Mitchells have been called the colored Kennedys,” Clarence declared proudly. “What we decide to do, we do.”

What the “colored Kennedys” did for the black population of Baltimore neatly parallels the sort of contributions Zionism has made to the welfare of the majority of Jews. Until the 1950s, Baltimore was known as one of the major “gateways” for blacks to enter the skilled working class. Bethlehem Steel’s mammoth Sparrows Point works was one of the leading industrial installations which hired and trained unskilled black workers coming from a rural southern background. Following the 1958 recession, opportunities for such unskilled workers began to dry up in Baltimore, as they did nationwide. As elsewhere, Baltimore’s “liberals” began to plan for the disastrous transition to “service-oriented” economics — replete with drugs, high unemployment, a poverty apparatus, and social welfare programs to replace lost productive jobs. The Mitchells were among the first to obtain “a piece of the action.” (As Parren Mitchell’s career is thus based on the drying up of blacks’ opportunities for skilled employment, there is no little irony in his emergence today as an advocate of “affirmative action” programs for the blacks among the dwindling Sparrows Point workforce.)

By his own account, Parren Mitchell was “apolitical” during the relatively prosperous fifties, and only began to emerge as a “black militant” spokesman in the period which paved the way for the 1968 riots in Baltimore. In 1965, Mitchell was named head of the Community Action Program, one of the first institutions set up in Baltimore’s

## Baltimore’s Zionists trace their roots to the Confederacy

The clique of “families” that make up Baltimore’s Zionist establishment traces their roots to the proslavery Zionists associated with the Rothschilds and Great Britain in the antebellum period. Among the most vociferous of these anti-Union families were the Cohens, Ettings, Friedenwalds, Szolds, and others who today figure prominently as leading figures in the Zionist lobby.

The descendants of those families, and the later Russian emigre families like the Blausteins, Meyerhoffs, Hofbergers, and Sonneborns, built empires in oil, manufacturing, and real estate. The proceeds of their enterprises underwrote Baltimore’s organized crime, drug pushing, and gambling, financed by the John Hopkins University departmental programs that founded the “right to die” and hospice death cult movement, and created a political machine experienced in the vote fraud that brought Parren Mitchell into office.

Beyond Baltimore’s borders, their efforts extended to manipulation of the U.S. Jewish population to accept the British plan for the creation of the Israeli state and a world Zionist movement.

To the present, Baltimore’s Zionist establishment has remained true to their traitorous forebears — the Cohens, Ettings, Friedenwalds, and Szolds.

Their outlook in the antebellum period was typified by Rabbi Bernard Illoway of the powerful Baltimore Hebrew Congregation who declared that “Who can blame our brethren of the South for their being inclined to secede from a society under whose government their ends cannot be attained and whose union is kept together by heavy iron ties and violence and arbitrary force? Who can blame our brethren of the South for their being inclined to secede from a society whose government cannot or will not protect the property, rights and privileges of a great portion of the union. . . . Why did not Moses prohibit the bringing or selling of slaves?”

As today, the Zionists used organizations such as B’nai B’rith to intimidate pro-Union Jews. One Jewish Union sympathizer, Hyman Spitz, described the terror: “The Union people had to keep still and had to pretend to be rebels. In order to be treated right I and our children were required and obliged to carry rebel emblems.” One group tried to “integrate” their B’nai B’rith chapter and it was forced to dissolve. And a pro-Union rabbi, David Einhorn, was hounded out of Baltimore.

"antipoverty" effort. This program and others like it were funded by the Ford Foundation and, locally, the Greater Baltimore Committee, a businessmen's organization. (The founder of the Greater Baltimore Committee was James Rouse, who later became one of Mitchell's leading financial backers and also figured heavily in funding of the antiwar movement.) Mitchell's role in this period was as a spokesman against "police racism" and "brutality." From 1964 to 1968 the future congressman harped on this theme, helping to prepare the tinderbox that exploded in 1968 following the assassination of Dr. Martin Luther King.

At the same time as Mitchell was pursuing his career as an opponent of police "racism," the social climate for the riot was also being fostered by a flood into Baltimore of extremist groups, principally the National States Rights Party and the Maoist Progressive Labor Party. Combined with the role of Mitchell and other "black spokesmen," the political outlook of both blacks and whites was shifted from concentration of mutual social/economic gains to one of conflict and polarization.

It was the 1968 rioting — triggered after an inflammatory visit by militant Stokely Carmichael and by the arrival of carloads of provocateurs from Washington and Virginia — which propelled Mitchell into prominence as a spokesman for Baltimore's "black community."

By now established as a "community figure," Mitchell shunned the role of peacemaker in the disturbances. Rebuffing Mayor D'Allesandro's pleas to help establish calm with blasts at the "white power structure," Mitchell also led a walkout of black leaders from a crisis session called by Gov. Spiro Agnew. Instead, he associated himself with one Walter Lively, a fellow traveler of the Communist Party and of the "International Socialists," a "Marxist" faction of Students for a Democratic Society which traced its roots to philosopher Sidney Hook and the *National Review's* James Burnham. The International Socialists were subsequently named as part of a conspiracy to burn down Baltimore, and Lively was arrested for arson after being found on the sites of at least eight fires (charges were later dropped).

With a public blast at Agnew, Mitchell stalked out of city government for a stint in the sociology program at Morgan State College, which, together with the University of Chicago and Temple University, was one of the leading training grounds for "black militants." At the same time, according to those familiar with the program, Morgan State was employing psychosexual "behavior modification" techniques to train leading provocateurs of the nationwide riots and the "Black Power" movement.

Mitchell's retirement from public life was short: while colleague Lively was picked up by the Greater Baltimore Committee as a candidate for City Council, Mitchell himself decided to run for Congress in the Democratic primary against Samuel N. Friedel, the eight-term incumbent in the 7th Congressional District, then incorporated which then included a good portion of Baltimore's Jewish and liberal voters. Mitchell chose to run on the "peace" rather than the "race" issue. Only 40,000 of 200,000 regis-

tered voters turned out, and Mitchell lost to Friedel by a margin of 5,000. Following his loss, however, Mitchell reverted to race-baiting; pointing to the fact that he had carried the inner city portion of the district but had lost elsewhere, Mitchell charged Friedel with keeping blacks away from the polls. The primary, he charged, was a "mockery." It was this experience in the 1968 primary that motivated the redrawing of the district in 1970 as a "black" district—shortly after Mitchell had won his first election apparently by fraud.

#### WHO BACKED MITCHELL'S FIRST BIG STEAL?

Mitchell tried again in 1970, with backing from influential Zionist lobby circles at the national level and, as two investigative committees were to find, with aid of massive fraud. Two hours before the polls were scheduled to close, Mitchell moved to reinforce this powerful support by calling a press conference at which he stated that if he lost, Baltimore would be wracked with race riots. And, he charged, he himself had been a victim of race-baiting by his opponent. Alongside of Mitchell during the press conference stood then-Democratic Senator Tydings, who also figured heavily in the launching of the career of current Attorney General Stephen Sachs. Mitchell also appealed to voters to turn out, and subsequently the polls were kept open in pro-Mitchell areas four hours past official closing time.

Nevertheless, when the returns were announced for the Democratic primary for the 7th C.D. in 1970, Mitchell had apparently lost to incumbent Friedel again, by 217 votes, after a three-way race that had included an obvious spoiler named Friedler to snag confused voters.

But within hours, new final returns were announced which showed Mitchell now the winner — by 38 votes! Friedel began receiving threatening phone calls, warning him not to challenge the election. Groups of thugs appeared in his neighborhood, forcing Friedel to ask for 24-hour police protection. The population of Baltimore was "put on notice" by "seething" Mitchell campaign workers who on first hearing of Friedel's apparent victory threatened that "Baltimore would burn" if the results were not reversed.

Friedel not only challenged the outcome, but arranged for a five-man team of investigators to come in from the Congressional Special Committee to investigate Campaign Expenditures. Evidence showed that illegal votes were cast in at least 26 precincts out of approximately 225. In one precinct, for example, 270 votes were recorded on a voting machine at which only 213 voters had signed in. Friedel charged that over 216 demonstrably fraudulent votes had cost him the election.

Mitchell also charged fraud. His campaign manager, Vernon Dobson, called on the Maryland Advisory Committee to the U.S. Commission on Civil Rights to investigate the alleged election violations from the standpoint of "racism." Nevertheless, both the Congressional Committee and the Maryland Advisory Committee concluded that the race had been so marred by irregularities in the

handling of the balloting that a new primary vote was required.

The two committees' findings were not difficult ones. For the first time in the 1970 primary, the Baltimore police did not tally the votes. Instead, two agencies were hired for the job, Manpower, Inc., a low-wage, day labor outfit employing methadone addicts, and a firm called Able Personnel Agency. In addition, the head of the Baltimore Board of Elections, Betty Silber, hired a moving company to install the voting machines and gave the company a list of wrong addresses for polling places. The result was complete chaos, as machines were delivered to the wrong buildings and rooms, forcing some polling places to open as late as 11:45 AM, and to remain open until midnight in some districts expected to go for Mitchell. (Silber was eventually forced to resign as a result of this and other such shenanigans.) On both the primary day and the subsequent general election, the too-small Manpower, Inc. crew walked off the job at midnight, leaving many votes uncounted. On the night of the general election, Gov. Marvin Mandel was forced to call in the police in order to complete the count.

The two investigations also found widespread machine breakdowns, names left off ballots in certain precincts, and delays. The Maryland Commission concluded that it was the black voters who were primarily disenfranchised.

Mitchell was saved at the last minute, when the Maryland Committee reversed its recommendation for a new vote, and Friedel abruptly withdrew his complaint before Congress. The incumbent Congressman was under pressure from the national B'nai B'rith and the American Jewish Congress, who warned him to abandon his fight or be burdened with "Jewish blood on the streets of Baltimore." According to reliable sources, Friedel was then promised the prospect of a respectable political position in Washington, D.C., a promise which was promptly broken. Friedel was politically blackballed; as one supporter put it, he "could not even get the job of assistant doorkeeper." More than Parren Mitchell and his "goons," this source says, "it was the Park Heights and Mt. Washington Jews who killed Sammy Friedel."

The characterization of the Mitchell machine as "goons" is an understatement. The Mitchell machine intersects drug-running and other gangland operations as well as apparent "political" terrorism — the hallmarks of the British-Zionist lobby operation in the United States.

A few years ago, for example, Baltimore City Councilman James "Turk" Scott was arrested with \$10 million in uncut heroin in his possession. He was murdered gangland style two weeks before he was to appear before a federal grand jury, which was convened during President Nixon's "War on Drugs." Prior to his murder, Scott had indicated that he was ready to cooperate with federal officials on the case.

Charged in the murder was young Sherman Dobson, the nephew of Mitchell's close associate and sometime campaign manager Rev. Vernon Dobson. Young Dobson was linked to a "black terrorist group" calling itself "Black October," which surfaced to take responsibility for the

Scott murder, announcing at the same time that all drug pushers would be "annihilated." Slogans appeared throughout the city reading "Off the Pusher;" accompanied by a hit list. But police were never able to ferret out the group, whose only "accomplishment" was to wreck the federal case in the Scott affair. Sherman Dobson was freed on appeal after the police inexplicably reversed their own findings on key evidence in the case, and after testimony by Parren Mitchell in his behalf. Dobson's co-defendant, Charles Sedgwick, was silenced by being murdered in 1976. The murder remains unsolved.

In the past election campaign, Debra Hanania-Freeman was attacked and threatened at gunpoint by toughs, and baited as a "Jew bitch" by Mitchell campaign officials.

Ms. Hanania-Freeman earned this treatment by being the only candidate since 1970 to mount a serious challenge to Mitchell's seat. His intimidated opposition mounted no candidate against him in 1974, and other candidates in the intervening years — qualified black candidates — have not dared to take on the Mitchell election-stealing machine: Vote fraud has no color.

#### MR. CLEAN — STEPHEN SACHS

The Mitchell machine's vote fraud operation and the related organized crime and drug operations in Maryland (Mitchell is a leading supporter of drug decriminalization, although his office tries to downplay the fact) is not expected to face any more of a challenge either when the state's new "Mr. Clean" model Attorney General, Stephen Sachs, takes office in January.

This might seem a strange prediction to those who remember the Oxford-educated Sachs's reputation as an organized-crime fighter in the late 1960s, when paralleling Mitchell's rise to prominence, he served as U.S. Attorney in Baltimore under the sponsorship of Senator Joseph Tydings. But a closer look at the record indicates that Sachs's battles against organized crime were waged mostly in the press, not the courts.

Like Mitchell, Sachs's political career began in the 1960s, when Tydings was chosen by the Kennedy brothers to head the U.S. Attorney's office in Baltimore. With Sachs as one of his assistants, Tydings directed his efforts at prosecuting so-called white collar crime — especially as practiced by old-line machine politicians who tended to be opposed to the austerity-plus-drugs-and-social-welfare approach that dominated social policy in the Kennedy and Johnson administrations.

The Tydings-Sachs team cut their teeth on a savings and loan association scandal, leading a successful prosecution of the Phoenix Mutual Savings and Loan company which resulted in convictions on conspiracy and conflict of interest charges of former congressmen Thomas Johnson of Maryland and Samuel Boykin of Alabama, who were connected with the company.

In 1964, as "apolitical" Parren Mitchell was beginning his crusade against police racism, Tydings also decided to enter politics — with a race for the U.S. Senate. Sachs joined the effort. The Tydings campaign was heavily bankrolled by the leading "families" — the Meyerhoffs,

Blausteins, and Levis — and Tydings ran as a “Kennedy” man. He also enjoyed the support of the Georgetown University Jesuit community, and Rev. Phillip Berrigan, the future antiwar activist, then of the Catholic Committee on Population and Government Policy. One of Tydings’s major platform planks was population control.

It was not long before the new Senator Tydings rewarded his supporter Sachs by securing his appointment to the post of U.S. Attorney in Baltimore. Sachs used that post to gain prominence in 1967 when with great fanfare he announced a special probe into gambling and pornography operations centralized in Baltimore’s “block,” a two-block stretch of vice and bars along Baltimore Street. The “probe” resulted in one major raid — on a gambling spot called the Oasis Club — but the case resulted only in the Supreme Court overturning the gambling laws under which it was prosecuted.

Sachs, however, was not interested in pursuing the prosecution of gangland figures. At public speaking engagements from 1967 on, he began harping that organized crime could not exist without the support of public officials to protect it. The press was too lethargic to ask if he meant his own, moribund U.S. Attorney’s office, and his still-unsubstantiated innuendos against “corrupt federal officials” were allowed to circulate unchallenged.

Shortly afterward Sachs maneuvered the indictments of seven area labor leaders. His prime target was Guido Iozzi, president of the Baltimore Building Trades Council who was charged with extortion. The quality of Sachs’s handling of the case is reflected in the fact that a crucial witness was killed “accidentally” by one of the two federal marshals Sachs sent to guard him in what appeared to be a hunting accident. Iozzi was subsequently convicted on a series of kickback and bribery charges.

Sachs next alleged connections between organized labor and the Mafia. In the midst of a 1969 investigation, Sachs announced to the press that he had confirmed that members of the Carlo Gambini crime family were operating in Baltimore labor circles.

In November 1969, Sachs made a startling announcement for an attorney whose reputation was built as a crime fighter. “Of course there are the old standbys gambling, narcotics and so on. But when I came in here as U.S. District Attorney, I told federal agencies I was extraordinarily interested in the corruption of public officials. Rape and murder are most serious crimes but no more venal crime exists than the rape of the public trust.”

With that Sachs finally began his official campaign against Baltimore and Maryland political officials. Reports circulated that Sachs was looking into three area

Congressmen, one being Friedel, who had beaten Parren Mitchell in 1968, and would lose to him in 1970. Sachs denied the rumors, but his office did hand down an indictment against Senator Daniel Brewster in 1969.

Sachs’s work was not well received by his superiors at the Justice Department. When Sachs attempted to hand down indictments following a 17-month grand jury investigation of several key political and business leaders in Baltimore, Attorney General John Mitchell refused authorization for the indictments.

Sachs’s prosecutions of public officials was part of the campaign directed against the Nixon Administration and traditionalist political layers. His involvement in this “Watergate” process was also reflected in his handling of the 1968 “Catonsville 9” case, involving his erstwhile Tydings campaign colleague Phillip Berrigan as a major defendant in a case where antiwar activists had poured blood on draft files (the case arose during Mitchell’s metamorphosis as a peace advocate). With daily demonstrations being held in support of the “9,” Sachs, on whom it fell to prosecute the case, held daily meetings with Grenville Whitman, the methadone advocate who was coordinating the “9’s” defense mobilization. At these meetings Sachs and Whitman discussed the daily arrangements for demonstrators, etc.

In 1970, Sachs left office and entered private legal practice with Alan Baron, his aide during his term as U.S. attorney. Both lawyers were promptly called in as special prosecutors to assist in the cases against Congressman Brewster and an aide to the assistant Postmaster.

In 1972 Sachs was named Chairman of the Maryland Conference for Social Welfare along with leading Mitchell aide Vernon Dobson. That same year he began an intensive investigation into the land holdings of Joel Kline, a millionaire who Governor Marvin Mandel had intended to name as the State Banking Commissioner. Eventually Mandel was implicated in this inquiry as well.

The investigation proceeded from construction companies up through public officials. The technique Sachs used was a controversial one fraught with temptations for perjury called “dealing up.” In it, minor figures were threatened with indictment and then offered immunity if they would provide evidence to catch “bigger fish.” An investigation of the Matz, Childs and Associates construction firm in this way led to the watergating of Vice-President Agnew.

In 1978, Sachs campaigned for Attorney General of Maryland with the slogan that he would restore public trust in government. So far, he has proved trustworthy only to Parren Mitchell’s associates and backers.