

EXECUTIVE INTELLIGENCE REVIEW

Ireland: Europe's fastest growing country

May 29-June 4, 1979



EUROPEAN ELECTIONS

What's at stake



New Solidarity International Press Service

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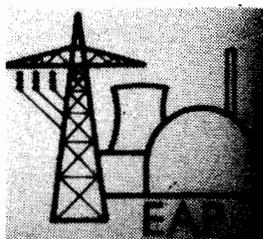
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EXECUTIVE INTELLIGENCE REVIEW



European elections: what's at stake

On June 3 and 4, Italians vote to elect a new Parliament, which will determine the makeup of the country's next government; one week later, on June 10, voters throughout the European Community will choose, for the first time by direct suffrage, 410 members of the European Parliamentary Assembly; and in September, Swedish voters go to the polls in their triennial selection of a new Riksdag, which will also determine the composition of the Swedish government. The key issues before the European voters include terrorism, nuclear energy, and moving forward with the European Monetary System, and what Europeans have to say on these issues will have a big impact on the United States. Our EUROPE report gives a rundown on the most significant races: the Otto von Hapsburg scandal that dominates German balloting; Italian Socialists' links to terrorism; a campaign against General Alexander Haig in Belgium; the nuclear energy issue backfires on the Socialists and Sweden; and in France, President Giscard turns to the methods of Charles de Gaulle.

Page 20

IN THIS ISSUE

Ireland: the fast growing economy in Europe

Ireland the fastest growing economy in Europe? Surprisingly, perhaps, but not lucky. Ireland's astonishing economic boom is the product of skillful application of American System economics to reverse the effects of 700 years of British domination. Highlighted by Ireland's recent decision to join the European Monetary System and the severing of the Irish punt from its historic link to the British pound, the Irish economic miracle is beginning to solve Ireland's most pressing economic problem: lack of skilled manpower. How the Irish did it, in this week's ECONOMIC SURVEY. **Page 32**

Zionists tied to "Nazi" organizing

One of the less widely reported tragedies of World War II was the role of certain Zionist organizations in helping the Nazis select the victims for Hitler's gas chambers. Today in the United States, a modified version of that tragedy is being repeated, as figures associated with the American Jewish Congress, the Anti-Defamation League, and the Jewish Defense League, have been linked to the organizing of terrorist "anti-Semitic" goon squads of Nazis and Ku Klux Klansmen. The beginning of a two-part report on this shocking story in this week's COUNTERINTELLIGENCE section. **Page 53**

EXECUTIVE INTELLIGENCE REVIEW

THIS WEEK

The oil crisis is unnecessary 5

ECONOMICS

U.S. sets policy for Tokyo summit 7
Treasury, State propose IMF surveillance over U.S. economy

Poultry: high technology winner for entrepreneurs and the developing sector 11

Banking 13	Foreign Exchange .. 15
Domestic Credit 14	Trade 16
Gold 14	Britain 16
Commodities 15	

EUROPE

European elections: what's at stake 20
Nuclear power, EMS pitted against the Hapsburg program in campaigns

1. Germany's choice: development or feudalism . 22
2. France: De Gaulle's Europe or none 25
3. ELP campaigns in Gen. Haig's homeland 26
4. Italy: a nation's future at stake 27
5. Sweden: swan song for Socialists 29

ECONOMIC SURVEY

Ireland: the fastest growing country in Europe . 32
American System policies behind economic boom, decision to join EMS

LATIN AMERICA

Cuba, Mexico heads of state meet 46
*Energy, industrial development posed as the
alternative to war*
Lopez Portillo, Castro issue joint communiqué ... 51
'Mexico will not tolerate genocide' 52

COUNTERINTELLIGENCE

Zionists tied to 'Nazi' organizing 53

LABOR

Foresee big IBT role in 1980 campaign 57
Fitzsimmons: 'we need candidates
with workable solutions' 58

COLUMNS

Congressional Calendar 44
Labor Periscope 60
The American System 61
Energy 62
Facts Behind Terrorism 63
World Trade Review 64

**Treasury, State propose
IMF surveillance over U.S.
economy**

In an astounding new act of economic policy treachery, Carter Administration officials will propose at the Tokyo economic summit that the United States lead the advanced sector nations in imposing IMF "surveillance" over their internal economic policy, EIR has learned. The full scoop on this shocking turn, plus the update on the HongShang takeover fight, behind the upturn in the gold prices, the U.S. recession story, and more—in this week's ECONOMICS section. **Page 7**

**Cuba, Mexico heads of
state meet**

The summit between Cuban President Fidel Castro and Mexican President José López Portillo will have more far-reaching consequences than most realize. Among the topics discussed during the Castro visit to Mexico: energy collaboration (including Mexico's standing proposal for a producer/consumer conference), policy toward the developing sector, and Anglo-American proposals for "limited sovereignty" of nations. Exclusively in English, this week's LATIN AMERICA report covers the Castro-López Portillo visit with translations of the speeches and the communiqué issued by the two leaders. **Page 46**

<p>EXECUTIVE INTELLIGENCE REVIEW September 24, 1978</p> <p>Why the World Bank Pushes Drugs</p> <p>Richard Brown examines the impact of the World Bank's drug control program.</p> <p>New Solidarity International Press Service \$10</p>	<p>EXECUTIVE INTELLIGENCE REVIEW November 7, 1978</p> <p>Saving the dollar—</p> <p>—without a recession</p> <p>Leadership in international trade... the new world in dollars and cents... opportunities.</p> <p>New Solidarity International Press Service \$10</p>	<p>EXECUTIVE INTELLIGENCE REVIEW December 11, 1978</p> <p>Japan exports the EMS</p> <p>Will any other country be in the...</p> <p>New Solidarity International Press Service \$10</p>
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Oil crisis is unnecessary

"Americans will never accept (austerity) voluntarily. It must be imposed from the outside." This remark, delivered on ABC television by U.S. Secretary of Energy James R. Schlesinger, is the clue to an extraordinary series of events that unfolded this week around the meeting of the International Energy Agency in Paris.

As Schlesinger admitted, most Americans don't buy the story that global oil shortages now mandate a shift backwards into drastically lower energy consumption levels and more primitive energy technologies. Yet, the energy shortage must be made to come true if the United States is to be made to give up its economic sovereignty and buckle under to the murderous "conditionalities" of the International Monetary Fund.

As our ECONOMICS report details, a group of high-ranking, British-influenced cabinet officials led by Treasury Secretary Blumenthal is currently conspiring to surreptitiously bring the United States under the IMF jackboot, and make the June 25 Tokyo summit of the advanced capitalist industrial nations a meeting to rubber-stamp IMF surveillance for the entire world.

The opposition to this plot centers on an emerging alliance among European Monetary System co-founder President Giscard of France, the Saudi government, Moscow, and José López Portillo, President of Mexico—the world's new "oil giant." López Portillo's proposal for a United Nations conference of producers and consumers to *rationaly* determine a world program of expanding energy has just received the endorsement of Cuban leader Fidel Castro, in Mexico for a

surprise summit with the Mexican President this past week.

It was to stem the momentum toward such a solution, which would be based on the full use of petroleum resources in transition to the more energy-dense technologies of nuclear fission and fusion power, that the economics and energy ministers of the advanced-sector nations which make up the International Energy Agency met in Paris May 21-22. The ministers, under Schlesinger's orchestration, conducted a ferocious round of "American bashing," led off on May 21 by Guido Brunner, the Energy Commissioner of the British-dominated European Community staff.

The principal proposals that came out of the Paris meeting were for a "renaissance of coal"—thus consigning the advanced sector to an energy mode which is both highly pollutant and labor-intensive under the preferred technology levels—and, from Count Otto von Lambsdorff, the West German economics minister, a bid for a "producer-consumer

conference" between the IEA and the Organization of Petroleum Exporting Countries.

Lambsdorff's ploy should fool no one (it has already been rejected by OPEC, which doesn't consider the Henry Kissinger-created IEA a legitimate interlocutor). It is part of the past week's frantic efforts by the Thatcher government of Britain to protect the speculative Rotterdam spot market from a political assault led by France in close coordination with Saudi Arabia. Not accidentally, since the IEA confab, the U.S. financial press reports that Rotterdam now controls a whopping one-third of Europe's oil supplies, and predicts \$40 per barrel prices within the next month.

The "IEA-OPEC" proposal is also transparently intended to divert energy concern away from the López Portillo-proposed U.N. conference, which among other targets will aim to shut down the Rotterdam operation.

—Nora Hamerman

The Week in Brief

It's no secret that U.S. Secretary of State's May 22 visit to his new British counterpart, **Lord Carrington**, has acquired for the Carter White House a new—and considerably shorter—**British leash**. In London with **Cyrus Vance** was Israel's Premier **Menachem Begin**. On the agenda was U.S. support for the two "internal solutions" cooked up by London: the bogus "majority rule" regime of Smith-Muzorewa in Rhodesian, and Begin's unworkable autonomy plan

for a Palestinian "bantustan" on the West Bank.

The **New York Times** May 22 confirmed that **Washington has deferred** to the Thatcher regime on strategic issues. "United States officials said that Mr. Vance was unable to tell the British **what action Mr. Carter would take** on Rhodesia, if any. They said Mr. Carter was awaiting a report from Vance on his talks here **before deciding what to do.**"

A New York-based British bank-

er was blunter to this news service: "The Americans can't negotiate anything at all now—they're too stupid. We're saying to you Americans: now you have to listen to us on the Middle East and Africa. Things have changed. Now, Thatcher says, NATO is important. And the President will have to come to her for policy."

* * *

Two columns of South African armored cars and infantry, with air support, invaded southern Angola beginning May 19. The military pressure against Angola, one of the five "frontline" black African states bordering Rhodesia, is stepping up at the same time the British Thatcher government is laying the groundwork for U.S. and U.K. recognition of the South-African-supported government of Bishop Abel Muzorewa in Rhodesia.

Since the invasion, the antigovernment Angolan tribal grouping UNITA has claimed the capture of two southern Angolan towns. UNITA, which is run by South Africa from neighboring Namibia, announced earlier this month through a Lisbon spokesman that it has formed a front with another tribal outfit, the FNLA, to topple the Angolan government.

* * *

Energy Secretary Schlesinger stunned the international press corps May 22 in Paris with an indirect admission that a U.S. military invasion of Mexico is under consideration, but not considered feasible. The packed press room fell silent when a reporter asked the Secretary, in town for IEA meetings, if it was true that he and Defense Secretary Brown planned military action to grab the Mexican oil. Schlesinger's response: "You have an overactive imagination. The balance of power makes an intervention into Latin America impossible at this time."

* * *

The Senator from Chappaquiddick has put it on the record—in France, anyway. In an interview headlined "Ted Kennedy: 'I will be a candidate for the White House, if...'" appearing in the May 7 edition of *Le Nouvel Economiste*, Ted Kennedy said that "if President Carter doesn't seek a new mandate, it can't be ruled out that I'll be a candidate."

The plan, according to one Kennedy organizer, is to force Carter to "pull a Johnson." That means hitting the President with a string of programmatic and primary defeats so that he will be "lame ducked" into announcing he will not seek reelection.

Stepping into the shoes of Jimmy "Il Doofus" Carter so early in the game could hurt Teddy, though. The more he appears to be the President from his Senate power position, his role in pushing through policies that destroy the economy—trucking deregulation, the antitrust campaign, and his environmentalist roadblocks to industry—will make him less and less appealing when voters go to the polls in November 1980.

As this review predicted several months back, the New York Council on Foreign Relations crowd that picked Kennedy for the Democratic presidential nomination plans to hand over the election to his pre-rigged GOP rival—Gen. Alexander Haig.

* * *

Meeting under the banner of "Bridging the Gap for Human Development," 600 representatives from labor, community organizations and religious, political and law enforcement associations gathered in Detroit May 20 to map plans to stop the epidemic spread of mind-destroying drugs. The meeting was sponsored by the Michigan Anti-Drug Coalition, a fast-growing antidrug coalition that has already midwived antidrug coalitions in New York-New Jersey, Illinois, Pennsylvania, and Connecticut and is currently leading the fight against marijuana decriminalization in Michigan.

The speakers were Dr. William

Banks, president of Detroit Television station WGPR and Supreme President of the International Masons; Mayor Jesse P. Miller of Highland Park, Mich.; Imam Talib Karim, resident Imam of Highland Park's Masjid John Hassan; U.S. Labor Party chairman and 1980 presidential candidate Lyndon H. LaRouche, Jr.; and featured speaker, the Hon. Dr. Frederick Wills, former foreign minister of Guyana.

Coalition vice-chairman Salahuddin Muhammad pointed out for special mention the role played by Lyndon LaRouche and the U.S. Labor Party. "If it had not been for LaRouche's concern with stopping drugs, and the work he did to reveal who runs the drug traffic, we couldn't have succeeded in our effort."

* * *

Are the Soviets launching a campaign to "free Israeli Jewry"? A May 17 article in *Pravda* suggests that. The Communist Party daily attack prominent North American Zionist Edgar Bronfman's call for a Middle East Treaty Organization, calling it a straight-forward effort to create a pro-American bloc in the Middle East around the Camp David accord.

Pravda's Y. Glukhov characterized world Zionism as a conspiracy aimed against peace and against the interests of Jewish workers themselves, including Israeli workers. "Playing on the difficult and frequently tragic fate of Jewish workers, deceiving them with nationalistic slogans, with the Zionist bigwigs frequently resort to blackmail, accusing everyone who opposes Tel Aviv's expansionism of being anti-Semitic..."

"But the chauvinism and racism cultivated by the Zionists are ultimately turned against the working masses of Israel, who are viewed as objects of exploitation and as 'cannon fodder' for continued expansion." More and more Israelis are emigrating to escape these "garrison state" conditions, *Pravda* said.

U.S. sets policy for Tokyo summit

Treasury, State propose IMF surveillance over U.S. economy

A secret memo now in preparation in the U.S. Treasury and State Departments, under the overall direction of Treasury Secretary W. Michael Blumenthal, Treasury Undersecretary Anthony Solomon and Undersecretary of State Richard Cooper, calls on the United States and other industrial nations to surrender themselves to the International Monetary Fund's "surveillance" powers.

Sections of the memo, obtained exclusively* by *Executive Intelligence Review* and reprinted below, call for "countries (to) respond to IMF advice and the surveillance process in a more timely and regularized fashion." That is, as an aid to Undersecretary Cooper explained, "report to the IMF weekly and monthly and not only after they're in trouble." The U.S. Treasury and State Departments, said the aid, support IMF surveillance over the United States because "we do things right the way the IMF wants, anyway."

The memo, which outlines the U.S. position for the upcoming heads of state Economic Summit in Tokyo on June 25, only makes more pointed what has been stated quite openly by Treasury and other monetary and economic officials in a spate of recent speeches—notably by Undersecretary Solomon in his remarks to an international trade and investment conference in Washington, D.C. on May 11. Solomon said: "The IMF has been given potentially important powers of surveillance and advice not only over member countries' exchange arrangements, but over their domestic economic policies as those policies relate to the international adjustment process."

As Solomon made certain to emphasize, IMF surveillance entails not mere supervision of currency rate matters narrowly conceived, but full monitoring of and control over national economic and monetary policies. This includes the application of the IMF's "balance of payments" formula hitherto reserved for "problem countries" like Turkey and Peru on a global scale to deficit and surplus countries alike, and strict supervision of future private bank lending to developing sector countries by the IMF in coordination with national central banks. The essence of the U.S. Treasury supported plan is the full realization of the proposal authored and promoted throughout the 1930s and

1940s by British economist John Maynard Keynes, the father of the IMF, for placing the economies of the advanced and developing sector under the rule of one world central bank.

A senior Japanese official shed some light in a recent interview on the sudden urgency with which Solomon and others are moving to push through their proposals. He described the European Monetary System policy for expanding advanced sector industrial exports to the Third World as the alternative to IMF austerity. The Japanese Ministry for International Trade and Industry (MITI), in fact, has recently drafted a proposal for the formation of joint Japanese-European banking consortia which would finance Third World imports of industrial goods and development.

The official also confirmed that the U.S. position at the Tokyo summit will be surveillance and dollar substitution—the IMF proposal to take dollars out of circulation and substitute special drawing right (SDR)-denominated assets under full control of the IMF. He predicted that there would not be an open confrontation over IMF policies at the summit, however, despite continued opposition to those policies by pro-EMS forces.

The secret memo

A former Treasury official who is again advising the Treasury on international monetary issues disclosed last week that the secret memo recommends that IMF Managing Director Jacques de Larosiere assume direct command over the IMF surveillance. He is to go over the heads of the IMF country directors, whose residual attachment to national interest might interfere with the formulation of supranational austerity policies. The source also revealed that the IMF already has plans to dispatch surveillance teams to 80 countries over the next two months for on-site studies for future loan "conditionality." He went on to stress that the crucial issue is not establishing IMF policy over the U.S. economy per se, but throwing the political weight of the United States behind the institution.

Jurek Martin, the U.S. editor of the *Financial Times* of London, is thinking along the same lines. In an article titled "The International Monetary Fund, A

More Human Face," in the *Times's* "World Banking" survey May 21, Martin cited the Carter Administration's decision to draw on its credit line with the IMF as part of the Nov. 1 dollar support package as "perhaps the greatest testament to date of the institution's new weight." The loan did not carry conditions because the U.S. was only borrowing funds that it had placed in the IMF itself. However, the imposition of IMF conditionality on the U.S. and all advanced sector nations is by all predictions the proposal the U.S. Treasury team plans to place on the table at the upcoming Tokyo summit. Another informed source said that the strategy of the Treasury group is to have the IMF begin putting outside pressure on the U.S. to adopt austerity measures.

Of equal concern to U.S. monetary officials and their British mentors is the reluctance of forces in other industrial nations to go along with the IMF's world monetary order. In the interview printed below, Undersecretary Cooper's aide also complains bitterly about the "independence" of countries like Japan and West Germany and discloses that IMF surveillance is directed equally against surplus countries like them. The IMF is seeking to force those countries to reduce their surpluses by de-emphasizing industrial exports to the developing countries and the rest of the world in favor of reorienting their economies and banking systems toward services and consumer goods and speculative, secondary financial markets.

The Keynesian world central bank strategy, including its anti-Japanese and anti-European features, was laid out in Anthony Solomon's May 11 speech in Washington. Solomon learned his economics at Harvard from Professor John Kenneth Galbraith, the dean of American Keynesians. Galbraith later launched Solomon on his government career in the early 1960s, when Solomon joined the Kennedy Administration's State Department and first met and became friends with another former State Department official, Treasury Secretary Blumenthal.

As sub-features of the activation of the IMF's "potentially important powers" to set national economic and monetary policy, Solomon called for (1) the imposition of "strong management controls" by national banking authorities like the U.S. Federal Reserve over the international lending activities of private banks, including imposing reserve requirements on their Euro-currency deposits, and (2) an expanded role for currencies besides the dollar in international lending—while the world moves to the SDR standard—together with a "liberalization" of other nations' financial and capital markets.

The first point—the need for greater controls on the Eurodollar market—is a popular theme currently. It was also sounded by Federal Reserve Board Governor Henry Wallich at the annual convention of the Bankers Association for Foreign Trade in Florida in mid-May.

Solomon and Wallich's efforts to increase central bank supervision over private banks to ensure that banks limit exposure to "problem countries," diversify their banking portfolios, maintain adequate loan to capital ratios, and so forth are actually part of the strategy to restrict private, non-IMF credit flows to developing nations, making them entirely dependent on the IMF.

Moreover, as the head of Chase International's London office admitted in print recently, the recent flurry of calls for increased regulation of the Eurodollar market are directed against "newcomers"—the Japanese and West German banks—who are making low interest rate loans and depressing the interest rate margins of U.S. banks.

Solomon's complaint that "other countries" have been reluctant "to open their money and capital markets" is a statement of intent to break up the close relationship which has existed between banking and industry in Japan and West Germany in particular during the postwar period—and which made the growth of their economies possible. Japan recently was induced to open up a market for certificates of deposit which is expected to shift Japan's capital markets to the short-term side—away from long-term industrial loans.

Earlier this spring West German Economics Minister Otto Graf von Lambsdorff, a pan-Europeanist and avid supporter of supranational institutions like the IMF, rocked the German banking community by calling for a 15 percent limit on a bank's ownership of a nonbank company and an effective end to West Germany's unique system of universal banking, in which commercial and investment banking are not separated as they are in the U.S. and Great Britain. The restructuring and streamlining of capital markets and national banking systems now on the agenda in Japan, West Germany, France, and the U.S. is one of the prerequisites for the elevation of the IMF.

—Lydia Schulman

Treasury-State secret memo leaked

In an interview with a New York banking source, an aide to Undersecretary of State Richard Cooper leaked the existence of a secret three-part Treasury-State Department memo on the imposition of reserve requirements on the Eurocurrency markets. Taking credit for its contents, the aide commented that the memo, prepared by Lysle Widman (Treasury Undersecretary Anthony Solomon's subordinate Deputy Assistant Secretary for International Monetary Affairs) was "so poorly written that I had to rewrite most of it." Here are some comments from that interview.

Q: What is the burden of the U.S. paper?

A: Let's see—well I had to really beef up the part on

the importance of the IMF. You know we strongly support IMF surveillance because we do things right, the way the IMF wants anyway, and it would be Japan and Germany who have these God-awful payments imbalances who would bear the brunt of the IMF's pressure. The IMF would force them to cut the surpluses. The paper says: "Exchange rate stability can only be implemented through stable underlying economic conditions...." subhead: "Evolution of the System." ... "The IMF is continuing to implement its surveillance authority and the review of its success will take place at the end of this year. It is imperative that the IMF develop techniques to exercise surveillance over countries in surplus as well as those in deficit.... We must strengthen the IMF as an institution ... as countries respond to IMF advice and the surveillance process in a more timely and regularized fashion.... This strengthening of surveillance activities will enable the IMF and its member countries to identify problems earlier...."

This means, you see, that countries will report to the IMF weekly and monthly and not only after they're already in trouble: "this will remove the stigma now attached to approaching the IMF ... and create a Distant Early Warning system. ... As part of the evolution of the international monetary system the IMF members are working to enhance the role of the SDR. ... The Substitution Account is an integral part of this process and should be seriously considered...."

Q: *What does the Japanese paper say?*

A: Oh, nothing at all: "Convergence of economic fundamentals ..."; "Cooperation in exchange market policies ..."; "Asset Diversification ..." That means they will fight attempts to make the yen a reserve currency, even if it means they will give lip service to supporting the Substitution Account, which they will although they're not much in favor of it.

And of course they end with the mandatory paragraph saying "We must strengthen the role of the IMF."

The U.S. Treasury to the IMF: 'Come 'n' get it'

Excerpted here at some length are remarks by Anthony M. Solomon, Undersecretary of the Treasury for Monetary Affairs

tional Trade and Investment Conference May 11:

You have asked, "will the current international monetary system serve the future international trade and investment environment."

My answer is—in the short run—"yes," fundamental changes have been introduced in recent years which give us more workable monetary and credit arrange-

ments. But in the longer run, the present system will not necessarily meet future needs....

First is a cluster of concerns about the operations of the international banking and credit system, and particularly the Eurocurrency market. Does it provide adequate credit, or too much? Is it aiding international adjustment or retarding it? Is the market adequately supervised, or is there a risk of imprudent banking practices?...

...The marked expansion of the Eurocurrency market in recent years is often viewed with awe and apprehension. Some favor greater official action to bring the market under tighter control.

...In part, the comparative advantages of the Euromarket are attributable to clear financial incentives. There are no reserve requirements, no interest rate ceilings, and no credit controls....

...The growth of the market has given rise to a persistent debate: whether it is an engine of excessive credit creation which aggravates world inflation, or essentially a highly efficient intermediary reallocating funds from lenders to borrowers....

The economic problem is to allocate funds from surplus to deficit countries. But in the process we must be sure that these flows do not overburden the financial institutions or threaten the banking system generally. The prospect of continuing growth makes it all the more important that national authorities have adequate information and exercise adequate control and surveillance over the operations of banks in the market.

In recent years, the U.S. banking authorities—the Comptroller of the Currency, the Federal Reserve, and the FDIC—have taken a number of steps to improve the supervision of foreign lending by U.S. banks—including the operations of their branches in the Euromarket. The new approach is designed to promote appropriate diversification of bank portfolios and to avoid excessive concentration of lending relative to a bank's capital position....

...There has been a significant expansion in the amount of information collected through the Bank for International Settlements, and new efforts are underway. The central banks of all major countries meet regularly through the BIS, at the policy level, to exchange views on Euromarket developments and to discuss supervisory techniques. These efforts are being strengthened.

Second is a concern that the large stock of dollars in foreign hands, private and official, is destabilizing, and that the international role of the dollar should be reduced in the future in order to achieve greater stability in the international monetary system....

The concern is whether the existence of large dollar balances constitutes an important source of instability in the international monetary system. Particularly in the light of the exchange market instability of recent years and the heightened perception that external

developments do make a difference to the United States, this concern has given rise to various proposals—for funding or consolidating foreign official dollar holdings, for increasing the role of the SDR in the system, and for placing greater reliance on other currencies, such as the deutschemark and the Japanese yen, in international financial transactions and reserves.

Consequently, the effort to strengthen the role of the SDR—and as part of that effort, discussion of a possible substitution account in the IMF—should be seen as part of a long-term evolution of the system, an evolution which holds out an ultimate prospect of greater order and stability, but which is not directed to the immediate market situation.

I should stress that in this examination of structural changes in the international monetary system, the U.S. objective is not to perpetuate a particular international role for the dollar. The dollar's present role is itself the product of an evolutionary process—a process that will continue, and that may bring a reduction in the dollar's relative role in the future. Indeed, some of the main factors in the evolution of the dollar's role would appear to suggest some gradual reduction....

Third, and in my judgment most important, is a concern that our arrangements for international coordination of economic policy may not keep up with the demands of an increasingly interdependent world....

In short, the benefits of greater interdependence have come at the price of greater exposure and vulnerability to events elsewhere in the world. One practical implication of greater interdependence is greater constraint on national policy formulation. Today all governments are constrained to take account of the effects of their policies on others; to factor external developments into domestic policy formulation; and to maintain consistency between their international economic objectives and their domestic economic performance....

...We have over the years developed a variety of organizations to facilitate international cooperation in many fields. The OECD has served as a forum for discussion among the industrial countries of economic policies and balance of payments developments. The IMF has traditionally consulted with member countries on broad economic policies, and has been given important new potential for expression of policy advice. The economic summits have opened a new range of possibilities for coordination at the highest level among the largest countries.

...Evolution of the IMF's surveillance role will provide a test. The IMF has been given potentially important powers of surveillance and advice not only over member countries' exchange arrangements, but over their domestic economic policies as those policies

relate to the international adjustment process. These provisions afford a framework that can be developed to provide a practical vehicle for policy coordination—if governments are prepared to give the Fund the necessary power and influence...

Blumenthal, Javits stage 'debate' on SDR funny money

During his testimony before the International Economic Policy Subcommittee of the Senate Foreign Relations Committee on May 22, Secretary Treasurer Michael Blumenthal revealed his intent to hand the U.S. economy over to the IMF in the following short exchange with Senator Jacob Javits.

Blumenthal: ... In the postwar Bretton Woods system, the U.S. was central because the U.S. economy was the pre-eminent economy in the world. This is unlikely to be duplicated again. ... The transformation of the world monetary system at this point is going on a process of ad hocery. Very important to this ad hoc transformation has been the institutionalization of a number of forums ... the yearly summits, the IEA, the meetings of the IMF-World Bank, the meetings of the Bank for International Settlements, UNCTAD, etc. ...

Javits: Is it U.S. policy to seek to substitute for the Bretton Woods system an SDR system dependent on the IMF to make through the SDR the same basis of the international monetary system that the dollar is today?

Blumenthal: You have put it more boldly than I would like to put it. It is the policy for the U.S. to cooperate with other members of the IMF to explore ways for the evolution of the international monetary system to take account of the changing role of other countries and their currencies' relation to that of the dollar. The role of the SDR is to be more important gradually. The substitution in account is a way to promote the use of SDRs. ... We are talking about a relatively long-term transformation over a number of years which we want to promote.

Javits: If we can get Japan, France, BRD, and the U.S. to demonstrate an increased interest through the international financial institutions in the LDCs, that will stimulate more private enterprise to seek investment there. Now that the IMF has proven itself over the years to be able to manage the flow of credit to the LDCs in a responsible way, I think the institution should be given the support necessary to concentrate on development in the LDCs.

Poultry: high technology winner for entrepreneurs and the developing sector

A recent study made available to *Executive Intelligence Review* by a private consulting firm reviews the near- and longer-term prospects of one of the most dynamic industries in the advanced sector, and concludes that poultry production may be one of the keys to unlocking the frustrated potential of developing sector agriculture for high-technology vectored development. We present here the major conclusions of the report.

The fact that it will take at least three more years before adequate beef supplies to satisfy U.S. protein demand are forthcoming after the unprecedented herd liquidation of recent years, will act as a prolonged spur to the poultry industry. But the real ticket to success for the industry, and the bench mark of its growth and development to date, is found in the comparative cost of poultry as a protein source (see Chart 1). Next to the less nutritious vegetable protein sources, lacking in the vital amino acid component of complete protein, the cheapest source of animal protein is eggs, followed by beef liver, and then whole chickens—one-third to one-half less expensive per gram than the next lowest, canned tuna.

These remarkable figures, reflecting as they do the industry's tremendous productivity gains over the past two decades, immediately suggest the longer-range prospect for the poultry industry—it could become the core of a crash program of protein production for consumption in the developing sector.

Over the past 20 years there has been a six-fold increase in output per worker for the industry as a whole (Chart 2), the result of the introduction of new technologies that have led to a significant degree of automation of broiler production—especially the processing phase—and egg production. This and the application of scientific advances in the efficiency of food conversion and longevity (see Chart 3) enabled the industry to keep ahead of secular and other increases in input costs. As a result—and despite the fact that feed costs, about 60 percent of total poultry production costs, have increased by more than 85 percent over the past 10 years—production costs for eggs and broilers have risen by only 45 percent and 47 percent respectively, while retail prices for eggs and broilers have only risen by 30 percent and 55 percent respectively!

Even computed on the basis of the industry as a

whole—that is, without reflecting the even greater returns realized by the more advanced, least labor-intensive parts of the industry—the figures show a handsome rate of return over the long term. The cost of producing a broiler today is approximately 44 cents per pound, dress weight. In the U.S., the nine-city weighted average price for these birds as of March 25, 1979 was 49.1 cents per pound, dress weight. (Approx-

Chart 1
Relative protein costs

Food	Cost for 20 grams of protein (June '78) (dollars)
Dry beans	.13
peanut butter	.17
Eggs, large	.18
Beef liver	.21
Chicken, whole	.26
Tuna, canned	.36
Chuck roast	.44
Pork loin roast	.53
Ocean perch	.67
Lamb chops, loin	1.17

Chart 2
Productivity in the poultry industry

Year	Output/hour (1967=100)
1955	32
1965	87
1975	175
1976	196

imately 72 percent of a live bird is realized as dress weight.) The return is 15 cents per broiler, without considering the contribution to profits from various usually contracted services such as growers or the hatcheries. If wholly integrated, it is estimated that these sectors contribute between 5 and 7 cents per pound, dress weight, to the total profit picture. For a wholly integrated 500,000 broiler per week facility, a profit of \$6.63 million per year can be realized—a return of 18.9 percent on a typical initial investment of \$35 million.

Egg production is similarly attractive as a productive investment. Here an initial investment of a mere \$1.5 billion to construct a facility that handles 100,000 hens laying 65-70,000 eggs daily realizes a profit of 10 cents per dozen or \$200,000 per year—a return of 13 percent on initial investment.

An approach for the developing sector

A more modest approach for investment in less developed areas is understandable, given the limitations of overall population and infrastructural development. An investment of \$2-3 million, for example, is sufficient to set up an integrated breeder and hatchery facility, processing plant and feed mill complex to produce 30,000 broilers per week.

Such an investment is self-expanding. First, the investment will necessarily encourage local upgrading of agricultural and poultry production, stimulate the development of the work force through this production (skilled labor is required to run the automated equipment and carry out animal-care functions), and at the same time allow the producer to select his markets, thereby ensuring a reasonable profit margin. With this surrounding development, the industry itself can further expand.

More broadly, the establishment of a viable poultry industry in a developing sector nation could provoke a healthy crisis for any forward-looking Third World government. While these industries would initially depend on imported grain supplies—a prospect the American grain belt ought to consider—competitive forces often demand that a domestic supply be

forthcoming. Further, the type of capital-intensive agricultural industry represented by the poultry industry requires an adequate supply of cheap energy to operate machinery and maintain specified environmental conditions for the temperature, light, and air-sensitive chicks. It will require developing infrastructure of roads, railroads, housing, educational and experimental facilities, etc.

—Susan Cohen

Chart 3 Efficiencies

	Broilers		Eggs		
	Feed*	Mortality	Feed*	Eggs/yr	Mortality
1955	2.85	15%	5.50	192	15%
1965	2.28	—	4.95	218	15%
1975	2.10	—	4.25	233	14%
1977	2.05	4%	4.25	236	12%

* Feed = the amount of grain necessary to yield one pound of broiler growth or one dozen eggs.

Chart 4 Return on investment

	Eggs (%)	Broilers (%)	Long-term bond yield (%)
1955-59	6.3	6.4	3.7
1965-69	6.4	8.3	5.7
1974-77	7.9	9.3	8.2

U.S. court clears road for HongShang bank takeover

On a standing technicality, the U.S. Court of Appeals second circuit in New York rejected the landmark appeal by the U.S. Labor Party against the Federal Reserve Board's March 16 approval of Hongkong and Shanghai Bank's proposed takeover of the thirteenth-largest U.S. bank, the Marine Midland bank.

"This is a question of U.S. national security not to be trifled with on a 'letter of the law' technicality which is spurious at best," a Labor Party spokesman said on May 23, the day of the ruling. "We brought this case in the public interest and we intend to appeal it all the way to the Supreme Court."

The City of London has repeatedly stated that the HongShang takeover of a major New York bank is the "powerful stimulus"—in the words of the London *Financial Times*—for a wholesale reorganization of the U.S. banking system. London took the occasion to press ahead with that broader aim. Lord Armstrong of Sanderstead, chairman of Midland Bank and of the Committee of London Clearing Banks, proposed in a May 23 OpEd in the New York *Journal of Commerce* that the U.S. banking system be decontrolled until it "relies almost wholly on self-regulation" as, he said, British banks do under the Bank of England.

The Labor Party documented to the Federal Reserve last October the hundred-year history of the HongShang's control over the world drug market, and filed its appeal in New York April 15 to reverse the Fed's rubberstamping of the application, charging "gross malfeasance" of regulatory duty.

In New York's capital, meanwhile, a Labor Party legislative team informed dozens of legislators about the HongShang case on May 20-21. "It's disgusting the way Carey is politically fronting for the HongShang," agreed one legislator, referring to the New York State Governor, who was put into office with a \$300,000 loan from HongShang's Canadian and Peter Bronfman. "We are really opposed to the HongShang takeover—it's the most unregulated bank in the world."

There are rumors in New York City that Marine Midland's management is planning to switch its charter from a state to a national bank to escape the New York Banking Superintendent's jurisdiction. This would only set off further uproar in New York.

Carey's latest dirty trick is his attempt to maneuver antidrug New York State Assembly Banking Committee Chairman Herman D. Farrell into dropping his new legislation making takeovers of large New York banks by foreign banks nearly impossible. Farrell has been told to water down his bill to provide for only "case by case review" of individual takeover deals, or else "no one in the banking committee will vote for it because they're all loyal to Carey," angry Assembly sources said.

Others in Albany report that State Senate Banking Committee Chairman Rolison has returned unamended to Governor Carey New York State Banking Superintendent Muriel Siebert's bill S.3333, which would empower the Superintendent to halt foreign acquisitions in New York. Carey last week refused to sign

the bill and sent it back to the Senate, claiming he would write "his own legislation" to bring HongShang into New York. Now sources say he will have to stick his neck out politically and veto the bill, risking the wrath of the Assembly.

The *Financial Times'* New York correspondent Stewart Fleming meanwhile complained bitterly about the "concern of Governor Hugh Carey about whether Miss Siebert will approve the Hongkong and Shanghai Bank bid. ... The foreign banks have already made a significant contribution to New York's financial markets," he writes, and "particularly to the spectacular growth of its foreign exchange market."

Once the Fed passes London's proposed free banking zone for New York, says Fleming, then the Fed can get right into the markets itself "in the way in which the Bank of England does in London." And if, as the Bank of England has proposed, reserve requirements are then put on Eurodollar transactions, concludes Fleming, all the hot money—and the London banks—will flock to New York as the new "international market" for foreign exchange speculation.

This, Lord Armstrong elaborated, means the Fed itself must do away with the "vast panoply of federal and state banking controls, enforced by several major regulatory agencies...."

—Kathy Burdman

DOMESTIC CREDIT MARKETS

Carter Administration moves U.S. economy into recession

Sharp declines reported in the last two weeks in a series of key indicators are now signaling that the U.S. economy is moving into recession.

- Durable goods orders in April suffered their sharpest monthly collapse in 11 years, down 8.7 percent to \$77 billion.

- Housing starts this year are running some 20 percent below last year's levels.

- Industrial production last month fell one percent from March,

the steepest drop since the 1975 trough.

- Retail sales adjusted for inflation have fallen every month this year and are now a mere .5 percent above the sales level one year ago. In current dollar terms, April's sales were also only .5 percent above March's.

- New orders for capital goods plummeted 13.6 percent last month, despite the plethora of rosy predictions for capital spending increases.

As this publication has detailed before, these statistics are the fruits of the Carter Administration's steady dose of high interest rates, spiraling inflation, export and capital investment restrictions, and energy blackmail through skyrocketing fuel costs, artificial shortages, and nuclear plant shutdowns.

The Administration's intent was graphically laid out by a manic Alfred Kahn, Carter's so-called "inflation fighter," before a May 16 meeting of the Investment Company Institute in Washington: "There's no way of avoiding a decline in our living standards. Americans are going to have to live with less. ... The sum total of the demands we are placing in the economy of ours ... somehow adds up to more than the economy is capable of supplying."

Kahn concluded that the only solution is to scrap the American System of progress and technological development, or, in his words, "the American expectation that things

GOLD

Euro-Arab-Soviet combination rigs the gold market

James Sinclair, the New York-based precious metals dealer, has a fascinating hypothesis concerning the forces behind the recent sharp run-up in the price of gold bullion. The gold price which, during the month of April, had ranged somewhat listlessly between \$230 and \$245 an ounce, suddenly broke through the \$250 barrier on May 10 and went on to achieve a \$265.40 record high at the London afternoon fixing on May 22.

Sinclair's analysis appears in the May 10 and May 16 issues of his

widely-circulated newsletter, headlined "The Russians Are Gone, The Russians Are Gone" and "They Are Going To Sock It To Us" respectively. Unfortunately, although he appears to have his facts straight concerning who is doing what in the gold market, Sinclair, like much of the Mont Pelerin Society-influenced "gold bug" circuit, is off base when it comes to making an accurate political and strategic assessment of recent gold market developments.

A reading of Sinclair would lead one to the conclusion that the Soviet

Union, Saudi Arabia, and West Germany's second largest commercial bank, the Dresdner Bank, are somehow in cahoots to "sock it to" the U.S. dollar through a combination of oil and gold price hikes and that their ultimate aim is to replace the American currency with a basket of European currencies including gold.

This is linked to Sinclair's contention that some major new catastrophe is brewing in the Middle East, comparable to the October 1973 Arab oil embargo, and that the Saudis have gotten advance notice of this and are moving to position themselves in gold accordingly.

Sinclair reports, probably accurately, that the direction of the gold market has been shaped decisively by the following developments: 1) The Soviet Union, since late 1978, has carefully rationed its sales of the metal in Western markets so as to avoid pushing the price down. Although the Soviets apparently sold significant amounts of gold in the

must always get bigger and better."

Kahn was seconded by Energy Secretary James Schlesinger and his minion, Undersecretary John O'Leary. In testimony before a Senate Energy Subcommittee, O'Leary plugged for a sharp reduction in gasoline consumption, which he billed as "essential if we are to avoid significant supply shortages this summer." O'Leary was mimicked by C.C. Garvin, Exxon's chairman, who made no bones of his concurrence with Schlesinger to send oil prices through the ceiling in order to shut down the economy.

Then there was Leonard Silk, the *New York Times* chief economic reporter. Writing in his May 23 column, Silk proposes nothing less than the "Hooverization" of America. "For the financial markets," sneers Silk, "the good news, to rewrite Herbert Hoover, is that recession is just around the corner. ... Consumers, having tried to keep borrowing and buying ahead of soaring prices, are

starting to give up."

Unfortunately, Silk has put his finger on one of the important reasons why the poor statistics for April are in all probability not a one-month blip. The domestic economy has been living on borrowed time for at least the last two years, held up by the consumer borrowing bubble and sharp inventory buildup. In the absence of growth in capital formation and high-technology investment, there is every indication that this process is nearing its end. With no final consumer outlet, the cycle of corporations producing goods, selling to each other, and marking up inventories is approaching the point of drastic liquidation.

In the May 23 issue of *Business Week*, economics editor William Wolman points out that the severity of the monthly figures "shoots down the widely held theory that sluggish first-quarter spending was caused by weather and a later Easter." The Teamsters strike, although undoubt-

edly a factor in the statistical decline, similarly cannot account for the magnitude of the fall-off.

With the prospect of even higher energy costs coupled with continued gasoline shortages looming over the U.S. economy, Carter and his Thatcherite controllers in the Administration are readying this nation for a crunch that will then be the pretext for a de facto IMF takeover under "crisis management" conditions. The recession may indeed be just around the corner; but any illusions of any accompanying recovery—as long as the nation remains in the grip of U.S. Thatcherites—have about as much reality as imminent prosperity in the 1930s.

—Steve Parsons

Swiss market in early May, all of it was immediately taken up by an Arab (probably Saudi) interest, in what would appear to be a prearranged deal between the two parties. 2) Since early May, Saudi and other Arab interests have moved repeatedly to shore up the gold price with huge purchases whenever the price appeared to falter. 3) Dresdner Bank, which is reportedly acting as the agent for a Saudi investor, has purchased an unusually large portion of the gold offered for sale by the International Monetary Fund and U.S. Treasury in recent months.

Moreover, a few hints concerning Dresdner Bank's market strategy were dropped by the bank's Managing Director Hans-Joachim Schreiber at the May 15 opening of Dresdner's Hong Kong branch. Schreiber told Reuters that "the international price of gold could rise to between \$280 and \$300 per ounce before the end of the year" and "gold's monetary role will become

more obvious with the establishment of the European Monetary Fund as part of the European Monetary System."

What kind of gold-backed monetary system?

The implication of Schreiber's remark is that Dresdner Bank's gold strategy is premised on a "second phase" of the European Monetary System (EMS) which has yet to be implemented. The key question is *what kind of gold-backed EMS does Schreiber envision?* Sinclair assumes that the dollar's reserve currency role will be junked and a pre-1914 (British-dominated) international gold standard returned to. That is, gold will be used as a weapon to impose energy conservation and other deflationary measures on the U.S. and the rest of the world economy.

In an interview with this magazine, however, a high-ranking Japanese official gave a very different view of the EMS's "second phase."

This source saw the EMS as a Euro-Japanese-Arab collaborative effort to generate funds for Third World industrialization. He stressed that the EMS would be used to undercut oil market speculation by British and U.S. multinationals through the financing of new energy development projects in the Third World. The revaluation of Europe's gold reserves at \$300 an ounce and the pooling of this gold along with dollars in the European Monetary Fund would provide the necessary reserve "backing" for such a massive financial undertaking.

Thus, Sinclair is probably correct in his view that the Saudis, Soviets, and West German banking interests have been conspiring to fix the gold price. He misses the boat when he assumes that it is the British version of a gold-backed monetary system that they are attempting to implement.

—Alice Roth

COMMODITIES

Major shakeup underway of U.S. raw materials supply channels

U.S. industrial consumers of raw materials who are concerned with the pattern of 20-100 percent annual inflation rates in primary metals costs should begin to keep close watch on a number of bills now going through the U.S. Congress.

Senator Dole, for example, has just brought a bill into Congress, already passed by committee, which calls for "joint efforts" by "Canada, Mexico and the U.S. to promote a continental energy policy." Dole's package is modeled on the prospec-

tus issued during 1978 by the Blythe, Eastman, Dillon investment firm for creation of a North American Common Market, a scheme whereby investment in the U.S. and neighboring nations will be rechanneled out of industrial corporations, and high-technology energy development, in favor of basic mining, oil extraction and "soft" energy technologies.

In presenting the bill, Dole urged that President Carter immediately call for a summit meeting with the heads of state of Canada and Mexico

to promote the "Common Market" idea.

Just as important is the legislation about to be passed on Alaskan development; as well as Senator Hillis' (Rep.-In.) bill for creation of a select committee on raw materials, whose major purpose will be to design policies to confront supply shortages induced by political disruptions, "boycotts" and other crisis developments abroad.

These bills are all connected to the Carter Administration's commitment, over the next few months, to increasingly centralize government policy-making for raw materials in the hands of the Federal Emergency Management Agency (FEMA), the "crisis-staff" apparatus signed into effect by presidential decree on April 1, 1979.

If fully implemented, FEMA will *not* be concerned with getting materials cost inflation under control. Rather, its purpose will be to "cartelize" raw materials production and

FOREIGN EXCHANGE

A foot in the Tokyo door

The latest in a series of measures to "liberalize" the Tokyo currency and capital markets occurred in mid-May, as both foreign banks and Japanese commercial and trust banks were allowed to issue negotiable-rate certificates of deposit (CDs). The velocity of CD growth, their expected volume, and the extent to which the Japanese Finance Ministry will retain or intensify administrative guidelines on CD transactions are not certain. What is clear is that the liberalization measures have been

urged on Japan by the Carter Administration and by those international bankers who share a resolve to (1) dismantle the joint state-industry control over capital allocations that has made Japan the most advanced capitalist economy in the world, and (2) make the yen into a reserve-currency adjunct and a major repository for diversification out of dollar holdings, en route to a world Special Drawing Rights regime.

The introduction of three- and

six-month CDs—currently in minimum amounts of \$2.3 million—was opposed by the Big Three Japanese long-term credit banks, and pressed by the foreign banks. The latter's cost of funds will drop, according to the May 18 London *Financial Times*, given the current 5.1-5.4 percent rate on three-month CDs as compared with the 5.75 percent level of a three-month bill on the discount market. At the same time, Japanese banks which have been paying lower rates on customers' compensatory deposits will have to pay more on CDs, a disadvantage only mooted by the *Financial Times* when it suggests that some Japanese banks are requiring CD customers—against the rules—to simultaneously hold current balances at the bank.

Despite their misgivings, it is the Japanese banks which reportedly plunged into CD issuance, because of their need for funds, while foreign banks have held off until a secondary market is established. What is in question is not only interest-margins

allocation, and to mete out mining contracts to the investment bank proponents of the North American Common Market scheme.

Raw materials 'boom' was engineered

The "boom" in raw materials prices since October 1978—which has entailed a 40 percent rise in copper prices, 35 percent rise in nickel, and 10-20 percent rises in aluminum and lead—has been deliberately pushed by the same British-linked investment houses which have made a killing off international price increases in petroleum.

The copper boom, which set the stage for all subsequent price rises, was kicked off by the political crisis in Iran. Not only did the antitechnology forces under the new Khomeini-dominated regime put a halt to development of Iran's Sar Cheshmah copper mine project—scheduled to bring 145,000 tons a year of output on line this June—but, just as impor-

tantly, the oil supply "scare" which began with the cutback of Iranian output provoked a wave of "hot money" into the metals markets, driving copper to record highs.

The shift of capital flows into metals speculation in the wake of the crisis, though, helped to convince U.S.-based multinational oil companies that it was time to "diversify" their operations out of strict energy development, into more general raw materials operations.

What deserves close attention is the role the FEMA apparatus will play in delving out the coal and other mining leases which have become such hot items under the impact of the commodities price "boom."

No less than 40 percent of the U.S. land surface is presently administered by the Department of the Interior, which has been completely reorganized to intermesh with the FEMA bureaucracy.

The complicity of the Carter Administration with speculative in-

vestment interests behind the raw materials boom, and the desire of both the Administration and the speculators to get FEMA under way will become blatantly clear in coming weeks, when Wage and Price Control Council reviews aluminum and lead prices. In both cases, inflation is taking off under the impact of a "split" in prices on domestic and foreign markets.

As prices of both metals are higher abroad, speculators, middlemen, and producers are shifting their contracts to foreign purchasers. This has raised the spectre of supply shortages domestically, leading producers of both metals to urge the Administration to grant them increases on a par with prices abroad.

—Renée Sigerson

but volume and above all deployment of funds.

Presently, foreign banks in Tokyo can only issue a total of CDs up to 10 percent of their yen loans outstanding, and cannot issue them at all to their home offices or other overseas branches. However, as the *Financial Times* states, "Eventually it is hoped that the government will allow more flexibility in the amounts of the CDs and the terms." The effect, even in the near term, tends to skew the Tokyo market toward the shorter-term end; and CD advent could also have some upward impact on corporate borrowing costs by skimming funds from the "Gensaki" repurchase market.

International lending base

But the point is longer range—to create a foreign-bank yen base for building offshore yen loans. These loans, according to their advocates, would embody the opposite principle of the "consolidation plan" credits first quietly proposed by Japanese

leaders last year. That plan would centralize Eurocurrency deposits—primarily offshore *dollar* liquidity—for the purpose of long-term development credits and mammoth well-planned trade financing at progressively lower interest rates. Yen loans have already occurred in this direction, and could play a secondary part in the "consolidation plan." But what the Tokyo liberalizers are doing is opening the way for the foreign banks most oriented toward International Monetary Fund conditional lending for payments deficits, and World Bank "appropriate technology" project credits, to "fund a yen credit safely for a prolonged period without relying on the leadership of a major Japanese bank," in the words of the May 22 *Journal of Commerce*

So the foot in the door not only nudges Japanese corporations away from their close relationships with domestic banks; it tracks into a reserve status for the yen. Even if the yen were to be brought up from the

current 218-to-the-dollar level to Ohira and Blumenthal's 200 target range, while exports simultaneously grow once more, there is only one way to secure real yen strength—not so ironically, through a strong dollar that in turn expresses a net expansion of world trade and investment, through something like the consolidation plan and its European Monetary Fund (EMF) institutional channel. Signs from very highly placed monetary officials indicate that they will stall and sidewind the Tokyo liberalization (see story p. 7) while using the need for energy investment to get the EMF under way. During the postwar period, such attempts have again and again been cut short by Mideast wars and equally artificial financial catastrophes. This is why something much more than "competition" is at stake in the Tokyo markets.

—Susan Johnson

TRADE

Outlook for world trade: control, trade war and no growth

C. Fred Bergsten entitled a recent speech, "The Outlook for World Trade: Continued Liberalization or Protectionism." By the time he finished addressing the Washington, D.C. Institutional Investors Institute on May 9, the Assistant Secretary of the Treasury for International Affairs had made it clear that the Administration wished to pursue the worst aspects of both options at the same time.

Bergsten's speech has more recently been reiterated in substance by

Assistant Secretary of Commerce Frank Weill. Weill, a former partner of the pro-British Bronfman family investment bank of Loeb, Rhoades and Company, told the Senate Foreign Relations Committee on May 23 that first the U.S. must gear up to fight and win a trade war. "With a slower growing world market and intensified competition," Weill told the Senators, "many nations will be tempted to adopt protectionist policies—restricting imports while attempting to subsidize exports." Un-

less the U.S. fights to regain its earlier share of the global market, Weill continued, the U.S. could incur foreign trade deficits of \$40 billion or more by 1990. The solution, Weill said, is to reduce energy demand, keep growth slow, and make the most of—i.e. maintain—the cheap dollar (which Treasury Secretary Blumenthal's earlier policies deliberately brought about).

Weill's policy package, it should be noted, is precisely that being advocated for the U.S. by such supranational institutions as the International Monetary Fund, World Bank, the Organization of Economic Cooperation and Development, the UN Conference on Trade and Development, and the General Agreement on Trade and Tariffs. Bergsten had outlined a similar package on May 9. The former Brookings Institution fellow insisted that "world growth rates are likely to be significantly lower in the last quarter of the 20th century." Therefore there must be

BRITAIN

The titanium tangle: 'free enterprise' put to the test

Britain's new Industry Minister Sir Keith Joseph may find the deep-seated devotion to "free enterprise" put to the test before he even has time to unpack his bookshelf of required reading on how to dismantle the state sector. The Thatcher government has to decide in the next few weeks whether to allow the National Enterprise Board (the state agency which channels government subsidies into "risky" industrial projects) to invest \$30 million or more in a

new titanium plan urgently needed for Britain's defense industry.

Joseph, committed to dismantling the NEB and all other industrial aid programs set up by previous Labour governments, will find himself on a collision course with the Defense Ministry and alarmed executives of Rolls Royce if his department decides to scrap an NEB project to rescue the British titanium industry.

Titanium granules, produced

from titanium oxide ore by a complex industrial process, are smelted into metal billets which are integral to production of specialized Rolls Royce engines, particularly the RB 199 which is to power the European Multi-Role Combat Aircraft (MRCA). Imperial Chemical Industries which at present supplies the titanium to Rolls Royce via ICI's subsidiary, Imperial Metal Industries (IMI), has announced that it intends to shut down its ancient and inefficient plant at Teeside—the only place in Britain where the metal is produced.

There are only two other producers of the sort of titanium needed by Rolls Royce—Nippon Soda in Japan and Reactive Metal Industries in Ohio, but neither one uses the same process as employed by IMI. Rolls Royce officials have said they could swap suppliers but the change-over necessary to adapt their engines so they use the Japanese or U.S.-produced metal would take between

cutbacks of "excess capacity ... facing the steel sector in a number of countries." One way is through the cartelization scheme of the French EEC Industry Commissioner, Count Davignon and supranationally mandated austerity regimes for other industries.

Forcing submission

The implementation of the anti-growth policies favored by Bergsten, Weill, and the Carter Administration generally requires the submission of industrialist layers in a number of key countries. In West Germany, a Hanover economic study group has "predicted" declining economic growth through the year 2,000 A.D. The report claims Germany has become a "mature" nation and therefore can't continue any longer in a mode of export-led growth. A similar perspective appears in a recent report by one of the "Grossbanken," Commerzbank, which "foresees" demand for services replacing demand

for manufactured goods in West Germany.

In Japan, a carrot-and-stick approach is being wielded to wean it from a commitment to emphasis on high-technology exports. The "carrot" side of the approach is various trade openings to Japan for dubious ventures. On the "stick" side, Japanese officials are being manipulated into voicing satisfaction with the United States' restrictions against their export policy. Said special advisor to the Finance Minister Michiya Matsukawa this week: "Japanese exporters have learned a valuable lesson from their experiences, namely that they will be led to disastrous friction if they are interested only in increasing their exports. "The U.S. trigger price system for steel products taught us the lesson," he said, "that even if the pie is smaller the profit can be heavier provided exports are made in an orderly manner and with appropriate pricing."

While key export-committed coun-

tries such as West Germany and Japan are being clubbed to increase imports, reduce exports, and shift from manufactures to a services orientation, countries like the U.S., controlled by an antigrowth, anti-technology Administration, are being outfitted in protectionist mode to do the clubbing.

U.S. steel industrialists at the American Iron and Steel Institute conference in New York City last week called for more measures against imports despite their admission that capacity shortages were looming and that Anthony Solomon's "trigger price mechanism" had virtually priced the Japanese out of the market. The steelmakers complained, however, that the Europeans were still able to get in under the trigger-price. Not mentioned by the industry dinosaurs, however, was the fact that if they would modernize their plant they could compete with any steelmakers in the world.

—Richard Schulman

four and nine years.

Compounding the problem is the fact that the British government is unwilling to depend solely on a foreign country for supplies of the strategic metal, even if the changeover could be made at a reasonable cost. ICI insists that it will not keep its existing titanium producing plant open beyond the end of this year because it is unsafe, inefficient and unprofitable. Journalists have not been able to see the plant in operation for "security reasons."

Since Rolls Royce urgently needs the metal for aero-engine production, it has taken its case to the Department of Industry and the matter is in Sir Keith Joseph's lap. A new titanium plant is slated to be built by a consortium of the NEB, Rolls Royce and Imperial Metal Industries if the government gives the okay. Analysts say that Sir Keith has no choice but to back the new enterprise with state funds or risk the government's already massive investment in

Rolls Royce. Worse still, the Thatcher government would be seen as renegeing on its election pledge to maintain Britain's "independent" defense capability if it put "free enterprise" first in this instance.

—Marla Minnicino

Selections from Sir Keith's reading list

Government and the Market Economy, Samuel Brittan, *Financial Times* economics editor.

Meriden: Odyssey of a Lame Duck, Jock Bruce-Gardyne (the trials and tribulations of Meriden Motorcycle factory which was turned into a workers' cooperative with state funds).

Employment, Inflation and Politics, by Peter Jay, monetarist, recently departed Ambassador to the U.S., former *London Times* economics columnist, and son-in-

law of James Callaghan.

Delusions of Dominance, John Jewkes. Has anyone besides Sir Keith read this one?

The Wired Society, James Martin
The Economics of John Kenneth Galbraith, Frank McFadzean, chairman, Shell Petroleum Co., Ltd.

Democracy in America, Alexis de Tocqueville.

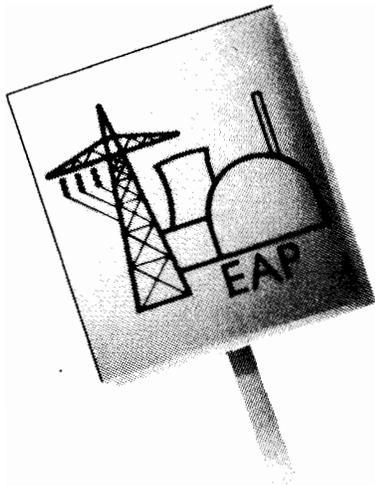
Capitalism, Socialism and Democracy, A. Shumpeter.

Why Britain Needs a Social Market Economy, Sir Keith Joseph.

Monetarism is Not Enough, Sir Keith Joseph.

Solving the Union Problem is the Key to Britain's Recovery, Sir Keith Joseph.

The Wealth of Nations, Adam Smith.



European elections: what's

Nuclear power, EMS pitted against the Hapsburg

Western Europe will be faced with two significant elections in the first ten days of June. On June 3, Italy will hold national elections whose outcome will decide the fate of the country. Seven days later, Italy and her European Community (EC) partners will vote in the first universal-suffrage elections for the European Parliament. In addition, Sweden—an important industrial force in the Western European equation although it does not belong to the EC—will hold national elections next autumn, and the campaign there has already erupted into a major battle over the issue of nuclear energy that will have Europeanwide consequences in the days and weeks ahead.

Thus far, as the American press has repeatedly noted, the campaigns of the major parties throughout the EC have been memorable only for the scant attention they have elicited from their respective populations. Only the European Labor Party (ELP), organized in six countries, and French President Giscard d'Estaing have consistently addressed the fundamental questions facing the continent. These are (1) the future of the newly-created European Monetary System (EMS), (2) nuclear energy, and (3) terrorism. Because continental Europe alone stands a chance of effectively opposing the war policies that Washington and London have set forth for the advanced capitalist sector, the decisions which Europe's leaders make on these three issues will determine not only the future of their own populations, but of the entire globe.

Giscard d'Estaing for the first time in his career has adopted the Gaullist stratagem of appealing directly to the masses of the French population, educating them on the cited political questions in a series of nationally televised speeches and mass rallies held throughout the

country to audiences numbering as much as 50,000. In his speeches Giscard has taken up the question of Third World development through the rapid implementation of "Phase II" of the EMS, which entails the creation of a centralized fund for the financing of large-scale high technology development projects. The French President has also stated his unequivocal support for nuclear energy development, as well as initiating a number of proposals to end the artificially created international oil shortage, including the closing of the Rotterdam market.

Unfortunately, Giscard's approach has not been followed by his ally, West German Social Democratic Chancellor Helmut Schmidt. Instead, the European Parliament campaign of the Social Democratic Party has been dominated by the party chairman, former Chancellor Willy Brandt, and has thus distinguished itself for its banality. More significantly, however, the policies of Willy Brandt, who is also the head of the London-directed Socialist International, are identical to those of his presumed chief opponent: Otto von Hapsburg, who heads the slate for the Bavarian CSU party of neo-Nazi Franz Joseph Strauss. Both Brandt and Hapsburg are leading proponents of the British-initiated conception of a "Europe of the regions," a decentralized Europe of weakened national states. For these British-allied networks, the European Parliament is viewed as a future base of operations against the current Franco-German alliance of Schmidt and Giscard whose conception of a "Europe of the Fatherlands" and a "Superpower for Peace" would be realized through the full implementation of the European Monetary System and commitment to nuclear energy development.

at stake

program in campaigns



In this morass, only one party has consistently exerted leadership: the small and until recently little-publicized European Labor Party. The key to the unprecedented success of the ELP lies in the fact that for the first time ever, a political party is demanding that Europeans reverse the "usual" direction of marching orders from Washington to Europe (including the making and breaking of Italian governments out of the U.S. Embassy in Rome), and intervene to impose sanity on U.S. politics, by supporting the 1980 presidential candidacy of Lyndon H. LaRouche, Jr., chairman of the ELP's fraternal party, the U.S. Labor Party and conceptual architect of the EMS "grand design."

ELP chairman for the Federal Republic of Germany, Helga Zepp-LaRouche, has gone on national television to deliver what West German trade unionists, factory workers and others have called the only unequivocal position favoring the development and expansion of nuclear energy by any party running in the elections. The televised broadcasts of Zepp-LaRouche have now given the party an estimated 95 percent recognition factor throughout the country, while the work on the party in exposing the fascist, monarchical ambitions of Otto von Hapsburg and his ties to the British crown and British government policy have created sufficient pressure to make the candidacy of Hapsburg the leading issue within the Social Democracy. Now when Social Democratic candidates hold election rallies, even in the case of those such as Willy Brandt who are de facto factional allies of Hapsburg, it is "de rigueur" for them to attack the monarchical pretender.

Zepp-LaRouche, on television and numerous cam-

Who's up for election?

On June 10, 1979, the nine member countries of the Common Market will be electing 410 candidates for five years as representatives to the European Parliamentary Assembly—by direct suffrage for the first time.

The functions of the new representatives will include adopting or rejecting the European Community's budget, advising the Community's decision-making Council of Ministers and, in extreme situations, compelling the Commission to resign. It will have no legislative powers over the national governments of Europe. The European Council, the Community's principal decision-making body led by the countries' foreign ministers, will not be responsible to the Parliamentary Assembly, but will remain a body upholding and representing sovereign national interests. However, the Parliamentary Assembly's general supervision of the Commission, including the right to censure it, can mean increasing the accountability of that "supranational" institution.

The total 410 seats will be distributed as follows among the member states: Belgium: 24; Denmark: 16; Federal Republic of Germany: 81; France: 81; Great Britain: 81; Holland: 25; Ireland: 15; Italy: 81; and Luxembourg: 6.

The Italian national elections

On June 3rd and 4th, Italy's population will be going to the polls to elect all members of the Chamber of Deputies and the Senate. These national elections were provoked by the March collapse of the Andreotti government. The outcome of these elections will determine the appointment of the Prime Minister and general composition of the cabinet.

Swedish parliamentary elections

In September, Swedish voters will choose a new Parliament. Leading parties are the Social Democratic Workers Party of Olof Palme, the Center Party of former Prime Minister Tjorboern Faellidin (whose government fell last winter when his party attempted to pass an antinuclear program), and the Liberal Party headed by Ola Ullsten, the present Prime Minister (who supports nuclear energy as a "necessary evil"), the Conservative Party, and a 15-member European Labor Party slate.

paigned appearances throughout the country, has also cross-fired the antiterrorist activity currently taking place in Italy with the aid of French and (quietly) West German intelligence. The ELP chairman has identified the fact that West German environmentalists and terrorists are all part of the same British and Israeli-controlled networks, as the Italian police and carabinieri have been documenting in their own territory.

Inside Italy itself, terrorism has been repeatedly identified as the central question on the part of government and trade union leaders. Here the outcome of the June 3 national elections and the fight to free the country from a long-standing reign of terror are, practically, one and the same thing. Although Italy is participating in the European Parliament elections, it is the national balloting one week earlier which has received the major focus.

At stake here is whether the Italian Socialist Party (PSI)—closely allied to Socialist International head Willy Brandt, who has been campaigning on their behalf—will be successfully shown up as a party of little national standing, thus putting an end to its role as the institutional protector of terrorism and spoiler of the Communist Party-Christian Democratic alliance which alone can prevent Italy from being plunged into the Iran-style destabilization predicted recently by the Council on Foreign Relations and various Italian spokesmen.

The Italian police, in a rather spectacular series of arrests, have already rounded up portions of the terror network, all of them pointing to the central role of the Socialist Party leadership. Once again, it has been the role of the ELP to make the full implications of that connection public, most recently in a series of televised broadcasts by Italian ELP general secretary Fiorella Operto.

Another flank on Brandt and Craxi's beleaguered Socialist International was opened dramatically in mid-May in Sweden, where the leader of the Social Democracy (SAP) is former Prime Minister Olof Palme. Since May 16, the national press of Sweden has run front-page articles telling of a "revolt" against Palme in the trade-union movement—his party's base—led by the European Labor Party, which is fielding candidates in Sweden's fall national elections. Trade union leaders representing over 75,000 workers signed a petition drafted in collaboration with the ELP, condemning Palme's "sudden" antinuclear about-face after the Harrisburg incident, and issuing a resounding call for the national nuclear program as the key to Sweden's own economy and its positive role in the world. Passive acceptance of whatever the Socialist International hands down, including support for environmentalist terrorism, has come to an end in what was once the showcase for British-modelled "socialism" in Europe.

—Vivian Zoakos

1. Germany's choice:

The programmatic dichotomy between two diametrically opposed ideas of Europe—the rich, industrial postwar Europe envisioned by Charles de Gaulle and Konrad Adenauer in the 1950s and 1960s, and by their successors Giscard d'Estaing and Helmut Schmidt today, and the feudal Europe based on small peasant agriculture and regional autonomy, the Europe sought by Britain and Europe's surviving "black" aristocracy—has been sharply drawn in the West German European Parliament elections.

But it is not Germany's two largest nationwide parties, the Social Democratic Party and the Christian Democratic Union which are providing the campaign's programmatic interest. Both the SPD and the CDU have consciously shied away from issue-oriented campaigns in favor of Madison Avenue-style "image" based politicking featuring posters of scantily clad women and color TV commercials with NATO flags and fighter planes. Rather, the campaign's issue content is coming from the European Labor Party slate headed by the party's chairman for the Federal Republic, Helga Zepp-LaRouche, a leading West German spokesman for nuclear energy and for the European Monetary System founded by Chancellor Schmidt. And, on the oligarchic side, Franz-Josef Strauss's Bavarian Christian Social Union has placed at the head of its slate the titular leader of the continent's aristocrats, Pan-European Union president Otto von Hapsburg, whose controversial campaign has swung as close as is legally possible in postwar Germany to calling openly for restoration of Hapsburg's hereditary Austro-Hungarian throne.

The upshot: voters are studiously avoiding SPD and CDU election functions, while Zepp-LaRouche is leading a highly visible and attention-getting campaign posing her party's policies of nuclear energy development, detente, and support for the EMS against Hapsburg's program of environmentalism and confrontation with the Soviet Union.

A May 17 indoor rally featuring former Chancellor Willy Brandt, for example, was attended by a trickle of voters who dribbled in in twos and threes to hear Brandt, one of the SPD's best-known, if least-respected, figures, and the head of the SPD's European parliamentary slate. The CDU, the nondescript opposition party, has seen attendance at its functions plummet even further, while the Free Democrats, the waning coalition partner in Schmidt's ruling coalition, are virtually unheard from.

Zepp-LaRouche, on the other hand, regularly drew between 40 and 60 people to rallies during a nationwide

development or feudalism

tour of major West German cities earlier in May; subsequently, after appearing four times on nationwide television broadcasts, party organizers report 95 percent public recognition for the ELP leader. The ELP has connected its entire progrowth, pronuclear energy campaign to the name of Friedrich Schiller, Germany's greatest poet, who attempted to organize humanist republics in Europe along the lines of the American Revolution.

A measure of the ELP's impact on the West German race is best obtained from the party's role in the scandal over the Hapsburg candidacy. Not even a West German citizen until a year ago, Hapsburg has risen "meteorically" to the top of the CSU election list, and was set to claim a similar spot on the CDU list last winter when the ELP published a major expose of the fascist policies of his Pan-European Union (serialized earlier this year in *EIR*). The result: Hapsburg was dumped as a candidate by the CDU, while the SPD followed the ELP lead by issuing a blast at Hapsburg of its own. Today, although the SPD slate under the

leadership of Willy Brandt holds views on environmentalism almost identical to Hapsburg, it is party policy to attack the Austrian aristocrat at every SPD rally.

The ELP, however, is not going unchallenged in this campaign. Hapsburg, the son of the last Austrian Emperor, a blustering anti-communist and environmentalist, is summoning his followers on a crusade for solar energy and against communism. Hapsburg wants to destroy Europe's centralized republics by breaking countries such as France and Spain down into autonomous regions.

Of course, Hapsburg has been quiet about just who supports him, but British Prime Minister Margaret Thatcher sent an official spokesman to his PEU conference in April, while the Italian Black Guelph families such as the Pallavicinis, the Savoys, families his family controlled when the Hapsburg dynasty ruled Northern Italy, support the PEU in addition and are a link between Hapsburg and the "left"-wing terrorists of such groups as the Red Brigades.

Conservatives' campaign: bikinis and Hapsburg

In displays of garish campaign theatrics, West Germany's opposition parties, the nationwide Christian Democratic Union (CDU) and their Bavarian sometime affiliate, Franz-Joseph Strauss's Christian Social Union (CSU), have outdone themselves in the European Parliamentary race: the CDU is offering posters of scantily clad women as a gimmick to gain votes, while the CSU is backing the leading Black Guelph environmentalist in Europe, Pan-European Union president Otto von Hapsburg, as their number three candidate.

The tasteless CDU campaign, organized by that party's resident linguist, Kurt Biedenkopf, might as well have been designed to convince conservative voters of the CDU's political bankruptcy, and to turn them to the CSU candidate Hapsburg in disgust. The CDU's main wall poster features a buxom, rosy-cheeked blonde, barely dressed, fondling a large pencil under the slogan, "Make an X for the CDU." Another CDU poster shows a youthful, muscular hockey player with a young woman draped over his shoulder bearing the slogan: "We'll make Europe strong."

Hapsburg's CSU campaign, however, takes an entirely different road. Hapsburg's campaign platform openly calls for dictatorship and the death penalty for West Germany during states of emergency, even though both policies are expressly forbidden by the West German constitution. As president of the Pan-European Union, Hapsburg is also secretly aiding other PEU members who have been quietly nominated by other parties to represent them at Strasbourg, and he is publicly supporting environmentalism and deindustrialization—a program harking back to the feudal period when his ancestors' dynasty ruled a major part of Europe.

The PEU president, who was not even a West German citizen until last year, has made it clear that if he is elected to the Europarliament, he will use it as a platform for his efforts to change the present Europe of centralized republics into a decentralized "Europe of the regions" in which regional terrorist groups such as the ETA Basque terrorists of Spain, or the Breton terrorists in France would be assured of his support.

The ELP: high profile on the real issues

"I am standing here in front of the nuclear power plant in Biblis. The Biblis plant is a symbol of the economic power of the Federal Republic of Germany, a symbol of what we built up out of the rubble after World War II," Helga Zepp-LaRouche told West Germans in a moving nationwide television address recently. The Chairman of the European Labor Party in West Germany, she heads the ELP's slate for European Parliament.

"Only 60 tons of nuclear fuel are needed for the electrical energy that this nuclear power plant produces in one year. If the same amount of electricity were produced by burning coal, 5 million tons of coal would be needed and this would be a tremendous burden on the environment," she continued. "We need more such nuclear power plants that are so beneficial to the environment. The Third World alone needs thousands of such plants in the next 20 years."

Zepp-LaRouche finished by summarizing the purpose of her party's campaign. "The enemies of technology are nothing but a small, intense minority that is greatly played up in the press, and which wants us to keep silent. Why should we allow this confused minority to sabotage Europe's future?"

West Germany is the center of the European Labor Parties' European parliamentary drive, and it is a very high profile effort. Helga Zepp-LaRouche has made four such television appearances. Fifteen thousand wall posters are going up throughout West Germany, and one million leaflets are being distributed throughout Europe, most of them in Germany.

Entitled, "Atomic Energy for Peace, Not War," the leaflet has been distributed at dozens of West Germany's most important industrial plants, including Hoechst Chemical in Dortmund, Bayer Chemical in Cologne, Mannesmann Printing in Duisberg, Roecklingern Steel in Saarbrücken, Daimler Auto in Stuttgart, and VFW Fokker in Bremen. The impact of the ELP campaign among trade unionists has been heightened by the fast-spreading news that officials of America's largest union, the Teamsters, are organizing committees to elect Lyndon LaRouche president there.

Because "left" environmentalist Willy Brandt is heading the SPD slate, the ELP is the only West German party running on behalf of the industrial development and European Monetary System programs of SPD Chancellor Schmidt. In 1978 state elections which many predicted would be a first step in removing Schmidt by making the environmentalist "green list" of candidates into a major national force, ELP candidates stepped in and virtually destroyed the "greenies'" campaigns, in part by exposing their British and Israeli intelligence links (for example, Rudy Deutsche)—accomplishing what Schmidt's SPD forces could not do for themselves. The ELP has also campaigned heavily against oligarchist candidate Otto von Hapsburg, causing Hapsburg to be rebuffed in a bid for a spot on the CDU slate. Currently, the ELP's slogan against Hapsburg goes: "One Austrian was enough."

In the present elections, the ELP is playing not only the same role respecting the enemies of progress, but is having a major impact on its own account. Slate leader Helga Zepp-LaRouche is expected to win a European parliamentary seat.

SPD: Brandt heads list of greenies

Although Social Democratic Chancellor Helmut Schmidt has been a spokesman for high technology and growth, the SPD's European Parliament slate is dominated by Schmidt's SPD rival Willy Brandt, the party's chairman and leading focus of British influence. The result has hurt the party with the voters.

Instead of addressing the fundamental issues facing Europe, nuclear energy versus environmentalism, and peace versus the danger of a World War III provoked by NATO, Brandt and his aides in the Social Democratic "left wing" have packed his party's 81-person slate with well-known opponents

of nuclear energy on the left, and with a few token right wingers who blindly insist that NATO is the only entity saving Europe from communism.

The West German voter has taken the hint, and Brandt's slate of SPD nonentities can rarely muster more than a dozen spectators at street corner rallies. This, despite a massive and expensive color TV commercial campaign, which alternately features NATO flags and fighter planes to attract conservatives, and scenes of open meadows and sunny days to attract the environmentalist vote.

The SPD's ARE public relations firm has tried to construct a new image of Brandt as younger and relaxed, and even sober, but the poor attendance, barely reaching 100, at Brandt rallies evidently shows what the public thinks.

2. France: De Gaulle's Europe or none

The campaign for the European Assembly in France is largely centered around the Union for French Democracy (UDF), President Giscard's coalition, which has become the carrier of Giscard's program for European-wide cooperation to industrialize the developing sector.

The UDF's own program for the Assembly (see *EIR* Vol. VI, No. 13) calls for the creation of a \$100 billion fund for technology-intensive economic projects in Europe and the Third World. President Giscard has added another dimension to this proposal by organizing for a "dialogue" conference of European, African and Arab states which received a unanimous vote of support May 22 by the Franco-African summit meeting in Rwanda, attended by 24 states.

Two weeks ago Giscard undertook a rare tour of the country to address the population on the European Monetary System and France's role in Europe and the world, speaking to groups of up to 20,000 at a time. Giscard clearly defined the UDF campaign as "Gaullist."

Running against the UDF, which may suffer due to its poor domestic economic performance, are the official Gaullist and Communist parties running on anti-European programs. The Socialist Party is running on an antinuclear and zero-growth program.

A last ditch attempt to drain away votes from the UDF was set up May 21 by France's "Kennedy," Jean-Jacques Servan-Schreiber, in alliance with "European federalist" dropouts from the "left wing" of the UDF. Similarly, Jacques Medecin, who as mayor of Nice maintains close connections to the local gambling and drug-running networks, is setting up another list of disaffected right wingers from the UDF to draw off votes.

The European Labor Party is not running an electoral slate in this race due to the great financial burden placed upon "third" parties for this election in France. However, the ELP's members are actively campaigning on behalf of the party's continental slate, and are holding educationals with bankers, government and party officials around USLP Chairman Lyndon LaRouche's "Theory of the European Monetary System."

Giscard:

De Gaulle's promise

French President Giscard d'Estaing, touring his nation before the June election of the European Assembly, told a rally of 20,000 in Hoerd, Alsace, May 15 that "We must choose Europe of the heart and of reason." Giscard concluded by recalling a Council of Ministers meeting in 1961, presided over by Charles de Gaulle, when Giscard was State Secretary for Finances. De Gaulle said he would not live to see a united Europe, but then turned to the youngest man present, Giscard. "You, you will live to see this Europe."

Here are excerpts from his speech.

One hundred years ago, the world was Europe. The only great powers were France, Great Britain and Germany. The sun, it was said, never set on the British Empire. And the rest counted for naught.

Today, new powers have appeared and others are appearing. ... We observe how the incessant spreading of education and technological progress is reducing those differences which were to our advantage based on productivity, experience and knowledge.

United, Europe represents a population equal to that of the Soviet Union. It is developing an economy comparable to that of the United States. It is the world's first commercial power. ...

Great Britain, which as we know, chose to put a break on European construction, did not gain by it. Twenty years ago, its revenue was equal to ours. Today, it is 40 percent less.

Who's in the running

Union for French Democracy (UDF): headed by Giscard appointee and Minister of Health Simone Veil, the UDF is a coalition of parties supporting the actions of President Giscard.

Rassemblement pour la République (RPR): the Gaullist party as such is not presenting a slate, but its president Jacques Chirac is sponsoring and heading the "Defense of the Interests of France in Europe" list, open to other parties and which Michel Debré has also joined.

French Communist Party (PCF): is presenting a full slate, campaigning against the enlargement of the Common Market and the European Monetary System.

Socialist Party (SP): is fully participating in the election and trying to create a "convergence" with the UDF.

Employment-Equality-Europe: slate pulled together at the eleventh hour by Radical Party president Jean-Jacques Servan-Schreiber, along with feminist journalist Françoise Giroud, both of whom simultaneously resigned from the UDF.

Region-Europe: a coalition of regionalist-autonomist groups, the federalist *Rassemblement Européen* and ecologists headed by avowed terrorist, Jean-Edern Hallier.

3. ELP campaigns in Haig's homeland

"In the homeland of Haig, we are the party of LaRouche." Under that slogan, the European Labor Party in Belgium is breaking down the monolith that is politics in Belgium.

NATO has its headquarters in Belgium, which is run by King Baudoin, a cothinker of Otto von Hapsburg. In Brussels, NATO command center, General Alexander Haig, NATO Secretary-General Joseph Luns and British officials posted there are continuously organizing to force militarization on Europe.

The succession of parliamentary crises and governments in Belgium all revolve around the best way to implement austerity "at the King's pleasure."

Workers in Belgium's significant heavy industrial sector have been sources of strong support for the European Labor Party and its program. Particularly important has been the exposé of the government's 30-hour work week proposal by Lyndon H. LaRouche, the 1980 presidential candidate and chairman of the U.S. Labor Party. In a widely distributed pamphlet, LaRouche made it clear that in the context of a fully functional European Monetary System, Belgium would be able to maintain a full employment economy on a full work week, allowing the country to contribute to world development.

King Baudoin regards the aggressive campaign

being run by ELP candidate Jean Louis DuJardin on behalf of peace, nuclear energy, and industrialization as a personal affront. The royal police, operating under medieval law, repeatedly arrested DuJardin's campaign workers for *lese majesté* (insult to the crown), at least until the Labor Party delivered stinging reports on human rights violations in Belgium to consular offices and press services throughout Europe.

DuJardin's party has specialized in routing the host of environmentalist sects which pollute the political atmosphere. To the particular delight of workers who witnessed the event on television, the ELP clashed with radical "greenie" Antoinette Spaak, daughter of former NATO Secretary-General Paul-Henri Spaak, reducing her to incoherent fury.

Ms. Spaak was one of those who collaborated with national election officials in an effort to rule the ELP, which collected thousands of valid petition signatures, off the European ballot. An independent elections judge, however, reversed an earlier ruling, and the next day *La Libre Belgique* published an all-parties election list, with DuJardin placed prominently in seventh position, far above the gaggle of greenies.

It is Alexander Haig who is the favored target of the party's effort. A popular ELP poster depicts the diminutive general as "The Man Who Was *All Used Up*." As in the Edgar Allen Poe story, Haig is shown with a glass eye, a wooden leg, wooden arm and so forth. Behind him stands Henry Kissinger. Haig asks, "Henry, can you please give me my wooden brain?" Kissinger replies, "You'll have to wait a little longer, Jimmy Carter is still using it."

4. Italy: a nation's future at stake

In a May 23 appearance before foreign journalists, Italian Socialist Party leader Bettino Craxi bristled when asked if his party would win the same number of seats in Italy's upcoming parliamentary elections as the miniscule Radical Party. Rumors, Craxi responded, that the PSI is finished as political force in Italy, are unfounded.

In fact, the predictions that the PSI will be the big loser in Italy's June 3 and 4 parliamentary balloting seem very well founded. The irony of this is that the elections, which neither of Italy's two dominant parties, the Christian Democrats and the Communists, wanted, were provoked precisely in order to restore the PSI to its onetime role as the "swing" party, the minority partner which traditionally wielded influence by black-mailing the larger DC with the threatened withdrawal of its support.

Under the PSI scenario, the elections were to break apart the DC-Communist tacit coalition that had ruled Italy since 1976, and usher in a period of "controlled chaos"—with the PSI, backed by American ultimatums barring the Communists from a role in any government, providing the margin of rule for the post-election Italian government.

Instead, Craxi is weary and on the defensive, finessed, as he bitterly complains, by a combination of caretaker Prime Minister Giulio Andreotti, whose government Craxi helped topple in January, and the forces of Communist leader Enrico Berlinguer. Unless Craxi pulls magic out of his hat between now and June 3—magic which could include one of the U.S. embassy's famous Italian vote fraud operations—it seems certain that 1979 will see the disappearance of both of the fixtures of British influence over Italian politics, the tiny Republicans (whose leader Ugo La Malfa died days after attempting to form a cabinet to succeed Andreotti) and the PSI.

Craxi blames his troubles on Andreotti's shrewdness in holding the Italian elections one week before the June 10 European Parliamentary balloting, where the PSI was expected to do well. But the real source of the PSI's difficulty is the ruthless political offensive against terrorism conducted by the Communists, Andreotti's allies in the Italian police and judiciary, and by the European Labor Party, which began the unraveling of Craxi's political operations last year with the issuance of a dossier, "Who Killed Aldo Moro," which tied leaders of the Socialist Party directly to the terrorist networks responsible for the Moro murder and other acts of terrorism on behalf of British and allied U.S. policy toward Italy.

Not only is the campaign against terrorism hitting the PSI, but it is also drawing the dividing line between DC factions committed to industrial progress and the EMS strategy, and oligarchist-allied DC figures such as Amintore Fanfani, who has lined up squarely in the camp of the embattled Craxi.

Because so much is at stake in the Italian national elections—the very survival of the Italian nation—the parliamentary campaign has eclipsed the European Parliament balloting a week later. But the issues of the national election dominate those of European voting.

Offensive against terrorism

"Today's main enemy is terrorism," says Luciano Lama, a Communist leader and Secretary General of the Italian CGIL trade union confederation. Terming the fight against terrorism the center of Italian politics at the European trade union meeting in Munich May 16, Lama called for the European labor movement to "cooperate in the fight against terrorists in Italy, and to help find those pulling the strings." Lama's analysis is echoed by the president of the Christian Democratic Party, Flaminio Piccoli. In an editorial published by the party's paper *Il Popolo* on May 21, Piccoli belied the "anticommunist" profile that the major foreign and most of the Italian press have been giving the general elections. "The real question," said the DC leader, "is not whether Berlinguer will enter the government or not. The real issue is the risk that the offensive by the armed [terrorist] party and radical anarchism" could destroy the very basis of the Italian state.

At the level of the judiciary, the antiterrorist effort is being efficiently and successfully conducted by Carabinieri General Carlo Alberto Dalla Chiesa (associated with DC circles) and Judge Calogero, (associated with the PCI). The police/judicial antiterrorist drive has produced dozens of arrests of key terrorists, with the biggest catch being a "former" PSI member and political science professor at the University of Padua, Antonio Negri. Particularly damaging to the DC in the Negri case is the fact that throughout his career, Negri has been the protégé of a prominent PSI Central Committee member, Norberto Bobbio. Negri is accused of having directly helped mastermind and execute the kidnapping and murder last year of former Prime Minister Aldo Moro.

Through a broadly targeted campaign using television, radio, and the press, the European Labor Party has been a key factor in the linking of Craxi and company to the Italian terrorists. The ELP campaign has forced the issue into the open: there is barely a

press conference or party event where Craxi is not called upon to answer the ELP charges. "If I were to believe what is said in the piazzas about me," Craxi blurted at his May 23 appearance before foreign journalists—in answer to a question on his party's election day prospects—"I would lose the elections.... The public is saying that I am a friend of the terrorists." The night before, ELP leader Fiorella Operto had declared on nationwide television that "the ELP supports the antiterror operations conducted by General Dalla Chiesa and the magistrates. A party such as the PSI which is placing all sorts of obstacles in the way of their job is not qualified to be in the Italian parliament.... We call on Craxi to answer clearly whether he supports Dalla Chiesa or not.... The presence of the PSI in any post-election government is a threat to the state, and the issue must be discussed." Operto's statement was reported in full by the national daily *Il Tempo*, a paper associated with the DC tendency headed by Prime Minister Andreotti.

Also being drawn into the scandal surrounding the terrorist fights are DC circles associated with Italy's Hapsburg-allied "black nobility" families. The leading casualty here may be former Prime Minister Amintore Fanfani, whose career has been based on his association with the Pallavicini family.

A proposal by Fanfani that the new government by a DC-PSI government with Craxi as Premier has

backfired, making Fanfani and Craxi the target of enraged attacks by both DCers and the Communists. In an interview in the weekly *L'Espresso*, Andreotti's cabinet secretary Franco Evangelisti commented, "Craxi in the place of Andreotti? I cannot even begin to imagine it.... Fanfani has committed another one of his mistakes: it does not make sense to ask for more votes and then to say that the DC is willing to hand the Premiership to the Socialists.... Fanfani has confused his role as president of the Senate with that of president of the Republic."

The Communist paper *Unità* has run articles detailing the "lies of Fanfani," while *Pease Sera*, a Communist-oriented paper, ran a more pointed front page cartoon showing a puffing Fanfani running down a road with the sign "London 2536 kilometers."

And the party originally responsible for exposing the PSI's links to terrorism, and to British intelligence, the European Labor Party, intends to become the new "swing" party, replacing the flagging PSI as the intermediary force between the DC and the PCI. With such a combination, the DC forces around Andreotti and the PCI grouping of Berlinguer will be able to form a stable ruling majority for development and progress.

—R.D. Cedeño

ELP knocking out Socialists

The European Labor Party's role has become a defining feature of the Italian national parliamentary elections June 3 and 4. The key issue is terrorism, and the ELP in Italy is known all over Europe for exposing the British and Israeli intelligence networks behind the "Red Brigades" assassination of former Italian Prime Minister Aldo Moro.

As a result, it is widely expected that this year's Italian elections will witness the political death of the Italian Socialist Party (PSI), which the Labor Party has identified as the party supporting terrorism in Italy. It is also expected that the European Labor Party will replace the PSI as the third major party in Italy, electing several candidates to the parliament.

It is ELP candidates who have gone on television to implicate PSI leaders, including party secretary-general Bettino Craxi, in the activities of jailed "intellectual" Antonio Negri, whom police are holding as one of the masterminds of the Aldo Moro assassination.

Last year the ELP published a 100-page pamphlet titled "Who Killed Aldo Moro," exhaustively docu-

menting the connections of Italy's royal House of Savoy and other "black aristocrats" to British intelligence projects including Red Brigades terrorism and the "Autonomy" leftists who support it. The complicity of U.S. Carter Administration officials, including Ambassador to Italy Richard Gardner, was also documented. Recently, the ELP published a "second volume" of the Moro dossier, documenting the scope of Negri's national and international connections as identical with the British-controlled "terrorist international."

As the arrest of Negri and 22 others shows, Italian government officials and security police are acting on leads the ELP has provided. ELP charts of who is behind terrorism are so well known that they are even seen painted on the walls of vacant buildings in Italian cities.

Leading the ELP electoral list is Marco Fanini, ELP candidate from Ascoli-Piceno in the Marches district southeast of Rome.

5. Sweden: swan song for Socialists

Things are changing in Sweden. A cameo appearance in the pornographic "I Am Curious" movies did not prevent Social Democrat Olof Palme from becoming Prime Minister several years later. But now, Palme's opportunistic attempt to capitalize on the environmentalist Three Mile Island hysteria may have irretrievably spoiled his comeback bid in Sweden's upcoming nationwide elections, three years after he became the first leader of his Social Democratic Workers Party (SAP) to lose a Swedish national election since before World War II.

Although Sweden does not go to the polls until September, the Palme debacle is having a more immediate political impact throughout Europe. Palme is a close Second International ally of West Germany's Willy Brandt, who is leading his party's European Parliament campaign on an environmentalist platform similar to Palme's. Brandt is under heavy fire from the European Labor Party for his environmentalist stance, and it is the ELP too which is leading the revolt against Palme's antinuclear program in Sweden. And the ELP is making heavy use of Palme's embarrassment in the continental European campaigns—where the impact of the ELP campaign will be closely compared with Second International balloting totals—and in the United States as well.

Palme's debacle

For months prior to the Three Mile Island incident, the proprogress leadership in the Swedish union movement had been working with the European Labor Party-initiated Association for Nuclear Energy. During that period, Palme's SAP was maintaining a nominal position in favor of nuclear fission power in the face of a governmental policy hostile to industrial high-technology growth. When Palme took the cue of the Schlesinger-managed sabotage at Three Mile Island to turn against nuclear power, union leaders turned to the Labor Party's John Hardwick.

Beginning April 15, union leaders began circulating a petition in favor of nuclear energy. The initiators were Eric Lindstedt, an ombudsman of Metal Workers local 63 in the Stockholm suburb of Borlaenge, and

Leif Norlin, chairman of Metal Workers local 234 in the southern Swedish town of Tomelille. Both are on the board of directors of the Association for Nuclear Energy. After working out the petition with Hardwick, they circulated it particularly among their fellow metal workers, who comprise the major base for Palme's SAP.

By the time the petition was made public on May 17, it had over 20 names of union leaders, ranging from the town of Umeå in the north to Simrishamn in the south. The petition circulated rapidly. One local leader reported that he had gotten 30 signatures so quickly that he needed more petitions.

The petition, demanding that the labor movement's national political leadership "stop its orientation toward zero growth and low energy, and put cheap nuclear energy before the diffuse, expensive, renewable energy forms," has produced political shockwaves, becoming front-page news in the press within 24 hours of its circulation. "Revolt Against the Party Within the Trade Unions," said the conservative Svenska Dagbladet, the morning paper with the second largest circulation in the country. "Top Men Within the LO [the national trade union federation] Against Palme," said the headline of Expressen, the liberal evening paper with the largest circulation. Even the Social Democratic paper Aftonbladet, Palme's mouthpiece, ran the headline: "Metal Trade Union Leaders Attack Palme."

The action of the Swedish unions, taken in coordination with the Swedish collaborator organization of U.S. Labor Party chairman, Lyndon H. LaRouche, Jr., has challenged the rules of Swedish politics—where the SPD controls the entire trade union movement—in much the same way that a public split out of the Democratic Party for LaRouche would shake up the U.S. political map.

Palme responds

At a May 18 press conference, Palme responded by accusing the unionists of carrying out an "impertinent political hoax," and charged that "the European Labor Party is behind it." "This CIA organization," Palme complained, "has been after me for several years"—

referring to the ELP's opposition to his former government's policies of austerity and genocide in the Third World.

The next day, every national radio network and television in the country covered the response of John Hardwick, a Labor Party official and head of the Association for Nuclear Energy. "Palme has nothing behind him," Hardwick said. "The European Labor Party is working to counter the witchhunt against supporters of nuclear energy."

On May 21, ELP chairman Kerstin Tegin charged Palme with political harassment of the Labor Party and the 25 labor leaders who signed the statement. Tegin linked the statement to the fight to inaugurate "Phase Two" of the European Monetary System, and declared that it was vital that U.S. Labor Party chairman Lyndon H. LaRouche win his bid for the U.S. Presidency. Tegin's statements too were carried widely in the press.

Canute-like, Palme has spared no effort to halt the

Statement of Swedish unionists for A-power

Following is the petition issued by Swedish unionists in support of nuclear power.

Because of low energy costs as the basis for massive industrialization, Sweden, only a few decades ago, was able to take the step from the poor and unjust "statar" society to a modern and advanced industrial nation.

For us trade union representatives, a return to the slave economy of the low-energy society is completely out of the question. Instead, we see it as our task to work for progress in industry, technology, science and society. In this way we not only create the conditions for a richer life for Swedish workers, but we develop the necessary resources for us to be able to contribute to the industrialization of the developing countries. This is necessary to eliminate starvation and poverty and to secure a peaceful development on earth.

We see the development of nuclear energy as a decisive factor for creating this development. Nuclear power is the energy source which has the full capacity to meet the increasing demands for an abundance of cheap, clean and secure energy for social and industrial development.

Through the new reactor types which are developed, this energy source can meet many different needs and

produce great amounts of energy for hundreds of years into the future. Nuclear energy is a dense, concentrated energy source. This means that contrary to the diffuse, so-called renewable energy forms, it will always remain cheap.

The Harrisburg accident does not influence our judgment that nuclear energy is a safe energy source. On the contrary, when the hysteria fomented by the media now has calmed down, one irrefutable fact is clear: no one was injured by the much spoken-about accident.

The highly advanced nuclear technology in Sweden—almost unique in the world—and our great uranium resources make nuclear power even more important for our nation's development. A commitment for export of turn-key reactors, nuclear technology, and know-how, together with enriched uranium fuel would no doubt cause a massive upswing and create valuable and much-needed resources for society as a whole. Many tens of thousands of new industrial jobs would thereby be created.

For this reason we see with deep concern the 180-degree turn on the energy issue by the Social Democratic leadership and the increasingly loud talk about zero-growth and diffuse so-called renewable energy forms.

tide of union sentiment against him. He has sent the national head of the Metalworkers union, Bert Lundin, to pressure several of the initial signers of the pronuclear resolution to dissociate themselves from it. And he has followed his cry that the "ELP is CIA" with the claim that the labor leaders signing the resolution were unaware that their names were on it.

But twist and turn as he may, Palme's control of the labor base of his party is irrevocably shattered. After publication of the resolution on May 17, three national

trade union leaders have come forward to support its contents. These are the national chairmen of the Woodworkers Union and the Mineworkers Union, and Hans Ericsson, head of the Swedish Transport Workers Union.

The furor in Sweden has also attracted international attention. Germany's Frankfurter Allgemeine Zeitung and the Agence France Presse news service have asked for interviews with European Labor Party spokesmen on the fight for nuclear power in Sweden.

—Paul Arnest

This new line is in obvious opposition to the traditional policy of growth, industrial progress and nuclear energy, which we have always fought for. A policy which so clearly opens the door for economic stagnation and a return to zero-growth and low-energy, must be condemned as dangerous for the nation and the workers.

No other country in Europe has reacted so hysterically to the Harrisburg accident as Sweden has done. Countries like France and the whole East bloc have instead escalated their nuclear programs further during the last weeks. If Sweden continues its dangerous policy, we will be driven into forced isolation from the rest of the world. We will not be able to take part in the great effort of continental Europe to industrialize the developing countries in the 1980s and 1990s.

With stagnation and higher energy prices, we will be deprived of our export markets. This will lead to wage reductions, unemployment and lower standards of living for Swedish workers.

We therefore urge the party leadership:

- to stop its orientation toward zero-growth and low-energy and put cheap nuclear energy before the diffuse, expensive, renewable energy forms;
- to openly distance themselves from all invitations to collaborate from the greatest enemy of progress in Sweden, the Center Party;
- to start a nationwide information campaign on the great possibilities of nuclear energy.

Leif Norlin, Chairman, Metalworkers Local 234, Tomelilla

Erik Lindstedt, Ombudsman, Metal Local 63, Borlaenge
Ivan Gudasic, Chairman Metal Local 164, Trosa

Algot Hansson, Responsible for Worker Security, National Municipal Workers Union

Henry Sundbaeck, Chairman Metal Local 9, County of Vaermland

Istvan Koran, Chairman, Metal Local 160, Storebro

Knut Maartensen, Construction Workers Local 19, Skelleftea

Sigurd Edstroem, Factory Council Chairman at IMO-Industries, Stockholm

Werner Iversen, Chairman, Factory Council, Stal Laval, Ludvika

Kalle Andersson, Chairman, Factory Council, ASEA, Vaesteraas

Sture Dryler, Ombudsman, Metal Local 230, Umeaa

Kenneth Krantz, Ombudsman, Metal Local 31, Helsingborg

Aake Pamp, Chairman, Factory Council, Helsingborg Shipyard

Goesta Grenander, Chairman, Metal Local 15, Simrishamn

Ireland: the fastest growing

American System policies behind economic boom,

The fastest growing country in Europe—measured by rates of economic expansion—is not West Germany, not France, and certainly not Great Britain. It is Ireland. More astounding is the fact that this tiny country—which until 25 years ago was almost exclusively a nation of small farm holdings dedicated to the export of foodstuffs, livestock and other agricultural products—should now *top* the Organization of Economic Cooperation and Development (OECD) league (except for Japan) in average yearly growth of manufacturing output and surpass *every* other industrialized country in 1978 rates of manufacturing output, capital investment and GNP.

Of greater significance, the population of Ireland is rising for the first time since the Great Famine. The 150-year-old hemorrhage of forced emigration which has drained the country of its most valuable resource—its labor power—is being halted as more and more high-technology jobs are created every year. According to spokesmen for the Industrial Development Authority—the agency responsible for promoting and attracting industrial investment—another remarkable development is occurring: at current growth rates, the Irish standard of living, based on production per capita, will surpass that of once mighty Britain by 1980. Yet the birth of Ireland as an industrial nation dates from only the 1950s, while Britain's much-vaunted "Industrial Revolution" took place 200 years ago!

A recent OECD survey, commenting on Ireland's extraordinary economic performance, concluded that "the growth of output has been one of the fastest in the OECD area with the major stimulus coming from buoyant exports and fixed investment." This is an absolutely accurate assessment. However, while the OECD report and other equally influential economic publications have detailed the statistical correlatives of Ireland's economic success, none have identified the

"theory" which has made such a remarkable transformation possible.

It is in many ways fitting that Ireland is now the most profitable location on earth for American industrial capital, and that the rate of U.S. manufacturing investment in Ireland has expanded faster than that of any other country in the world. U.S. companies now account for nearly half of all overseas investment in the Emerald Isle; since 1970, four times as much industrial investment has been committed by American corporations than in the preceding 20 years, expanding at a rate of 186 percent in the last five years alone.

The reason that industrial investment from U.S. Fortune 500 companies and also from Japan, Germany and Ireland's other Common Market partners is doubling every four years—contributing to the phenomenal rise in export-led growth—is at least in part due to the unique program of tax incentives, development subsidies and cash grants of every sort which the government has introduced especially to attract overseas investment. But when the corporate vice president of a U.S. manufacturing firm such as G.E., Westinghouse, Emerson Electric or Burlington Industries looks at the investment climate in Ireland, he is not only attracted by the tax "holidays," the surplus of skilled labor, the highly modern and efficient industrial plant capacity, which has benefited from the most important technological innovations of the last decade; he is also struck by the uncompromising commitment to industrial development, the overriding priority given to fostering scientific and technological progress, and the unswerving dedication to nation-building demonstrated by almost every representative of the Irish government whom he has occasion to meet.

This is particularly true of the elite core of protechnology intellectuals represented by the Industrial Development Authority (IDA)* whose agents in

country in Europe

decision to join EMS

North America have been the driving force behind efforts to shape and carry out the nation-building policies of the Irish government. This is no less true of the Irish Export Board. In addition to promoting Irish exports abroad, it provides consulting services to Third World countries in export development based on the technique that contributed to Ireland's own transition—in less than 20 years—from a rural to an industrial economy.

The 'method' behind Ireland's boom

Although historians and economic analysts insist there is no particular "method" underlying Ireland's rapid economic progress, the commitment to certain key principles of scientific-technological growth, particularly the cultivation of capital-intensive advances in the productive powers of labor in industry and agriculture as the determining factors in creating national wealth, are immediately recognizable in knowledgeable American circles as the same theoretical conceptions upon which the United States was founded and became a prosperous industrial republic.

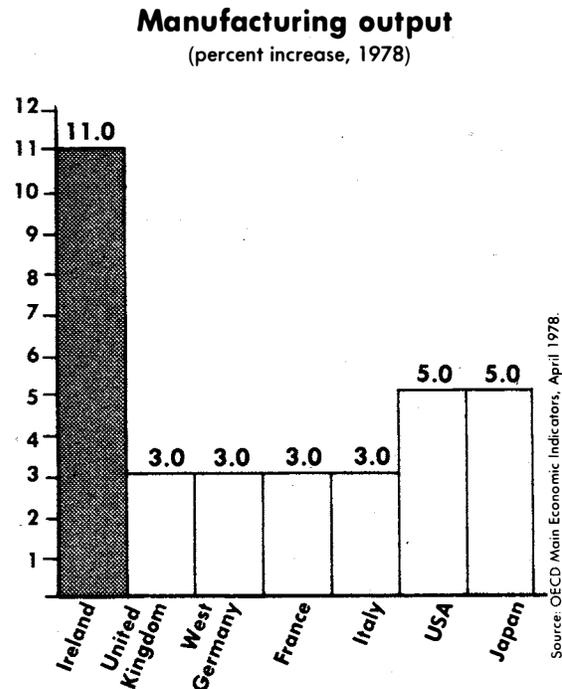
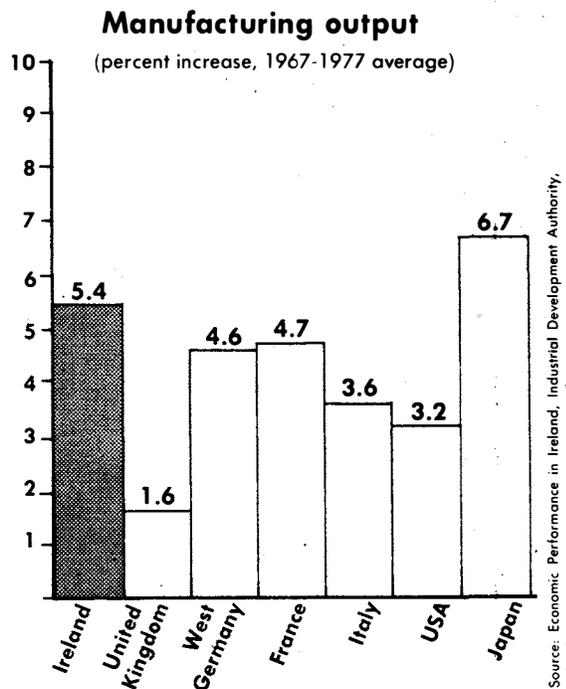
Ironically, one of the most ardent supporters of the Hamiltonian economic policies which became known as the "American System" (to distinguish such policies from the "British System" of free trade and economic warfare) was an Irish patriot, Mathew Carey. Carey had been kicked out of Ireland by the Tories for "defaming the British" when he resurrected Jonathan Swift's *Modest Proposal for the Universal Use of Irish Manufactures*. He made his way to France, where he met General Lafayette, returned briefly to Ireland, and then emigrated to the U.S., where he became an important collaborator of Benjamin Franklin and a champion of Alexander Hamilton's "dirigist" policies

for fostering technological progress and prosperity as a matter of national priorities, as opposed to the "laissez-faire" model, popularized by Adam Smith, of letting trade and the economy "regulate themselves."

Carey's addresses to the Philadelphia Society for the Promotion of National Industry, delivered in 1819, were a direct refutation of the British-authored "free trade" theories whose aim was to subvert the development of the United States as an industrial nation. His campaign—waged through publications, meetings and speeches—for a continued commitment to Hamiltonian economic policy helped to consolidate the gains of the American Revolution. Contemporary opinion placed this Irish-born patriot second only to Hamilton as a leading protagonist of the "American System." The same policies, argued by Mathew Carey's son Henry Carey later helped to shape the economic policies pursued by the Federalist-Whig forces during Abraham Lincoln's presidency.

Carey's ideas came full circle when they were exported back to his native country through the works of German economist Friedrich List. List was introduced to Carey's Philadelphia circle by General Lafayette in 1824. He incorporated the theories of Carey and other Hamiltonian political economists into his own ground-breaking works which played a crucial role in the formation of the German Customs Union (*Zollverein*) and later laid the basis for the German industrial revolution.

List's ideas on the necessity for an emerging nation-state to develop a manufacturing economy as quickly as possible, behind tariff walls if necessary, formed the core conception advanced by republican "Sinn Fein" leader Arthur Griffith, who played an important role in the Easter Rising of 1916 and who is considered one of the founders of the Irish Free State.



EMS membership not really a surprise

It was the List-Carey tradition that largely determined the course of economic development in the Irish Republic and ultimately influenced its decision to join the European Monetary System in December 1978. Since Ireland had been implementing the dirigist theories that lay behind the conception of the EMS from at least the 1930s, Irish officials could not understand the surprise in certain European circles when they indicated Ireland's commitment to the EMS idea. The institutionalization of East-West and North-South economic and political cooperation, in such a way as to launch a global economic boom through the issuance of long-term credit for industrial-technological development, was the obvious international framework to maximize Ireland's long-time political goals of ending its financial dependence on Great Britain and contributing to the fostering of an enhanced climate for trade and industrial investment worldwide.

As Irish Prime Minister Jack Lynch put the matter: "We believe in the objectives of the system, which is the basis of a broadly based strategy aimed at improving the prospects of economic development. ... We believe in the desirability of creating a zone of monetary stability. This, by enhancing the prospects for trade and investment, will, in the ultimate, improve conditions in Ireland and make it easier to attain the government's aim of faster economic growth, lower

inflation and full employment."

Because of its own unique development experience, Ireland is well situated to play a leading role in carrying out the mandate of EMS co-founders West German Chancellor Schmidt and French President Giscard, whether this means putting additional muscle behind the original ideas, actualizing EMS policies in the Third World through the example of its own growth experience or, most importantly, incorporating the United States into what has been termed the "seed crystal" of a new world monetary system.

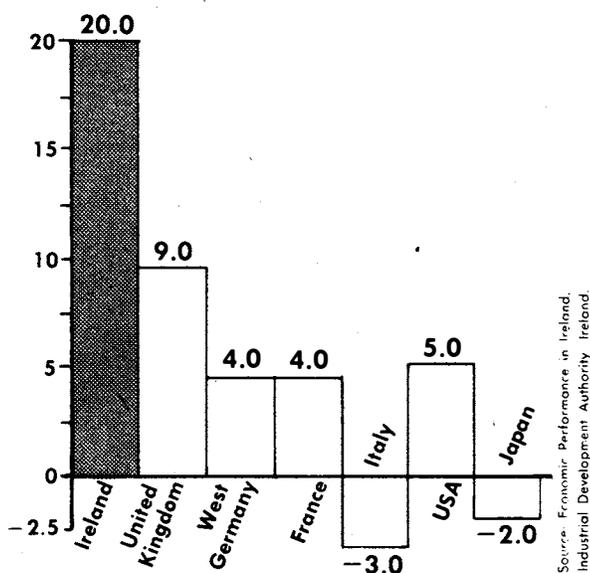
Ireland is already functioning as the primary link between America and Europe not only because of its membership in the EMS and the European Economic Community as well as its historical and economic ties to the U.S., but because the constant flow of ideas on the highest conceptual level between Ireland, America and Europe played such a crucial role in shaping its own development as an industrial nation. Now is the time to extend these ideas beyond the borders of the Emerald Isle.

Three-year plan aims at 20 percent growth

In January of this year, the most ambitious blueprint in the history of the Irish state was launched. As outlined in the Government White Paper, *Programme for*

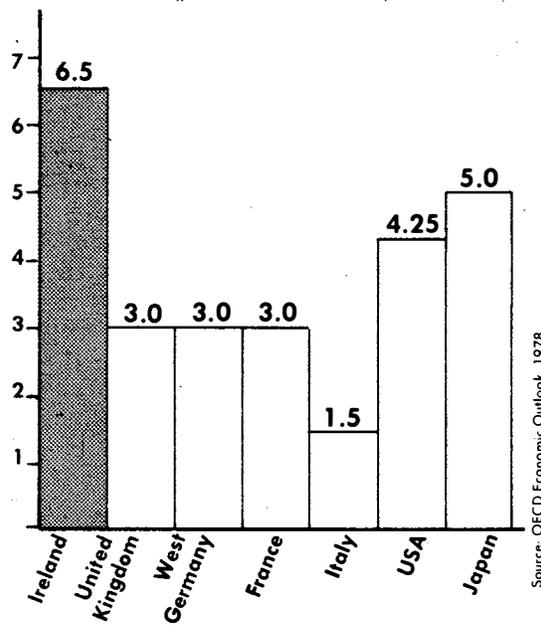
Manufacturing investment

(percent change, 1978)



Gross National Product

(percent increase 1978)



National Development, 1979-81, the three-year plan calls for a real growth of 6.5 percent in 1979, which would make Ireland the fastest growing country in Western Europe for the third year in a row. To achieve this aim, the program calls for a more than 10 percent hike in manufactured exports, a phasing out of the budget deficit and a reduction in the inflation rate from 8 percent to 5 percent by the end of 1979. Growth in national output over the three-year period to 1981 is slated at 20 percent.

The boldest element of the Irish development plan is the total elimination of unemployment by 1983. Permanently halting the outflow of Ireland's most important resource—labor power—will require, at minimum, the creation of 25,000 to 30,000 new jobs per year by the government's own estimates. Between 1973 and 1976, 17,000 new jobs outside the agricultural sector were created, barely reaching the break-even point. If the national target of full employment is to be achieved and maintained, the industrial sector will need to almost double its work force over the next decade, according to the IDA's projections.

Another oil crisis or a major downturn in world trade could set back the country's goal by several years (as it did in 1973-74), or permanently. For this reason, the Irish government is quietly proceeding with plans to set up its own state-run oil company which would negotiate directly with producer companies on a

bilateral basis, bypassing the British-controlled oil companies that the Irish government itself has charged with "blackmail." Reportedly, the Soviet Union has already offered to build oil refineries in the Republic, financed with interest-free loans. In addition, the Irish government has decided to go ahead with the construction of its first nuclear plant, at Carnsore Point on the southeast coast, despite the propaganda fallout from the Three Mile Island incident at Harrisburg, Pa. and the increasingly vocal protests of Ireland's own environmentalist lobby.

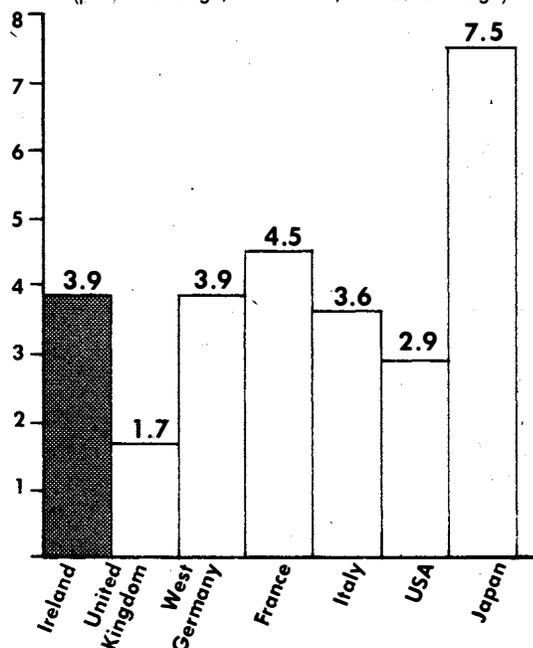
Foreign investment booms

Meanwhile, the immediate target of the Industrial Development Authority is to create the conditions for an increase in the manufacturing workforce by at least 25 percent over the next three years. This means the IDA will need to complete negotiations for new projects with the potential to create over 100,000 jobs at full capacity. The required increase in the industrial labor force will demand actual investment of about \$2.4 billion in manufacturing plants and equipment. Much of this will have to come from overseas corporations setting up new plants in the Republic or expanding already existing operations.

The IDA, these days the smoothest and best-funded agency in Europe for attracting foreign investment,

Gross National Product

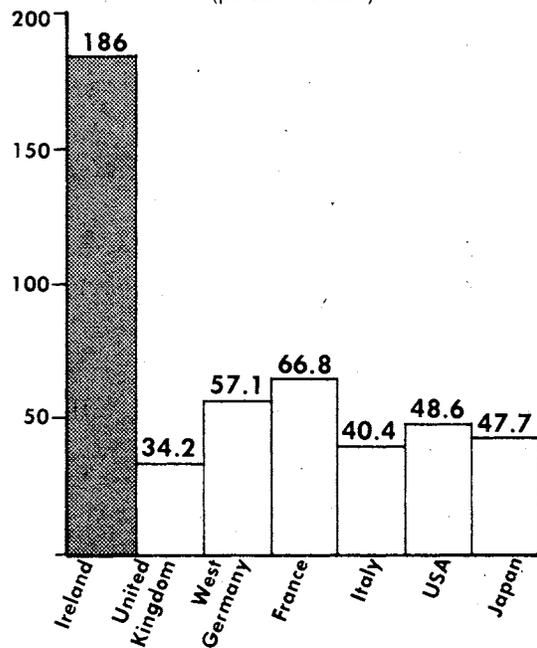
(percent change, 1967-1977, annual average)



Source: International Economic Indicators, U.S. Department of Commerce, March 1978.

U.S. manufacturing investment

(percent increase)



Source: Survey of Current Business, U.S. Department of Commerce, August 1978.

held a press conference in New York Feb. 5 to outline an innovative new tax program which is expected to be a crucial element in Ireland's strategy to draw in capital investment from abroad. Speaking to a group of U.S. business leaders, Jerry Kelly, Director of Corporate Planning for the IDA's headquarters in Dublin, announced that the new tax program, which becomes effective in January 1981, will "effectively represent a zero tax burden for growth-oriented companies."

The new program reduces the corporate tax rate for all overseas manufacturing firms investing in Ireland, and does not supersede the system of "tax holidays" currently in effect. Under this plan, companies that expand and create jobs are entitled to complete freedom on export profits until April 1990. "Companies which agree to establish manufacturing plants in Ireland before the end of 1980 will still qualify for the 100 percent tax break," said Kelly, and companies that reach their 20-year limit on export sales relief will qualify for the 10 percent rate, or, if they chose, may opt to change over to the new program at an earlier date. Kelly added that the new measures "highlight the Irish government's commitment ... to enhancing the investment climate. It is a restatement of our dedication to growth in the economy through the private sector."

Attracted by an economic climate favorable to growth and expansion, more than 700 new manufacturing operations owned by companies abroad have

begun production in the Republic since the government first launched its program for export-led growth in the late 1950s. Almost half of these were from the U.S., with the bulk of the rest coming from Germany, Japan, Britain and a growing number from France, Canada, Australia, Sweden, Belgium and the Scandinavian countries.

In 1977, nine new companies with a combined capital investment of almost \$12 million came from Germany; Nixdorf Computer, one of the biggest German firms in Ireland, is currently building a new \$8.5 million electronics plant near Dublin.

Japanese electronics, textile and computer software firms, set up with the aid of the IDA, have contributed to the pattern of industrial "enclaves" which now dot the Irish landscape. One of the largest plants in Ireland is the \$100 million Asahi acrylic fiber and spinning complex at Killala on the west coast, opened in May 1978. It is the Japanese corporation's biggest factory anywhere. Nippon Electric, the Japanese electronics firm producing memory and logic integrated circuits, was the first major semiconductor manufacturer to be established in Ireland.

However, the mainstay of new investment from abroad continues to be the United States. American manufacturers have invested over \$2.5 billion in Ireland, creating more than 50,000 new jobs in the process. During 1977 alone, 36 U.S.-owned projects,

Ireland: window on the Third World

On June 1, Ireland takes over the chair of the EEC Council of Ministers from France. As President of the Council of Ministers, Irish Foreign Secretary Michael O'Kennedy will preside over the review in September of the first six months of the EMS.

Recent remarks by Foreign Minister O'Kennedy may provide some clue as to the direction EEC policy will take under Irish leadership.

To the Irish State Agencies Development Cooperation Organization (DEVCO), Feb. 1978: "We perhaps, more than any other developed country, are seen by many in the Third World as being in a position to respond sensitively and effectively to their needs and to act as a bridge between the developed and developing world. Our past, therefore, has placed us in what I believe is a particularly privileged position, but this position also brings with it a responsibility and an obligation to use our commitment and our capacity in the most effective way. I believe we are

living up to this responsibility and this obligation. And the fact that we are doing so, in large part through our personal commitment to the developing countries, means that this contribution is achieved in a particularly meaningful and effective way.

To a seminar on the Lome Convention, Nov. 1978: Ireland's own history and fairly intensive development experience over the past few decades has given us, we believe, a rather special window on the problems which have to be surmounted in building an intensive national technique for development in a newly independent state. While these problems vary considerably in different countries and continents, we believe nonetheless that our experience may have relevance out of proportion to our small size.... Since Ireland's industrial development is of comparatively recent origin we feel that we understand some of the problems that may be encountered by developing countries....

representing a total fixed investment of approximately \$200 million, concluded negotiations with the IDA. Among these:

- Burlington Industries, the world's largest textile company, announced it will build two new plants in the Irish Midlands and will expand its two existing plants to form an integrated textile complex serving the European market. Additional investment is slated to reach almost \$100 million.

- Digital Equipment Corporation, one of the world's foremost manufacturers of mini-computers, unveiled plans to establish a second multi-million pound facility in Ireland. The company's 8-year-old plant at Galway already employs more than 1,000 workers. Output has doubled each year since 1971; the facility now supplies more than 75 percent of DEC's exports to Europe.

Last year, investment commitments from U.S. firms were double the 1977 figure at \$400 million. Figures compiled by the U.S. Department of Commerce showed why: the return on investment for U.S. industry in Ireland from 1974-1977 averaged 28.3 percent—the highest in the world.

Among the firms announcing plans for new or expanded Irish operations in 1978 were Polaroid, Ford, Westinghouse, Squibb, B.F. Goodrich, Data Terminal System, Abbott Laboratories, and Emerson Electric. In terms of the number of jobs it will generate, the

Polaroid Corporation's proposed new plant in County Kildare will be the largest American venture ever undertaken in Ireland. The company's new facility will employ over 1,500 people when it is fully operational.

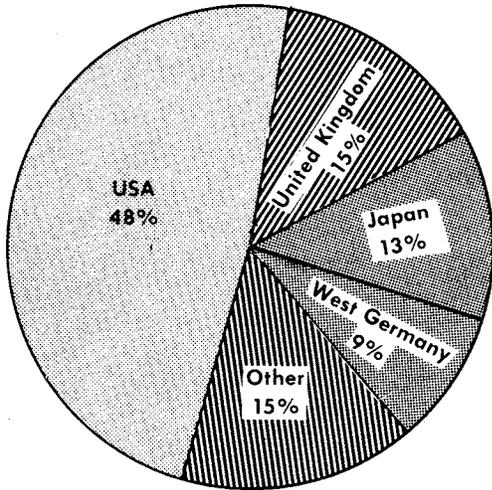
In the first few months of 1979, the Industrial Development Authority has already announced two major "coups":

- With a capital investment of over \$12 million, Documation, Inc. of Florida will establish a new plant in Dublin to produce a sophisticated range of high-speed line printers for the computer industry. The model which the company will produce at its Dublin plant is the world's fastest impact line printer; exports will go primarily to Europe.

- One of the most technologically-advanced microelectronics manufacturers in the world, Mostek of Houston, Texas, will locate an \$85 million microchip manufacturing plant in Ireland, despite the hefty incentives offered by the British government to snatch the almost completed deal out of Ireland's hands. Mostek will set up a training center to test integrated circuits and conduct research on its state-of-the-art computer technologies.

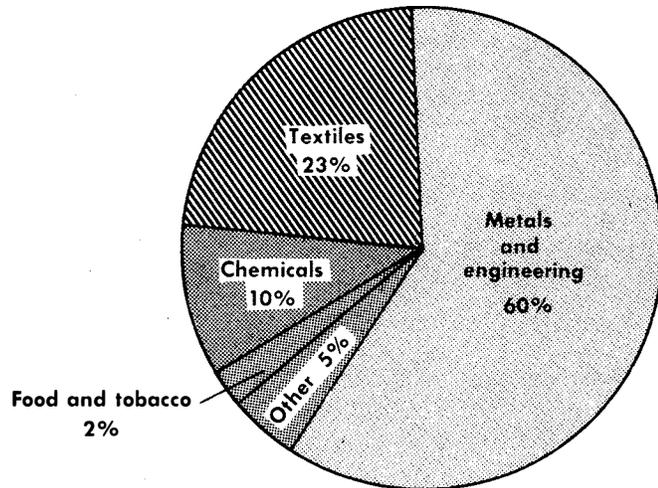
According to Barney Usher, director of technology programs for IDA Ireland in New York, "The Republic is fast becoming a major base for high-technology manufacturing in the European Economic Community." The new, foreign-owned enterprises—which

Overseas investment in Ireland (1960-1977)



Source: Annual Report, Industrial Development Authority, Ireland, 1977.

New overseas investment approved by sector (1977)



Source: Annual Report, Industrial Development Authority, Ireland, 1977.

account for more than half of Ireland's export earnings—have also provided much of the capital for expanding Irish industry and contributed to the achievement of national growth targets by infusing new skills into the Irish labor force. The training lab being set up by Mostek, for example, will provide graduates and technicians for other foreign microelectronics companies which Ireland hopes to attract, as well as making available research facilities for the country's rapidly expanding technological base.

In addition to providing non-repayable cash subsidies ranging from 35-50 percent on capital improvements, the Dublin government generously subsidizes the cost of research and development as one of the core components of its financial incentive program. Matching grants are often provided to defray the cost of in-house R&D programs, and the IDA has its own research park where companies can set up their own facilities, in most cases, free of charge. It is also not unusual for the Irish government to pick up the tab for training employees in new industries, since this means increasing the skill levels and the productive potential of the country's industrial workforce and providing the basis for further growth.

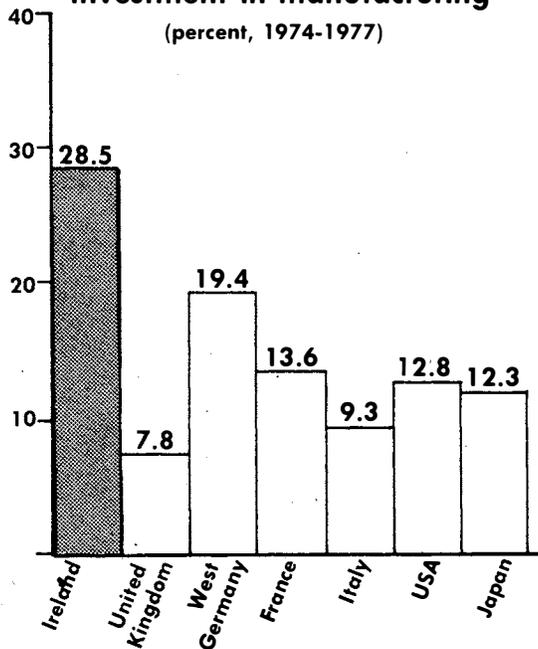
The idea that exponential leaps in the productive powers of labor are required to build a nation and that this in turn requires and depends upon a thriving

industrial sector has always been the operational principle behind Ireland's development plans. This point is particularly poignant in the case of Ireland, which for the last 100 years has watched helplessly as its most valuable resource—its young men and women—left the country in droves to find jobs in their chosen field of scientific or technological expertise.

It can, and has been, argued in Malthusian terms that the exodus of so many people helped to "balance" the Irish economy, since the presence of more unemployed would only have provided the seeds for a major social upheaval. This is antithetical to any sane definition of a healthy economy—the Irish government's view most definitely included.

The fundamental kernel behind Ireland's drive to industrialize has been the need to reverse the emigration trend; by achieving ever-increasing rates of technological growth in order to provide for the absorption and upgrading of skilled labor. This principle was stated explicitly in the *Third Programme for National Development*, presented to the Irish Parliament in 1969. "Since those who emigrate are often the people who bring about change and growth in the economy," stated the White Paper, "there is a double loss because their departure means a diminished capacity to increase national output. In a sense therefore, growth is needed so that growth can be achieved."

Rate of return on U.S. investment in manufacturing (percent, 1974-1977)



Ireland's foreign trade (percent of total)

Destination of exports	1962	1970	1972	1977
Great Britain	73.8	65.9	60.8	47
Other EEC	5.7	11.6	16.8	29.2
USA and other	20.5	22.5	22.4	23.8

Origin of imports

Great Britain	49.6	53.5	51	48.2
Other EEC	13.0	17.7	18.4	19.9
USA and other	37.4	28.8	30.6	31.9

Particularly with respect to exports, Great Britain no longer dominates Ireland's foreign trade.

Source: Basic Statistics, Department of Foreign Affairs, Dublin, Ireland, June 1978.

The road to the EMS

Although Ireland gained its political independence from Britain in 1921, when the Irish Free State was established as a Commonwealth dominion, it really only "won" its economic independence recently. The last remaining political links to England were severed in 1949 when the Irish Free State became the Republic of Ireland and severed all ties to the Commonwealth and the British Crown. However, the economic links were not broken until Ireland joined the European Monetary System in December 1978 and solidified this commitment by severing the 152-year-old link between the Irish "punt" and the pound sterling in March 1979.

This move elicited quite a few "harrumphs" from Britain—where queens, kings and policymakers have never been able to understand why the Irish did not want to be British. But Ireland's decision to place its "trust" in Europe, as EMS co-founders Schmidt and Giscard are now finding out, was merely the logical outgrowth of the List-Carey tradition upon which both Ireland's industrial "revolution" and the EMS are based.

The application of these principles began in the 1930s when Ireland's political leaders were confronted with the task of building a nation from the ground up. The newly independent country already had a well-

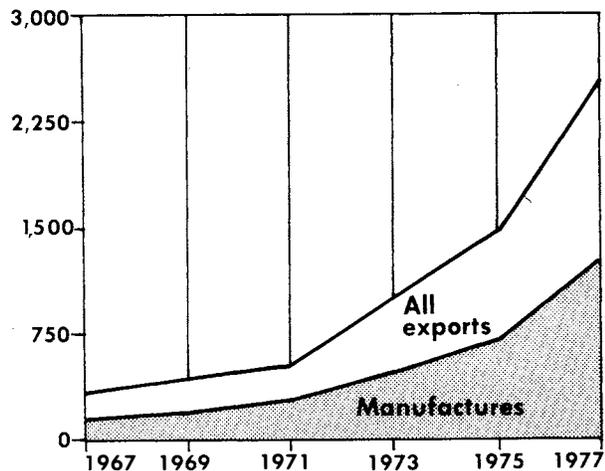
organized administrative infrastructure, an efficient banking and financial system, a transportation and communication network—but it had no industrial tradition of its own. The Act of Partition under which the six northern counties, known as Ulster or Northern Ireland, opted to remain part of the United Kingdom, and the conclusions of the Boundary Commission (led by a protégé of British geopolitical "expert" Lord Milner), ensured that the south would remain a permanent agricultural plantation. Both industry (primarily textiles) and raw materials were concentrated in the north; the population in the Irish Free State was primarily rural, and technological skills and training were scarce. The only economic base was the production and export of food and livestock.

Making what use they could of the country's slender resources, government leaders first began a campaign to ensure the stability of the agricultural sector. The 1927 Agricultural Credit Act provided for the establishment of an Agricultural Credit Corporation as a state-run enterprise empowered to make government-backed loans available to farmers for productive purposes on reasonable terms.

The Agricultural Credit Corporation held a significance that went far beyond its relatively modest operations. It was the beginning of a trend of state intervention that was to become an integral part of

Total exports, 1967-1977

(millions of pounds)



source: Annual Report, Industrial Development Authority, Ireland, 1977.

EMS membership will speed

The official statement by Prime Minister Jack Lynch of the Republic of Ireland on December 15, 1978, announcing Ireland's decision to join the European Monetary System (EMS) is excerpted below.

A number of the more prosperous countries are satisfied as to the unique difficulties of Ireland arising particularly from the nature of its currency arrangements, and have agreed to make available, bilaterally, over a period of two years, resources substantially in excess of the amounts provided for in the council resolution of Dec. 5, 1978.... The greater element in these arrangements together with the EEC measures will mean that the total amount available over each of the next two years would amount to about £70 million a year, with an additional £45 million a year for a further three years. A full account of the scheme will be announced as soon as the discussions are complete. I would like to take this opportunity to place on record here the

Irish economic life. In the industrial sphere, the Control of Manufactures Act (1932) and the Industrial Credit Company ensured that Irish industry would as far as possible be concentrated in the hands of Irish owners. The Trade Loans (Guarantee) Act of 1933 empowered the government to provide credit to manufacturing enterprises that showed promise of providing jobs and engaging in capital expansion programs.

Besides the establishment of the Irish Sugar Company and the Bord na Mona (which revolutionized the production of peat for domestic and industrial purposes), the most important step taken by the government was to channel public capital into the development of a nationwide system of electrification based on the river Shannon. The brainchild of Dr. T.A. McLaughlin, an Irish graduate of the German firm Siemens-Schuckert, the Shannon scheme was the precursor of the Electricity Supply Board, a state body which built the energy infrastructure for the hard-sought-after expansion of industry.

The Irish government, however, was still operating on the principle that Ireland's chief economic role would be to export foodstuffs and agricultural products, and to import manufactured goods, a role which kept the country economically dependent on Britain as its main supplier and its leading customer as well. The

risks of such an arrangement were shown clearly during the "Economic War," when the British government imposed punitive tariffs on Irish agricultural imports following Ireland's repudiation of old debts and land annuities owed to Britain. This resulted in the virtual collapse of Ireland's cattle industry and a severe setback to reconstruction efforts in other areas as well.

The legacy of Friedrich List

During this same period the germ of a new departure, looking to the creation of an Ireland that would be both politically and economically free of the British connection was beginning to take shape. The approach was the legacy of Arthur Griffith, a republican leader of the 1916 rebellion, who had championed Friedrich List's *System of National Protection*—a book, as Griffith himself wrote, that he would like to see in the hands of every Irishman. Like List, Griffith felt that the development of a native manufacturing industry—behind tariff walls if necessary—was essential to the development of an emerging nation. Although Griffith died before his ideas took hold, a young parliamentarian named Sean Lemass, who later became known as the "architect" of Ireland's industrial revolution, began to promote the new "economic nationalism" which

Ireland's economic growth

appreciation of the Irish government for the support and understanding shown by these countries in this difficult and complex negotiation....

At this point, I am satisfied that the new package provides sufficient additional resource transfers to help us overcome the critical initial two-year period....

In these circumstances, the government has decided that Ireland should also participate in this system, with her partners in the community as from Jan. 1.

The reason for the decision are, first, that we believe in the objectives of the system, which is the basis of a broadly-based strategy aimed at improving the prospects of economic development, based on symmetrical rights and obligations of all participants. We believe in the desirability of creating a zone of monetary stability. This, by enhancing the prospects for trade and investment, will, in the ultimate, improve conditions in Ireland and make it

easier to attain the government's aims of faster economic growth, lower inflation and full employment....

In its short life as a nation, this country has followed policies involving both opportunity and challenge. In the 1930s, protectionism was pursued as a deliberate strategy. This gave way a generation later to the Anglo-Irish free trade area agreement. A short time afterwards, the people of Ireland voted overwhelmingly to join the European Economic Community.

The decision we have taken today is of a similar magnitude. It involves risks. It will add a further dimension to partition, although the ultimate benefits of membership of the system could outweigh the problems. The benefits for agriculture are clear. Fears have, however, been expressed on the part of certain service and manufacturing industries. Let me say here that there is nothing inherent in our decision which need have a destabilizing effect on employment in the short run. So far as any significant short term difficulties do arise, the government will help in a positive and sympathetic way.

marked the first crucial step in Ireland's development as an industrial republic.

Griffith had felt the emphasis on manufactures was all the more urgently necessary because of the habit of the Irish people to think of the land as their only major resource. "We in Ireland," he had written in 1904, "have been taught that our destiny is to be the fruitful mother of flocks and herds—that it is not necessary for us to pay attention to our manufacturing arm, since our agricultural arm is self-sufficient. The fallacy," he continued, "dissolves before reflection.

"With List I reply: A nation cannot promote and further its organization, its prosperity and its social progress equally as well by exchanging agricultural products for manufactured goods as by establishing a manufacturing power of its own. A merely agricultural nation can never develop to any extent a home or foreign commerce, with inland means of transport and foreign navigation, increase its population in due proportion to its well-being or make notable progress in its moral, intellectual, social or political development, it will never acquire important political power to be placed in a position to influence the cultivation and progress of less advanced nations. . . ."

Griffith emphasized over and over again that real independence for Ireland must be economic as well as

political and this could never be complete so long as Ireland depended upon its powerful neighbor for the bulk of its manufactures. The development of a nation, as List had written, meant also that "agriculture, manufactures, commerce and navigation must all be developed in it proportionately, arts and science, educational establishments and universal cultivation must stand in it on equal footing with material production. Its constitution, laws and institutions must afford to those who belong to it a high degree of security and liberty, and must promote religion, morality and prosperity."

This definition of a nation-state by List was adopted by Griffith as his own; List's themes and others deriving from them proved decisive at a critical juncture in Ireland's historical-economic development. The institution of tariff barriers during the 1930s and 1940s helped to create a domestic industrial base where none had existed before, built up a pool of skilled labor and managerial ability, and set the process of city-building into motion.

Creating the boom of the '60s

Though they significantly altered public attitudes, these early moves toward economic self-sufficiency could not,

by themselves, reverse the long-term trend in population decline which was still Ireland's chief problem. From a high of 6.5 million people before the Great Famine of 1846-47, the population had contracted continually—with emigration exceeding the surplus of births over deaths—to a level of just over 3 million. The net emigration rate in the mid-1950s was approaching 200,000 per year. These rates were nearly three times the prewar rate and higher than any other period in the 20th century. Considerably more than half the population reaching maturity was leaving Ireland. The problem remained lack of jobs.

The sad fact was: in the 40 years since political independence had been won, the Irish economy's rate of growth averaged only about 1 percent per year. New employment was created for only 800 persons per year and the total number at work in Ireland in 1951 was only one percent (or 12,000) more than it had been in 1926. As reconstruction, economic growth and rising living standards gathered steam in post-war Europe, Ireland remained a pocket of underdevelopment.

The country's assets remained extremely large in relation to GNP, but the great majority of the money was invested in one form or another in Great Britain. Neither credit nor capital was used for development to any great extent, except in the state sector; apart from one small loan in the 1920s and some minor post-war assistance under the Marshall Plan, Ireland never borrowed abroad, nor sought foreign investment.

Following a serious balance of payments crisis in the mid-1950s, a special Capital Investment Advisory Committee was appointed by the government to uncover the causes of the "British disease" which was spilling over into Ireland and to prescribe solutions. The project was entrusted to Dr. T.K. Whitaker, a secretary to the Department of Finance, which was then run by Sean Lemass. The results were a watershed in the history of Irish economic development.

Whitaker presented his report, entitled *Economic Development*, to the government in May 1958. Starting with the Republic's financial stability and strength on the one hand and its miserable rate of growth on the other, Whitaker proposed to exploit the first in order to advance the second. This Hamiltonian framework for harnessing public and private credit and directing it toward "productive" rather than merely "socially useful" investment, represented the "breakthrough" necessary to bring Ireland into the 20th century and take its place in Europe as a modern industrial republic.

Whitaker proposed that the government should take control of credit policy and should drive the commercial banks—which were still British-influenced in terms of fiscal policy—toward supporting national expansion as an overriding national objective. At the same time, the Central (or State) Bank's powers of financial direction, up until then very small, would have to be enlarged. Next, the government's own expenditure

should be channeled as much as possible into directly productive areas of industrial investment.

In industry, the primary aim was seen to be the stimulation of a "vast increase in private industrial investment while maintaining the supply of capital for productive state enterprises." Private investment was to be encouraged and guided by a development program outlined by the government, laying down priorities in and orderly sequences of investment and concentrating in particular on the nurturing of the export industries.

Whitaker's argument was that the country needed greatly increased capital investment—provided that it was the "right kind." By this, he meant investment that added to the wealth of the country and did not merely redistribute existing wealth. This approach was fully integrated into the Irish Government's first *Programme for Economic Expansion* laid before the Parliament in November 1958. "In our present circumstances," opened the document, "we must be prepared to take risks under all headings—social, commercial and financial—if we are to succeed in the drive for expansion."

The success of the government's first program astounded friend and foe alike. The primary goal of the 1959 program had been to double the growth rate of the Republic. This was a relatively modest aim, since the rate was barely higher than 1 percent. However, by 1964, the end of the five-year program, growth had quadrupled, reaching 4 percent. Even more significantly, exports rose by more than 40 percent and GNP rose by nearly 25 percent. Investment almost doubled.

In social terms, the revolution was no less dramatic. The population of the Republic had fallen in an almost unbroken line from 1841 to 1961. But in 1961-66, it actually increased by 2.3 percent, while net emigration dropped to 16,000—about one third the level of the previous decade. The largest increase was in the 20-24 year-old age group, which had grown by nearly 25 percent. Not merely in the urban areas as a whole, but in no less than a quarter of the countryside, the population increased by over 7 percent in 1961-66. In the remaining rural areas, the decline was reduced to 4 percent—a no less remarkable achievement.

The fundamental explanation was the prioritized channeling of national credit and foreign investment into the directly productive sectors of the economy and the concentration on achieving export-led growth in the industrial sector, while reducing agriculture to a smaller proportion of GNP.

The Irish government—even those who framed the program—shies away from the term "dirigism" and chooses to call its method "economic programming." Whatever it is called, the development programs subsequently laid out in the Irish Republic drew heavily on the Hamiltonian tradition as well as on continental models such as that used by the French under de Gaulle. In April 1962, a team from the French

government's Commissariat du Plan was invited to Dublin by the Economic and Social Research Institute. Meetings between the Irish Government and French Gaullist economic planners had also taken place the previous year.

While the first economic program ran its course, foundations for the 1964-70 program were being laid by the Lemass government. The objectives of the first program had been to outline the opportunities for development and to encourage export-oriented industries; the objectives of the second were to achieve a maximum sustainable rate of growth needed to ensure rising living standards by aiming at further exponential increases in industrial growth. Further public authorities and special departments to modernize particular industries were set up as well as a Manpower Authority to deploy and retrain labor, and committees to monitor the performance of Irish business. Lemass, who was then Prime Minister, urged that the role of each government department engaged in implementing the economic strategy should be that of a "development corporation" in its own particular field of national activity.

Unfortunately, that second program had to be abandoned midstream, perhaps because such detailed, quantitative growth targets had been set and the goals had been premised on EEC membership by 1970 (it was not finalized until 1973), as well as a larger boost of private capital investment. But if the government is to be faulted at all, it is only for trying to achieve in 10 short years the top-down industrialization of a country which had been a British agricultural plantation for 700!

Nevertheless, a third program for growth was presented to the Irish Parliament in 1969 which evaluated the country's progress since the implementation of the first economic plan 10 years before. In those years, GNP had grown at least 4 percent—three times as fast as during the preceding decade and early four times as fast as in the years leading up to World War II. If sustained, said the Fianna Fail government, such a growth rate would "double the nation's standards of living in less than 20 years."

The future

When the Irish government joined the EMS last year, it no doubt had this promise in mind. The goals outlined in the 1979 White Paper—a sustained growth rate of 6-8 percent, a leap in manufacturing exports and overall national output and the phasing out of unemployment by the early 1980s—are geared toward eradicating the remnants of Ireland's backward rural culture and matching standards of living in the U.S.

and Europe. Irish Prime Minister Jack Lynch, schooled in the tradition of Lemass and others who had fought for Irish economic as well as political independence, told Parliament when the latest White Paper was presented in January of this year: "Participation in the EMS represents a challenge and an opportunity. The benefits from the successful establishment of the system would be substantial, both for Ireland and for the European Community as a whole . . . With the necessary commitment . . . membership in the EMS can provide us with the opportunity to not alone sustain the rapid progress achieved in 1978, but to press ahead with even greater improvements in the 1980s."

With the United States, particularly American industrialists, supporting the goals laid out by EMS founders Schmidt and Giscard at the Bremen meeting of the European Economic Community in June 1978, Ireland has a good chance of achieving its economic goals. Even reunification is a possibility. According to Lynch himself: "the economic benefits of membership (in the EMS) should heighten the perception among people in Northern Ireland of our comparable level of economic development and living standards and of our independent political role in Europe."

But the opportunities open to Ireland—and to Northern Ireland in terms of reversing years of economic stagnation and the destruction of industrial life which it still endures as an outpost of British Intelligence's terrorist "experiments"—will not be furthered by the brayings of certain quasi-"Friends of Ireland" such as New York Governor Hugh Carey, Senator Ted Kennedy, Rep. Mario Biaggi and their "Irish Caucus" in Congress who more or less support British colonial policy for the United States and Ireland. Carey is now plugging for the British "dirty money" bank, the Hong Kong and Shanghai Banking Corporation—which runs the drug trade through channels intermeshing with the British Royal Family's private think tanks—to carve out a niche for itself in U.S. credit institutions. Kennedy's "National Health Insurance Bill" is nothing less than a systematic program for gutting U.S. high-technology medical care under the guise of offering comprehensive nationalized health insurance.

Let the true "friends of Ireland" now come forward and pledge themselves to rededicating the U.S. to the principles of the American Founding Fathers, principles which formed the basis for Ireland's industrial revolution and are implicit in the theory behind the EMS. This is the only way to ensure economic progress in Ireland and throughout the world.

—Marla Minnicino

Congressional Calendar

Congressional votes aimed at Carter Administration

In a major blow to the Carter Administration, the House Democratic Caucus voted overwhelmingly against the President's planned decontrol in a test vote May 22 brought by Connecticut liberal and Kennedy ally Toby Moffett. Over the past two weeks, Carter has been stung by congressional liberals on a number of key issues, as liberals have teamed up with conservatives to defeat him on major policy initiatives. This coordinated activity of the Kennedy-allied congressional Democrats is speeding the unraveling of the Carter Administration and helping prepare the New York Council on Foreign Relations' planned Kennedy-Haig contest in the 1980 presidential balloting. Underscoring the fact that Carter is no longer able to secure the support of even his own party's Congressional leadership, Senator Daniel Moynihan (D-N.Y.) declared May 22 to reporters that the Carter Administration had lost its ability to govern.

The House vote against Carter's decontrol policy was touted as a major rejection of Carter by the Democrats. Congressman Edward Markey (D-Mass.), a co-sponsor of the Moffett bill, announced that the May 22 vote showed that Carter "was completely at odds with what his party stands for." Those opposing Carter included the Speaker of the House Tip O'Neill (D-Mass.), a close Kennedy ally, and Majority Whip John Brademas (D-Ind.). Moffett and several other "liberals" (including Congressmen John Dingell (D-Mich.) and Phil Burton (D-Calif.) in the House teamed up with conservatives to vote down Carter's gas rationing program on May 10 as well. Their opposition

was directed at the way Carter was handling negotiations with Congress on the bill, rather than against the bill itself. Shortly after the vote Moffett and Congressman John Dingell (D-Mich.) announced that they would draft their own gas rationing plan.

The same principle of "getting Carter" was behind the surprise vote of 75 to 19 in the Senate last week to lift sanctions against Rhodesia, which was orchestrated by the Senate Democratic leadership.

What do Jack Kemp and George McGovern have in common?

Sources close to Ralph Nader and Ted Kennedy are gloating over their new-found allies in conservative ranks. Nader allies in the U.S. Congress are playing upon the "states' rights" and "free enterprise" ideologies of right-wing Republicans to garner support for antinuclear legislation.

Cosponsoring legislation that would give states the right to determine where and if nuclear waste storage facilities should be sited in them are the odd couples of Senators George McGovern (D-S.D.) and Paul Laxalt (R-Nev.), and Representatives John Sieberling (D-Oh.) and Jack Kemp (R-N.Y.). When asked how Laxalt, Ronald Reagan's de facto campaign manager, and Kemp, a potential GOP presidential candidate, could cosponsor legislation (S. 594 and H.R. 2762) which would have the effect of creating anarchy in the nuclear energy industry, an aide to Sieberling declared: "There are very basic issues of states' rights involved here and that's why you

see so many cosponsors." Mississippi's first Republican Senator in a century, conservative Thad Cochran, has introduced S. 701, the Radioactive Waste Management Act of 1979, which is a version of the state veto-power legislation.

Similarly, conservative Texas Congressman Ron Paul (R), who along with Laxalt and Kemp still claims to be pronuclear, has called for the repeal of the Price-Anderson Act, a Federal law which limits overall insurance liability in the event of a nuclear accident. Says an aide to Paul: "Oh, the Congressman is pronuclear. He thought the Three Mile Island hullabaloo was an enormous media hoax, but feels that nuclear power should be able to stand on its own in the marketplace without government interference."

Carrying the Adam Smith disease to its logical conclusion, however, is Mississippi Republican Jon Hinson. Hinson makes no pretensions of being pronuclear, attacking it as a prime example of the evil influence of big government and too-big business. According to Capitol Hill sources Hinson is organizing covertly with Ralph Nader and the Union of Concerned Scientists to create an antinuclear conservative group, on the grounds that nuclear power is big, centralized and supported by the government. Hill observers wonder though how Hinson squares his antigovernment stance with his call for a massive government-supported push for solar and wind energy.

Antinuclear drive steamrolls timid opposition

Following actions by the Nuclear Regulatory Commission and several Hill committees to freeze nuclear plant licensing and construction for periods of several months, the Kennedy-led antinuclear forces on Capitol Hill are now escalating their drive against nuclear energy. On May 22 Ted Kennedy introduced S. 1178, legislation to impose a two-year moratorium on new plant licensing and construction. Kennedy declared that the nation needs a decent interval in which to reassess the safety and viability of nuclear standards. Even more rabid was House Democrat Henry Gonzalez (Texas) whose H.R. 4066 legislation calls for an indefinite moratorium on new nuclear plants, and would put existing nuclear facilities under government operation. Gonzalez has declared in speeches that the aim of his legislation is to decommission all existing nuclear plants.

Congressional pronuclear forces have allowed themselves to be silenced by the antinuclear media scare. Their acquiescence went so far as to allow Congressman Morris Udall's antinuclear task force, which is investigating the Three Mile Island incident, to shut them out of the issue. On the task force field trip to Harrisburg two weeks ago, Republican staffers were denied access to the plant's control room, while Udall ensured that the media had no limitations on their activities. The Republicans were not even consulted on the Committee's final report. Issued May 21 by Task Force chairman James Weaver (D-Ore.), the report declared that the Three-Mile Island incident was the result not of hu-

man error but of inherent problems in the design and functioning of nuclear plants.

Kennedy's antitrust legislation on front burner

Senator Edward Kennedy's infamous Illinois Brick Bill has been endorsed by the Senate Judiciary Committee and will be formally reported out of the Committee onto the Senate floor by the end of May. The legislation would permit consumers to sue and collect treble damages from a corporation that had been convicted of price-fixing and other antitrust violations, even if they did not buy anything directly from that company. An example of the impact the bill would have is provided by the antitrust suit against IBM. If that company loses the 10-year old case the Justice Department is prosecuting against it, then it will be potentially liable under the Kennedy bill to pay treble damages to every individual who received services from a bank relying on IBM equipment. The bill was endorsed by the committee in a 9 to 8 vote, with Republican Senator Charles Mathias (Md.) casting the deciding vote. Mathias, the only Republican supporting the bill, amended it to make it slightly more difficult for foreign countries to bring suits against corporations by requiring them to have a reciprocal law for American companies. But in essence, the Illinois Brick bill is unchanged. An effort by Senator Cochran to limit the bill to allow only indirect purchasers, and not sellers, to sue for higher prices was defeated by the Committee. Republicans led by Senator Orin Hatch (R-Utah) are planning to lead a filibuster against the legislation. In

the House the Judiciary Committee will act on the bill in the next couple of weeks.

Kennedy's antitrust activity, following a day of hearings May 22, escalated this week with his introduction jointly with Senator Howard Metzenbaum (D-Ohio) of new legislation that would prohibit oil companies from merging or buying other companies with assets of more than \$100 million. The bill is expected out of the subcommittee in the second week of June.

Trade legislation to go to Hill in June

The much delayed submission of legislation by the Carter Administration to implement the Multilateral Trade Negotiations will finally be sent to Capitol Hill in June, according to Washington sources. Holding up submission of the legislation has been the demand by Russel Long's Senate Finance Committee that the legislation be followed within 30 days by an Administration proposal to create a Department of International Trade. The Administration wanted to give itself enough time to draft the legislation, especially in the wake of the Department of Natural Resources's stillbirth, and so had stalled the legislation.

—*Barbara Dreyfuss and Susan Kokinda*

Cuba, Mexico heads of state meet

Energy, industrial development posed as the alternative to war

Mexican President José López Portillo and Cuban President Fidel Castro launched an historic organizing drive last week to pull the world back from the edge of nuclear war through the implementation of a sane energy policy which will "give content to the new world economic order." After two days of talks on the Mexican Caribbean island of Cozumel on May 17 and 18, Castro endorsed López Portillo's proposal to "make energy the responsibility of all mankind" and to "assure all countries access to technology and favorable financing to develop alternate energy sources."

Castro will advance that proposal at the Non-Aligned heads of state summit in Havana, Cuba next August, and López Portillo will present the plan to the United Nations General Assembly in September.

The Mexican President had discussed his ideas on a sane global energy policy with U.S. President Carter during his February visit to Mexico and called for a producer-consumer conference as an urgent war-avoidance measure. Carter claimed then that he would study the idea, but López Portillo's offer, which could destroy Energy Secretary Schlesinger's energy warfare against the U.S. population, was blacked out of the U.S. press by all but this news service.

The Mexican President made the same proposal the following week to French President Valéry Giscard d'Estaing during Giscard's visit to the Mexican capital. Giscard endorsed the idea, presented it to the European Economic Community, and has since been organizing among the OPEC oil producing nations against energy anarchy and for strong international backing of the Mexican proposal.

During Giscard's February visit to Mexico, López Portillo spoke of the "apocalypse," the end of humanity through nuclear confrontation, if a sane global energy policy were not adopted. Since then Schlesinger and Defense Secretary Harold Brown have warned that they would use military means to "protect U.S. oil supplies," a statement widely interpreted in Mexico as a threat of invasion to secure Mexican oil as a U.S. "strategic

reserve." This and the Carter Administration's sabotage of expanded trade relations with Mexico with the explicit aim of crippling Mexico's ambitious industrial development plan have led Mexican government analysts to understand not only the grave danger of war, but also the danger of a fascist transformation in the U.S., should opposition to the current policies emanating from the Carter White House fail to halt these policies.

This is the context in which the Castro-López Portillo summit took place. The day before, a sweeping cabinet shuffle took place in Mexico which was seen as a strengthening of the government's capability for mobilizing forces internally, as well as internationally behind its increasingly aggressive foreign policy.

As the speeches and the joint communiqué excerpted below demonstrate, both Presidents determined to undercut the Cold War strategy coming out of London and Washington, by defining the real issues confronting the socialist and capitalist world alike: "peace and progress or war and misery," development and transfer of technology or genocide. Castro himself stated that ideological differences are not important since Cuba and Mexico are totally united in the essentials: the goal of the development of peoples, "our fundamental resource," through education and a rising standard of living.

Castro exposed the Carter Administration's human rights policy as hypocritical, describing the brutal genocide in such countries backed by the U.S. government as Nicaragua and Chile, and the genocidal nature of Carter's refusal to sell medicines to Cuba.

The Castro visit to Mexico, his first since he left his land of exile to return to Cuba 23 years ago, marked a consolidation of long-term efforts by both nations against fascism in Latin America. For over 20 years, the U.S.-imposed economic blockade against Cuba has been designed to isolate Cuba from the rest of Latin America. Mexico's call for an end to the blockade and López Portillo's determination to closely collaborate

History of Mexico-Cuba Relations

For the past two decades, Mexico has been the only country in Latin America to maintain normal diplomatic relations with Cuba, despite intense pressure from Washington. In 1962, Cuba was expelled from the Organization of American States at U.S. initiative, during the second Alliance for Progress meeting in Punta del Este, Uruguay. Mexico did not support this move. Two years later, after intense political armtwisting and economic blackmail, the U.S. cracked the resistance of several key Latin American nations, such as Brazil, and forced through an OAS resolution mandating termination of all trade with Cuba. Mexico was the only country in Latin America to refuse to comply with this U.S.-authored economic blockade against Cuba. As Cuban President Castro noted last week while in Mexico, this is a simple fact which the Cuban people will never forget.

But Mexico's stance toward Cuba is not based on support for Cuba's socialist ideology. It is a product of a century-long Mexican foreign policy tradition, premised on strict adherence to the right of nations to self-determination; the principle of national sovereignty for all nations; and non-intervention in other nations' internal affairs (often referred to as the Estrada Doctrine).

This policy has earned Mexico a position of unparalleled respect throughout Latin America. After a century of consistent principled diplomacy, Latin American nations recognize that Mexico's is by no means a rhetorical stand, but a practical political question—as Mexico's relations with Cuba demonstrate.

Cuba shares this foreign policy perspective, as the joint communiqué issued at the conclusion of Castro's visit makes clear.

with the Castro government on foreign policy offensives end two decades of containment.

Immediately following the summit, President José López Portillo met with Costa Rican President Rodrigo Carazo and demonstrated his commitment to take a strong stand against dictatorships. After a briefing by the Costa Rican President on the genocide being carried out against the Nicaraguan population by dictator Anastasio Somoza, López Portillo announced Mexico's break in diplomatic relations with that government. (Costa Rica broke relations with Nicaragua months ago when the Nicaraguan military attacked Costa Rican territory in its war against the opposition Sandinistas).

Beyond López Portillo's moral commitment against genocidal dictatorships in Central America, he pledged to fight against the anarchy of oil prices "which is being turned into a scourge ... for the developing countries that do not have oil." While backing the creation and existence of OPEC and promising never to be a "scab" against that organization, the Mexican President chastised OPEC for increasing the irrationality of the current world economy, and called again for all nations to take up the challenge of energy as the responsibility of all mankind to bring about a new world economic order.

—Robyn Quijano

'We did not come for Mexico's oil'

Arriving in Cozumel, Mexico on May 17, Fidel Castro described the purpose of his visit as follows.

... On hearing news of our meeting, some in the world have been speculating about my motives in visiting Mexico.... We did not come to ask for anything material from Mexico. We didn't come seeking Mexican oil nor Mexican gas—something very fashionable these days....

We come as friends; more than as friends, as brothers. In the first place to satisfy our desire to get to know personally, to greet and to converse with, your illustrious President; to bring our most friendly, most fraternal, greetings to the Mexican people; our solidarity. To work to broaden our relations and to develop our cooperation; to exchange impressions about the way we can work together for a new international economic order, for the interests and rights of the peoples of the so-called Third World; how we can struggle and work better for its development and for friendship, understanding and peace between peoples....

Oil 'the responsibility of all mankind'

At a luncheon given in his honor on May 17, Castro spoke of the scramble for oil supplies, and hailed Mexico's intent to use its oil supplies for development.

We congratulate you, Mr. President López Portillo, that you have clearly expressed that you don't intend to "see Mexico's petroleum developed as a function of U.S. oil needs," but rather as an instrument for the development of your own country. We hail that, distancing yourself from those who see their own oil from a perspective of egoistic privileges, you have maintained that oil be declared "the responsibility of all mankind," without this being contradictory to your decision to use it, at the same time, in the construction of your own country.

Many have had resources; few have known how to manage them prudently. Cuba gives its full support to Mexico's courageous, wise, and patriotic oil policy. It also supports the legitimate demands of the Mexican emigrants—the bitter and inevitable fruit of the mutilation of your national territory and the underdevelopment imposed in the past by the force, arrogance and domination of the United States—for a just, civilized, and humane treatment in that country....

Let us speak, Mr. President, about the historical events and political criteria which bring us together, regardless of whatever differences may exist between our two systems, whatever the difference in our ideologies. Latin America links us in a common concern and a similar focus when we accept the urgency of preserving and maintaining natural resources, suppressing the residues of colonialism, eliminating the equally historically outlawed tyrannical and neofascist regimes. And we proclaim the necessity of implanting in our lands democratic societies which can select for themselves the path of their future transformations....

'We must maintain justice and liberty'

López Portillo answered Castro with a historic speech bound to raise the hackles of Cuba's enemies. He defined the present social crisis in Mexico and outlined how Mexico's aggressive oil policy was needed to deal with the crisis.

Since our histories are marked by great similarities which bind us together, we visit each other periodically. And when this happens between two so inseparably linked brothers, it is a healthy custom to reflect upon our reciprocal past.... Mexico lived the first social revolution in Latin America, and perhaps in the world, in this century....

Our Revolution is a troubled one, Comandante Castro, a troubled revolution, necessarily immersed in a market economy; a revolution subject to historical and geographical factors which afflict and debase its values, now suffering in the world of economic disorder in which we are immersed.

Our revolution, Comandante Castro, is living through its most arduous trial in this decade of the 1970s. The revolution is troubled because the path of

liberty has ensnared justice. And that is the grave challenge to which this generation, which is the inheriting generation, must respond. We must unsnare justice and maintain liberty. An onerous challenge, when many of the most important decisions are made in tribunals, in centers which are alien, distant, sometimes hostile, and very frequently indifferent.

Our country now—and I'm not going to wear you out with details—is living a crisis which offers both a danger and an opportunity unprecedented in our history, if we figure out how to manage correctly our non-renewable resources, which in the present moment of world disorder have become not only a factor, but the factorum of peace and progress of war and misery.

Thus, among the themes we discussed in this morning's meeting, the fundamental element was the oil policy which Mexico desires to live, and not only live, but which Mexico dares to preach.

We have sought your sympathy for the ideas that energy resources are the responsibility of mankind, which has not figured out how to organize itself and in this very moment is on the edge of a cliff. We wish to pledge our possibilities, our potential, to give meaning and content to a new economic order which, although recognized among nations, remains a formal and empty framework which must be satisfied and filled out with specific commitments, starting with those we can assume regarding energy resources.

Thus, Mexico is proposing in every forum, in every contact—this is proper among brothers—the advantage of giving content to the new world economic order, with a clear position in regard to the ordering of the production, distribution and consumption of all alternative energy sources. So that—without distortions from irrational consumption or unilateral demands—a way can be found to organize them to the benefit of the world.

We have insisted on this and have talked about it maybe even too much, Comandante. But it is without a doubt one of the themes in which my country is deeply interested as a vehicle for achieving peace, harmony and progress.

I have found you to be understanding, and, I hope, supporting. It is a struggle of the developing countries, of the poor countries, cornered by the powerful ones, to establish rules ... for matters important to all.

Mexico: 'a bulwark for Latin America'

Speaking at a dinner held on May 17 Castro compared the Cuban and Mexican Revolutions.

...I think that there are many kindred elements, much affinity, between Mexicans and Cubans, between the Mexican Revolution and the Cuban Revolution. The first social revolution in this hemisphere was the Mexican, the first social revolution—as the President

said at noon today—in this century. The second social revolution—we call it the first socialist revolution—was the Cuban Revolution.

There is a reason to history; things don't happen in vain. We think that our common history, our common experience, unites us. There are differences, but the difference does not lie in the legitimacy, in the purity, nor in the power of our revolutions. The difference is in the historical moments, conditions and circumstances in which each of them occurred.

We have always been very interested in the Mexican Revolution; its experiences, its development, its ideas interest us today and will interest us tomorrow. We cannot forget that this Mexican Revolution was always a source of inspiration to Cuban revolutionaries and continues to be a source of very rich experience.

...In Mexico we see the president insisting on a number of ideas which deeply impress us. I'm going to cite as an example what he says about education:

He says that education is the basic investment, is the basic resource. And that is exactly how we conceive of education in our country. And we could subscribe to these words: the basic investment in the basic resource.

He has insistently stated other ideas which we entirely share. The idea that education and training are the way to make unequals equal, to create a real opportunity for the talent, the intelligence, and the vocation of every human being....

I said that Mexico has more natural resources than Italy, France, or Spain. Why can't Mexico—which in addition has an even more valuable resource—come to be a major industrial power in our world? ...I am convinced ... that Mexico will come to be one. It is not a simple question of faith; it is also a result of the history of Mexico, of what you have been able to do so far. And that for us is a banner, a bulwark, a bulwark for Latin America, and we know what bulwarks are, because we also are—or, we believe we are—a modest bulwark of the peoples of Latin America.

...If we inspect the rest of our America, I think that no other people is in better condition and more apt today to defend that bulwark....

Cuba: marvelous economic achievements

Lopez Portillo responded by pledging himself to replicate in Mexico what Castro has achieved in Cuba and to take a leading role in defending Latin American resources.

It is true that our Revolution was the first social revolution of this century.... But many years later we have to see reflected in the other revolution, your Revolution, a great part of our youth. We have to see ourselves in it and we have to see ourselves in what Cuba is doing and achieving, a prodigious combination of small quantities and immense quality, an important

leavening for this generation and for the century to come.

The memories, which by your prophetic voice were rendered important, of what we thought or said on some occasion puts me in a serious predicament. I have to measure the distance between what I thought, what I said, and what I have achieved. And the net result—I must recognize it—is not very positive. This brings me to an authentic, sincere anguish.

You have made marvelous achievements, but I have achieved little, very little, Comandante. But I can tell you, in the light of your sincerity, that I want to equate with yours my own capacity for service and for sacrifice to the cause of my country. And if, by some combination of circumstances, I cannot render good results, it will not be for lack of willingness, but rather for lack of opportunity and security in a world which makes us subject to conditions and limitations from which we cannot escape.

What could I add that you haven't already said about our goals? I could only say, following some of the precepts of our Constitution, that the nationalist effort of Mexico fundamentally consists of posing our own problems, trying to solve them with our own resources, and seeking our economic and social independence. And this simple, yet well-defined effort, in the context of our geographical circumstances, is the historic task before us.

And, in agreement with you, I am absolutely convinced that Mexico, a conscious bulwark of Latin America ... desires to fulfill its historic responsibility. And I am absolutely certain, after having heard it, that your voice is prophetic in presaging the destiny of our country; it will always be in fraternal friendship with the very affectionate Cuban people....

Castro: U.S.-Cuba relations 'perfectly bad'

Castro held a press conference on May 18, the end of his trip, at which he delivered a tough challenge to American policy in the Caribbean.

Q: *How are relations between the United States and Cuba? Are they better or worse with Carter? How do they stand?*

Castro: I would say they continue perfectly bad. Now, if you ask me if there's been anything new, I would say yes, although they continue perfectly bad in that the blockade is continued ... 100 percent....

Q: *(What about)...Cuba as an exporter of revolutions...?*

Castro: I lament that revolutions cannot be exported, because if they could be, we would solve our foreign exchange problems.

Q: *...You are accused of active interventions in the*

affairs of Nicaragua and also El Salvador. ...

Castro: There's nothing we need more than to be blamed for what's going on in Central America, in El Salvador, and in Nicaragua. Somoza accuses everybody of intervention. But in reality, the only one who reminds us of the interventionary path in Nicaragua is Somoza, because Somoza is the son of the North American intervention in Nicaragua. He is the net result of the intervention. The only real proof that there has been intervention in Central America is Somoza.

Do you think that they can go on killing thousands of people and "disappearing" an infinite number more? Do you think that they can loot a country for decades and the people will just cross their arms? How many hundreds of millions of dollars have the Somoza family pillaged in Nicaragua? Can people put up with that kind of situation forever? ...Sooner or later, and probably sooner rather than later, Somoza will be relegated to the garbage can of history.

Q: ...*What is your government's position in regard to the Guantanamo base and what are the practical residues of the blockade decreed in America against your country?*

Castro: ...The Guantanamo base remains; it is there by force against the will of our people.... The blockade has done us plenty of harm economically; it hurts us. But it cannot achieve its objective of smashing the Cuban Revolution. I think that, on the contrary, the Revolution is more solid than ever and the blockade has failed. Sure, we were used as a "guinea pig."

Now the "empire" is a bit more careful, subtler. Now they don't resort to such direct blockades. I don't know if you know that the blockade includes not only food, but also medicine. You can't export even an aspirin from the U.S. to Cuba. That is, it is an implacable form of economic aggression which doesn't square at all with the "human rights" preachings of President Carter. Because if your molar hurts and they don't even let you take an aspirin to kill the pain, that is against human rights.

I'm talking about aspirins and toothaches, but could speak of much graver illnesses. You could speak of the lives of children, women, and old people which can be lost because you cannot get a specific medicine. And it seems to me that one of the most miserable and grotesque things you could do is deny a country even the right to obtain medicine. It's much more than a toothache.

So I ask myself: How can the famous preaching about human rights be reconciled with the policy of blockading Cuba?

Despite all, they blockade Cuba. They don't

blockade Somoza, nor Pinochet, nor Stroessner, nor any of those fauna. They blockade Cuba.

However, how many children out of each thousand born in Nicaragua die every year? How many children die in Chile, how many in Paraguay and other places? In Haiti how many die? I think they've lost count already and don't know whether it is 150 or 200 of each thousand during the first year on earth there in the land of "Papa Doc." However, how many die in Cuba, despite the blockade and despite the Yankees prohibiting the sale of medicine to Cuba? Last year, we reduced the figure which had been 60 before the Revolution, to 22.3, the lowest in all of Latin America. And life expectancy, which had been 58 years before the Revolution, now is 72 years. What do you think of that? Now we are at the level of Canada and the United States in life expectancy. And in infant mortality, we are at the level of the developed countries, despite the blockade and the U.S. sales prohibitions.

And why does the United States do that? Do they want people in Cuba to live fewer years? Do they want more children to die each year? What do they want with this? What do they want?

They don't blockade South Africa, for example; they don't blockade Rhodesia. Fascist governments, fascists who oppress millions of Africans. They blockade Cuba.

And what has all this accomplished? How is the Revolution doing? What country in this Hemisphere has better education indices than Cuba? And what country has better health indices, sports, culture, despite all? So you can see that a Revolution is worth it.

Q: ...*What can the peoples of Latin America do to support the struggles in Central America?*

Castro: ...public opinion and solidarity could put a brake on foreign intervention in those countries, although I think that the United States is sufficiently wary after the Vietnamese experience. I don't think that the U.S. is going to think of creating new Vietnams in Central America....

Q: *What counsel would you give to today's youth?*

Castro: ...Man has accumulated instruments of destruction capable of annihilating the world, and humanity has never known such a peril, such a real risk. We know it well, because we lived through a crisis in the month of October 1962, and we know that at that moment the world was very close to war. And I believe that the younger generation have a vital interest in guaranteeing the survival of humanity.

Lopez Portillo, Castro issue joint communiqué

On May 18, Cuba's President Fidel Castro and Mexico's President José López Portillo signed a joint communiqué which we excerpt below.

... Both rulers reaffirmed their adherence to the basic principles of the United Nations Charter and stressed the Charter's principle of noninterference in the internal affairs of other states, its prohibition against resorting to the threat or use of force in international relations, respect for the self-determination and independence of all peoples, peaceful resolution of conflicts, equal sovereignty for all states, and respect for individual and social rights.

They also stressed that these aforementioned principles include: unlimited respect for the sovereignty, territorial integrity and political independence of states; the obligation to refrain from exercising any kind of economic or other sanctions or from carrying out hostile acts against any country; and, the reassertion that each state maintains permanent sovereignty over its natural resources.

Both parties recalled that the 1972 Security Council meeting in Panama condemned the use of all types of economic coercion against the countries of Latin America and demanded the end to all acts of economic aggression against these countries, since such acts violate the rules of peaceful coexistence among states and the principles and aims of the United Nations Charter.

In that respect, they asserted the need to end the economic blockade imposed on the people of Cuba.

The two leaders agreed upon a conception of peace taken in its broadest and most universal sense, as embracing all parts of the world and benefiting all countries regardless of their size, economic power, or political influence.

The presidents emphasized the urgent necessity for the United Nations to strengthen its efforts and exercise full authority to eliminate all vestiges of colonialism; they reiterated their political commitment to continue seeking formulas that will permit the self-determination and independence of the peoples of Zimbabwe and Namibia and of any other peoples subjected to colonial rule.

Both presidents also reiterated the importance of

abiding by the United Nations resolutions in eliminating foreign military bases which are maintained in countries against their will.

The presidents pointed out that the grave world economic problems demonstrate the need to move toward the full implementation of a new world order in conformity with the principles and objectives of the Declaration and Action Program of the New International Economic Order, the Charter of Economic Rights and Obligations of States, and the General Assembly resolutions on international economic cooperation and development, making use of the participation of all countries to avoid a situation in which only some benefit from the system of international relations.

The chiefs of state pointed to the international economic crisis which affects all humanity, particularly the developing countries. They recognized that the problems of food and energy shortages aggravate the general crisis and require a reasoned analysis of the economy at a world level, using the United Nations as the most appropriate forum for examining and solving these problems.

President Fidel Castro stressed the great importance of the fact that President López Portillo had announced that Mexico—itsself a key producer of hydrocarbons—considers the problem of the energy crisis to be “a common responsibility of all humanity.” He added that he fully approves of the Mexican proposal, and agrees with the need to assure all countries access to technology and to favorable financing to develop alternate energy sources.

At the same time, they referred to the excessive protectionism of the highly industrialized countries and the need to assure access to those countries' markets for the exports of the developing countries. They added that the inflationary pressures and the instability in the means of exchange, originating in the developed countries, has a particularly negative effect on the developing countries and has aggravated their indebtedness problems and limited their development capability.

Both parties pointed to the growing importance that the Group of Non-Aligned Nations has in promoting international peace and cooperation on a just and equitable basis.

Both chiefs of state expressed their firm support for the struggle of the Panamanian people and government to recover full sovereignty over the Canal.

The two presidents agreed that the historical, geographical and cultural ties that unite the countries of the Caribbean basin constitute the natural basis for a better recognition of common interests and for making better use of the broad possibilities for collaboration. ...

'Mexico will not tolerate genocide'

Mexican President José López Portillo's speech at a banquet honoring the visiting President of Costa Rica, Rodrigo Carazo, is excerpted below.

... The unimpeachable testimony of our neighbor (Costa Rica—ed.) has confided to us the tragic situation of our Nicaraguan brothers. You have told me ... something that we knew and didn't want to believe: the dramatic, repugnant attack on the most elemental human rights, the horrendous genocide being committed against the Nicaraguan people... (Your testimony) has impressed us, because it confirms what we knew.... I am now instructing Foreign Minister Castañeda to break relations with Nicaragua....

Mexico cannot tolerate that the permanence of any political regime involves for the people who live and suffer under it not only slavery but unacceptable abuse....

We would like to see other Latin American brother countries ratify this decision, and thus ... from this forum, I appeal to them....

Some years ago we celebrated the decision of the oil producing countries to revalue that raw material. It was an appropriate, opportune, courageous and suitable policy ... as such it was applauded. But even then one could see that the revaluation of a single raw material, even though mostly produced by developing countries, was not a compatible solution. Not in any way, and for a variety of reasons. Among them because the most

powerful countries are also producers of oil and any price distortion would not be to the exclusive benefit of the developing countries.

Years later ... the price of oil is being turned into a scourge, a true scourge, for the developing countries that don't have oil. And this Mexico, an oil producer, facing its historic and revolutionary conscience, cannot accept as a permanent situation....

We have said—and that is Mexico's conflict of conscience—that Mexico ... will never be turned into a scab against oil producers. But given this decision, congruent with a policy seeking an economic order conceived as obligations and rights, we confront (a) dramatic situation....

Thus, Mr. President, I put before you Mexico's proposal to carry this grave question, this struggle of values, to the only forum that has the right to hear this kind of proposal: the United Nations. We will soon formally pose to the UN the need to give content to the agreement on economic rights and obligations of nations ... (with the subject of) energy sources.... The alternative is cutting off the possibility of development for countries without oil, chaos or war....

We will propose (at the UN) to resolve once and for all to order production, distribution and consumption of all the various sources of energy, so that everything—commerce, financing, transfer of technology and access to energy sources—may be organized regionally and internationally....

'Peace: the basis for development'

Below are excerpts from the joint communiqué signed by Mexican President López Portillo and Costa Rican President Rodrigo Carazo.

Both presidents agreed that the energy problem requires priority and urgent attention, because of its effect on developing nations' economies ... and because it constitutes a restraint to the recovery of international economic relations. This is an indispensable element to ensure, on a world scale, peaceful coexistence which is conceived not simply as the absence of armed conflict, but as the basis for development of a civilization at the service of mankind.

In this context, President Carazo gave his full

support to President López Portillo's initiatives to gain participation of all nations, through the United Nations, in an effort to situate questions relevant to the supply and utilization of oil within a concept of the common responsibility of humanity.

Both presidents exchanged impressions about the situation in Nicaragua. They acknowledged that the massive violation of human rights—attested to be the (Human Rights) Commission of the OAS—and the indiscriminate warlike actions against the civilian population, not only offend the democratic conscience of peoples who, like Mexico and Costa Rica, work zealously to achieve social justice in a framework of liberty, but go beyond internal boundaries to affect all the countries of the area. ... (This is) an international problem that requires careful attention and opportune measures to facilitate a solution.

*"Jews can't be at peace if we don't react strongly.....
anger and fear need expression too....."*

—Murray Friedman
American Jewish Committee

Zionists tied to 'Nazi' organizing

This week's Counterintelligence section scrutinizes the workings of the terrorist Jewish Defense League and closely allied Anglo-Zionist intelligence networks in the United States. These groups are now being reorganized to spread terrorist chaos in the U.S. in the months preceding the 1980 presidential election.

There are two aspects of this project insofar as it involves JDL-type paramilitary groups in the U.S. which can be identified: namely, the use of these groups as a vehicle to manipulate conflicts between Nazi and "anti-Nazi" forces, as well as related racial conflicts; and the creation of a credible cover for professional assassinations of leading opponents of London's "New Dark Ages" policy.

The last few days, especially since the election of Tory Party leader Margaret Thatcher as British Prime Minister, sources report, have seen a broadening of joint activity between British, Israeli and U.S. intelligence.

This activity includes a series of deployments to recruit new forces to the ranks of Zionist lobby paramilitary groups in the United States:

- JDL founder Meir Kahane, currently a leader of the far right Kach political faction in Israel, returned to the U.S. two weeks ago for a nationwide lecture tour and recruitment drive for his newly formed Conference of Jewish Activists.
- Representatives of Israeli Prime Minister Begin's own Herut Party are also known to be visiting East Coast U.S. cities with funds to build up the Herut's BETAR paramilitary youth arm.
- Knesset member Shmuel Flatto-Sharon, who is currently wanted in France on stock and diamond swindling charges, is known to have established a

This special Counterintelligence report was prepared by Scott Thompson in collaboration with members of the Middle East and Counterintelligence staffs of the Executive Intelligence Review.

mercenary force recently in southern California said to be involved in international assassination deployments. This same "independent" mercenary team has also been linked to a NATO intelligence project to create a synthetic Black March terrorist gang for operations in the U.S., Europe and the Mideast by immersing recruits of Latin origin in the language training program at the U.S. military's facility in Monterey, California. Liaison between the two projects is reportedly provided by Israeli intelligence Colonel Zwy Aldouby.

Two frauds have been propagated about the JDL and allied Zionist paramilitary groups in the U.S. which have restrained law enforcement personnel from taking effective countermeasures against them. The first myth is that JDL terrorism somehow represents a legitimate—or at least understandable—Jewish reaction to the bestial crimes committed by the Nazis during World War II. The second is that the JDL and other such groups act independently of more "respectable" Zionist lobby institutions.

"Cutouts"

But it is a well known, if not publicly acknowledged, fact among informed leading political and intelligence circles that both the Nazi and "anti-Nazi" sides of such racial conflicts as the highly publicized plans of the Nazi Party to march in Skokie, Ill., last spring were run through *the same* Anglo-Zionist intelligence networks. In fact, many of the helmeted and club-wielding JDL youth seen in the streets chanting "Never Again" have been interchangeably used as provocateurs for Ku Klux Klan and neo-Nazi violence. The case study below of a proposed Nazi Party rally in Philadelphia will document this.

The Philadelphia "Nazi" scandal was not the case of an isolated kook who managed to fool the population of an entire city temporarily. Rather, it was an all-too-typical Anglo-Zionist destabilization attempt

which backfired, forcing the press to report at least partially the ugly story underlying the so-called "wave" of Klan and Nazi terrorism since the staged 1978 confrontation at Skokie.

Skokie-style terrorism is coordinated through a hierarchy of "cutouts"—intermediaries used to protect the identity of a political intelligence operation's real instigators. Despite the shocking evidence which emerged in the Philadelphia press linking U.S. Nazi groups to the JDL, most of the articles—e.g. coverage in the *New York Times*—were at best "controlled leaks" touching only the lowest echelons of the overall operation.

At the highest level, what was attempted in Skokie, Philadelphia, and in similar events planned for this summer are elements of the British oligarchy's "New Dark Ages" policy, a policy which aims at what its proponents term "controlled disintegration" of the advanced sector industrial economies, and which further hopes to successfully employ British General Sir John Hackett's game plan of U.S.-Soviet thermo-nuclear confrontation to stop Soviet industrial progress as well. The object of the policies put forward by Queen Elizabeth through Thatcher and Lord Carrington is to turn back the clock of industrial progress to, as Cyrus Vance might put it, "a new world order based on environmentalism." From the standpoint of this oligarchical elite, whose feudal policies dominate Britain, the waves of Nazi and "anti-Nazi" Freikorps that will be deployed for Skokie-style violence are merely a modernized variant of the brigand armies and cults that their ancestors among the British and black oligarchy of Europe sponsored during the Hundred Years War. In their eyes, the Nazi/"anti-Nazi" rampage will help create the instability guaranteeing the 1980 election of a "strongman" advocate of the "New Dark Ages" like Gen. Alexander Haig.

London and Israeli Intelligence

The political intelligence networks maintained by these evil oligarchists both directly and through such proxies as the Zionist lobby (headed in the U.S. by the City of London's "Our Crowd" investment banking families) spans the entire "right-left" political spectrum needed for stage-managed conflicts like Skokie, Ill.

Three institutions in particular have served as coordinating centers: the "Fact Finding Department" of the B'nai B'rith Anti-Defamation League's Civil Rights Division; the "Trends Analysis Division" of the American Jewish Committee; and Israeli intelligence directly. Israeli intelligence, protected by the U.S. State Department and intelligence community through agreements which permit Israeli intelligence to operate with impunity against U.S. citizens, not only serves as liaison between the ADL and AJC, but with a professionally trained terrorist and assassination capability run by such Zionist Mafia circles as organized crime czar

Meyer Lansky, gangland political "fixer" Roy Cohn, reputed Midwestern narcotics kingpin Max Fisher, the Bronfman family, and so on. Through such *Hoffjuden* (Court Jews), City-of-London based families such as the Montefiores, Rothschilds, Mocattas, Goldsmids, etc., who were instrumental in founding the cult of Zionism, Israeli intelligence serves as a mere proxy for British intelligence in many of the dirty operations in the U.S.

For Skokie-style terrorism, this interwoven coordinating center can also draw upon private British political intelligence networks in the U.S., ranging from the "left-wing" United Auto Workers-League for Industrial Democracy crowd of Ambassador to China Leonard Woodcock and attorneys Joe Rauh, Jr. and Stephen Schlossberg, to the "right-wing" National Review-Heritage Foundation gang launched by Max Eastman, James Burnham, and William F. Buckley. Though each may publicly charge the other with "bastardy" on occasions, both share the same "liberal" British pedigree. These networks interface directly with those Zionist lobby institutions directly responsible for JDL terrorism through such "New Dark Age" policy centers in the U.S. as the Committee on the Present Danger, the Cold Warriors of the AJC's *Commentary* magazine, and the National Committee on Foreign Policy.

Finally, at the gutter level of individual terrorists there is no difference between the Nazis and the so-called "anti-Nazis" deployed against them. Participants in both "sides" are merely the thinly sketched "bit players" in a Zionist lobby "soap opera" scenario which can be cast interchangeably.

I. The Philadelphia Nazi scandal

On Feb. 16, 1979, "James Guttman" applied for a permit to hold a combined demonstration of the Nazi Party and Ku Klux Klan at Philadelphia's Independence Hall. Within hours, the Jewish Defense League was mobilized as the leaders of a Coalition to Stop the Nazis and Klan which announced that it would hold an armed counterdemonstration. As the confrontation loomed, the city of Philadelphia braced for its potentially far-reaching repercussions.

But within six days, the crisis had passed. The Nazi-Klan coalition had called off its demonstration when its organizer refused to appear in court and disbanded, the Zionist-organized countercoalition likewise. It had come to light that the Nazi leader, "James Guttman," was actually *Mordecai Levy*. Levy, sources reported, is an agent of both the American Jewish Committee and the Anti-Defamation League of B'nai B'rith as well as a leader of a New JDL terrorist cell. Levy, moreover, had stayed at the Philadelphia residence of the local JDL leader, who hosted meetings of the anti-Nazi Zionist counterdemonstrators while he organized the

Klan and Nazi demonstrators. The Jew-hating Nazis and the Nazi-hating Jews were the same people. In other words, the Anti-Defamation League and American Jewish Committee had been running both sides of a vicious hoax.

Apart from their adherence to the "Dark Ages" chaos policy, the ADL and AJC have a further rationale for such activity: to extort financial support from a terrified Jewish community and to reinforce the paranoid myth that strict adherence to Zionist organizations is a Jew's only reliable protection from an unchangeably anti-Semitic world. Mordecai Levy along with his JDL accomplices succeeded in terrorizing the entire city of Philadelphia for a week—including the estimated 10-15,000 refugees from Nazi concentration camps who live there.

That was a conscious goal of this Zionist lobby "protection racket." Here's how it worked:

The operation began on Feb. 16 when Mordecai Levy walked into the National Park Service office in Philadelphia to apply for a rally permit in the name of the American Nazi Party, using the pseudonym James Guttman. According to Levy-Guttman's taunting statement on the application, the rally was intended as "a white power rally to show white masses unity of white race and to show the world niggers and Jews are cowards." Under the category for "catering, decorations ... equipment," Levy-Guttman put: "swastika, banners, Nazi uniforms, KKK paraphernalia—will burncross (sic), swastika picket signs with 'Hitler Was Right—Gas Commie Jews'."

Levy-Guttman identified himself on the application as "leading coordinator" for the Chicago-based National Socialist Party of America whose *Führer*, Frank Collin, was born the son of a Nazi concentration camp inmate named Cohn. Collin-Cohn, believed by many intelligence sources and terrorists experts to be an ADL agent, threatened to march his brownshirted goon squads through the streets of Skokie, Ill., last July 4. Skokie, the prototype of what was planned in Philadelphia and elsewhere this summer, was targeted because its large Jewish population includes thousands of survivors of Nazi concentration camps.

Frank Collin-Cohn told a reporter for the *Philadelphia Journal* Feb. 16 that there was a "50-50 chance" he would come to Philadelphia to lead the rally himself. Collin-Cohn publicly warned that if he arrived, his men would be armed: "We prefer for our people to carry rifles."

Levy also claimed affiliation with the National Socialist White Peoples Party, founded originally as the American Nazi Party by George Lincoln Rockwell, also a Zionist lobby agent provocateur.

Using the alias "James Frank," Levy-Guttman also recruited the Pennsylvania and New Jersey branches of the Confederation of Independent Orders of the Invisible Empire, Knights of the Ku Klux Klan to

attend the Independence Hall rally. These Klan groups were implicated in an earlier conspiracy to bomb the Trenton, N.J. headquarters of the National Association for the Advancement of Colored People, an action instigated by a confessed agent of the ADL and Israeli military intelligence, James Rosenberg (a.k.a. Jimmy Mitchell).

"Doesn't work here, anymore"

Pulling the strings to control these and other Klan-Nazi gangs through Levy-Guttman, sources say, was a secret Anglo-Zionist intelligence team working under cover of the American Jewish Committee and Anti-Defamation League. Levy's role as an undercover agent for the American Jewish Committee was first confirmed by a source closely associated with Israeli Prime Minister Menachem Begin. Milton Ellerin, head of the AJC's Trends Analysis Division (the "dirty tricks department"), made several revealing admissions to reporter Jim Nicholson in the March 13 *Philadelphia Daily News*. Nicholson quoted Ellerin: "'Roughly six months ago I got a call from someone (Levy) I had never heard of or seen, who said he was concerned about the inroads the Klan and Nazis were making,' Ellerin said. 'He said he didn't think the JDL was effective enough and wanted to work with an established, major Jewish organization. He said he wanted to share with me his information ... Levy said he filled out one of the James Guttman applications.'" Ellerin admitted to meeting with Levy before Levy applied for the Nazi Party rally permit. A member of the AJC's Personnel Department was equally revealing: "Oh, Mordecai Levy, he doesn't work here anymore."

U.S. intelligence sources state that Levy is also associated with the so-called "Fact Finding Department" of the Anti-Defamation League, whose director, Irving Suall, oversees a vast, interchangeable web of "right" and "left" terrorist provocateurs.

Suall's background is that of a leading British agent-of-influence. Educated at Oxford University, where he joined the Labour Club, Suall became head of the Jewish Labor Committee, and then national organizer for the International Ladies Garment Workers Union. Finally, he was national secretary for the Socialist Party, before joining the ADL. Contacted after the Philadelphia Nazi scandal broke, Suall refused to confirm or deny that Levy was his agent.

Related intelligence sources report that Levy was also an "informant" for Tom Lock of the Federal Bureau of Investigation. As FBI Freedom of Information Act documents show, this is by no means the first time that the ADL and AJC have succeeded in "doubling" their right-wing provocateurs as FBI informants. Another notorious case involves Eugene Tabbhut, who was planted by the ADL and AJC as Chief of the Klan Bureau of Investigation for Robert Shelton's United Klans of America until the early

1970s, where he determined who was acceptable as a Klan member and had a direct input in planning Klan violence.

'An ancient Jewish tradition'

Throughout the time he was organizing Klan and Nazi gangs for the rally, Levy was living in the home of Philadelphia JDL executive director Ed Ramov. Like Milton Ellerin, Ramov tries to minimize his ties to Levy—sometimes with amusing effect. From early press statements it is apparent that it was Ramov who first recruited Levy as a Zionist agent when Levy was a teenager attending the Young Israel Synagogue (a nationwide JDL front) of Oxford Circle, of which Ramov is board chairman. Yet, in an interview with *Philadelphia Daily News* reporter Jim Nicholson March 13, Ramov is quoted as saying that he took Levy in “without question because it is an ancient Jewish tradition to give shelter to a traveler, even if he is a stranger.”

Other incidents of cabalistic intrigue which Ramov would probably like to pass off as “an ancient Jewish tradition” are the meetings held in his home, where he presented “Jewish leader” Levy to discuss armed counterdemonstrations against “Nazi leader” Levy’s Klan/Nazi followers. According to a March 15 *Philadelphia Journal* article, the ostensible trigger for this frenzied planning was a copy of Levy-Guttman’s rally application, which was somehow mysteriously tacked on Ramov’s door with a note that read: “If the Jews try to stop us from marching, there will be trouble, even death.” Ramov responded: “If they (the Nazis) attempt to march in this city, they’re going to have their heads split open.”

In the “In Black and White” column by Bill Taylor of the *Journal* March 16, one of the JDL’s war councils at Ramov’s home is described as follows: “A bunch of tough-looking young guys in yarmulkas and leather jackets were quietly and earnestly discussing guns. Was a .357 too big? Would a .38 do the job?” In the same piece the head of JDL security in New York is quoted announcing: “Hey, we’re gonna have 1,000, 2,000 people down from New York. ... We have six million reasons why every one of them is a marked man. We’ll stand against them.” Ironically, in the same article, “Nazi leader” Levy-Guttman’s host, Ed Ramov, is quoted warning that the JDL might not wait for the rally to start violence: “We know who they are and where they are ... if we want to make use of it. ... There won’t be a Nazi or KKK man left alive.”

Such theatrics would be ludicrous, if it were not for the terror Levy and Ramov succeeded in spreading with support from much of the press and the leadership of the Zionist lobby. Ramov is also reported to have “sheltered” representatives from various Maoist and “left” gangs in his by now crowded home to discuss “anti-Nazi” activities. On Feb. 22 members of these

groups and others previously involved in a Stop (Mayor) Rizzo Coalition—including the United People’s Campaign Against Apartheid and Racism, the Communist Party Marxist-Leninist, the Coalition Against Racism and Sexism—announced the founding of a Stop the Nazis and Klan Coalition.

Fear and anger

While the JDL, assorted “left” gangs, and Nazi “leading coordinator” Mordecai Levy were girding themselves for street battles, leaders of Zionist organizations fanned hysteria throughout the Jewish community. Not surprisingly it was Murray Friedman, AJC Middle Atlantic States director, who took the lead in inciting victimized Philadelphia Jews to greet the Nazi stormtroopers with an outburst of “fear and anger.”

In a Feb. 23 op-ed in the *Philadelphia Bulletin* entitled “Prisoners of the Nazis,” Friedman states:

I knew their (the Nazis’) only purpose in planning such a march was to arouse Jews, get them to organize rallies and protest meetings, even engage in violence against them so they will get on the 6:30 and 11 o’clock news and in newspapers across the land. ... But I was trapped. Thirty-four years after the opening of the death camps in Europe, Jews can’t be at peace if we don’t react strongly. ... There are extremists in the Jewish community. They would turn to violence to insure that this will never occur again. I don’t agree with their tactics. But I understand why they feel the way they do. ... I know what has to be done. But anger and fear need expression too, so, if there is a march, I’ll be at the counterdemonstration. ... All Jews are prisoners of the Nazis.

The most remarkable thing about this attempt to spread hysteria throughout Philadelphia’s Jewish community is that the article appeared four days after leading press in the city had revealed that the rally was a hoax—and, a full week after responsible city officials had learned from New York police sources that “James Guttman” was in fact Mordecai Levy. Among the headlines which appeared *before* the AJC issued this call to arms were: “Is the JDL Behind Nazi Permit,” “Nazi Rally-Rouser Really Jewish?,” “Is Everybody in the Nazi Flap Crazy?” Friedman thus demonstrated that he consciously sought to make every Jew in Philadelphia a “prisoner” of the Zionist lobby’s evil Gestapo operation.

Part II of “Zionists Tied to ‘Nazi’ Organizing” will appear in next week’s Executive Intelligence Review. Among other things, it will detail the role such pseudoacademic pursuits as Holocaust studies play in brainwashing the U.S. Jewish population into supporting Zionism.

Foresee big IBT role in 1980 campaign

Over the past eight days, the United States has begun to experience the moral and political power that will be wielded in the 1980 presidential campaign by the International Brotherhood of Teamsters. This is the significance of the report from the first week's activities of the Teamster Committee to Elect LaRouche President (TCELP).

The Teamster LaRouche committee was formed two weeks ago by members of the IBT in Michigan, with the avowed purpose of bringing the entire union behind the presidential candidacy of U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., in the 1980 election. On May 14, the first bulletin of the committee, "Teamsters Must Endorse LaRouche for President," was released. Since that date, 50,000 copies of the bulletin have been distributed throughout the East coast of the U.S. and the Middle West. The bulletin was also placed on the desk of every U.S. congressman, the national leadership of all labor unions, and leading public figures across Western Europe.

Teamster members and officials who have gotten the news of the Teamster LaRouche Committee are reporting "for the first time in years their sense of the positive catalytic role that the IBT can play in this presidential campaign." The TCELP bulletin has begun to lift the media-created cloud of defensiveness, and has recalled the power that the IBT wielded in the 1950s and 1960s in support of economic development policies for America.

The late IBT President Dan Tobin spoke out in 1947 against Winston Churchill's efforts to bring the U.S. into a cold war posture against the Soviet Union; he termed such policy in British, not American interests. In the 1950s, the Teamsters backed Dwight Eisenhower and his Atoms for Peace program. The IBT backed Richard Nixon in 1960 and warned that a Kennedy presidency would be disastrous for the nation; they backed Nixon again in the late 1960s and early 1970s and resisted the Watergate movement.

Today this is also the mood of IBT general President Frank E. Fitzsimmons's May 15 speech in San Francisco (see below).

Last week, the Teamsters leadership announced that membership had overwhelmingly approved the newly

negotiated National Master Freight Agreement by a three-to-one vote. The Teamsters leadership further announced that the steel rider to the MFA, covering more than 15,000 steelhaulers, had been approved by a two-to-one margin.

The size of margins shows that the antileadership, anti-Teamster agitation by such grouplets as the Teamsters for a Democratic Union (TDU) and PROD, Inc.—groups under the control of the Kennedy machine—fell on deaf ears. The months-long campaign waged jointly by LaRouche organizers in the Labor Party and Teamster leaders to expose PROD-TDU as union wreckers leaves this network in total disarray.

The fight is now on to secure the gains won in the MFA—gains which the austerity managers in the Carter Administration are already attempting to "take back."

Teamster members are realizing that their political role is not as mere "constituents," pulling a lever every four years, but as a force to shock America out of submission to the environmentalists and prodrug liberal zero-growthers.

The response to the TCELP indicates that the IBT, the largest union in America and one of the country's most powerful institutions, could provide the culture shock to catapult Lyndon LaRouche's "American System" candidacy forward—undermining the pro-British New York Council on Foreign Relations' designs to rig the Democratic and Republican Party nominations for Alexander Haig and Ted Kennedy and make outgoing NATO commander Haig the winner of a rigged presidential election. In Philadelphia, Pittsburgh, and Detroit, local IBT officials who have known the U.S. Labor Party for years have this week arranged presentations to their local and joint council executive boards. These presentations have focused on the "nuts and bolts" of the LaRouche candidacy. They have already resulted in two invitations for LaRouche to address IBT general membership meetings.

This political muscle of the IBT is shown in the response to the TCELP from the rest of organized labor. Leaders of non-Teamster unions, on a national and local level, have requested meetings with LaRouche campaign representatives after reading the Teamster

Committee bulletin. One prominent leader explained the reason for the bulletin's effect on him and his fellow labor officials. "Only the Teamsters have taken an actual independent political stand in the last two decades."

The same point is evident among leaders outside the labor movement. The responses from a leading Republican National Committee official and from the president of a Philadelphia bank were identical: "Now LaRouche is in the ball game!"

A spokesman for the Teamster LaRouche committee in Detroit, reviewing the first week's work, said that the committee will publish bulletin #2 on May 25. He announced that the press run would be extended to 100,000 to cover greater intensity of distribution in the East and Midwest, and expansion to the West coast.

Fitzsimmons: 'we need candidates ...with workable solutions'

Following, with minor deletions, is the text of the speech by International Brotherhood of Teamsters President Frank E. Fitzsimmons on May 15 to the Financial Analysts Federation in San Francisco.

I think I had best begin with a confession. I certainly did not come before you today as an expert. I came because I determined that there is no better group to seek out to find out what is happening to the economy of this country....

I believe today we are a nation asking questions, seeking solutions to economic quandaries which defy old and reliable economic theories. I am certain in my own mind that if Adam Smith were alive today, he would throw up his hands and drop out.

It is that kind of an environment in which we live, but I want you to know that we in the Teamsters—although we might throw up our hands occasionally—never intend to drop out.

More than two million American workers and their families depend upon us. We appreciate their needs, and I think our approach to our recently completed negotiations with the trucking industry are a clear indication of that appreciation.

As you know, the Carter Administration announced its inflation program with its wage-price standards Oct. 24, 1978. We met with the trucking industry for the first time in negotiations Dec. 14, 1978.

I want you to know these negotiations were a soul

searching time for me. Inflation was running in double digit figures and, we were asked to hold our total wage-benefit package to 7 percent. Not just the cost of wage increases, but the cost of maintaining benefits as well. That alone was mindboggling. But then the government threw in a hooker.

On April 1, 1979, our members had 58 cents coming under a cost of living increase negotiated three years before. Government inflation fighters—including one illustrious government official who will speak to you this evening—told us that the 58 cents was to be included in the 7 percent in any new agreement as new money.

The trucking industry was told that any cost incurred over the 7 percent wage standard could not be recovered in rate increases from the Interstate Commerce Commission.

And as the string came off the bundle, and we got a good look at the contents, we found that the government was saying that if the settlement exceeded its wage standards, the government would accelerate its efforts to deregulate the trucking industry.

Those are some of the conditions under which we went to the bargaining table in a country which prides itself on its system of free collective bargaining. I can tell you that one gets a little nervous sitting at the bargaining table with a gun at his head, and it is no secret that for a while, some employers were shaking so hard they needed a realignment job on their knees, but that was understandable.

Did one go along with an ill-conceived plan to control inflation.... Or did one lead from a gut reaction that our members were striving to survive in an economic jungle and deserved more than that promised by soothsayers and those reading tea leaves in the economic cup of life.

I finally concluded that our members deserved much more than that.

So, I took my negotiating committee to the bargaining table determined to obtain what our members need to remain competitive in the economic mainstream of American life.

And for a moment, as a side note, I want to emphasize that we in the Teamsters Union are as patriotic as anyone else. We have proved that in war and in peace. And I say to you that if and when someone comes up with a plan of equity in which the sacrifices are shared in a like manner, you can count the Teamsters in at the front of the marching order.

Be that as it may be, when it was all over and we reached a tentative settlement, a very funny thing happened. Suddenly, the terms we reached were—according to the lead economist speaker—within the guidelines.

...I know what is in this contract, and I can tell you it is the best damned contract we ever negotiated with the trucking industry. It will serve the needs of our

members and that was the union's obligation....

It was said early in our negotiations by one illustrious government official that if we broke the wage standard it would be an aggression against the American people. One thing I have found—that a politician's rhetoric is bad medicine at the bargaining table, especially when he does his bargaining in press releases instead of at the table.

So we ignored that, and we have concluded that our settlement was an aggression against economic folly, and I will deal with that shortly.

Now, in addition to our Master Freight negotiations, we have some other big contracts to negotiate this year. We have presently the National Automobile Transporters national agreement and we have the Teamster agreements with United Parcel Service. All of these agreements are pattern-setters for other Teamster negotiations.

In the car haul and UPS negotiations, our approach is the same as it was in freight. To get what our membership needs to stay afloat.

And what about the state of the voluntary wage and price guidelines? So far they have not made a dent in stemming the tide of inflation. Price rises in food, energy and housing have skyrocketed. And while the guidelines were initially proposed "to halt an inflation psychology," who can deny the current reality of a 13 percent inflation rate?...

As I said at the beginning, the state of today's economy and the real problems of inflation are mind boggling.

There is no parallel situation in recent history. Take for example President Kennedy's January, 1962 wage guideline of 3.2 percent, imposed at a time when inflation was running at only 0.7 percent. Oh! for the good old days, which were not really so long ago.

And look at the situation that existed more recently with the Nixon pay board, of which I was a member—staying on even after all the other labor members bowed out. Those wage guidelines were set at 5.5 percent, excluding fringe benefits, while inflation was still in the 4 percent range.

In my opinion, this Administration's goal of 7.4 percent inflation in 1979 is like holding on to the impossible dream, and I for one long ago gave up believing in the tooth fairy.

I believe we will be doing well just to hold our own.

Now there has been a lot of talk about a possible recession later this year. I am not an economist, nor do I own a crystal ball, but I dare say that even after the cyclic recovery of a recession, we still will have to cope with a pretty hefty inflation rate in the next three years.

And of course the bottom line of the American

economic system is and always will be—consumer spending.

And whether or not prices will continue to rise and speculative buying remains high, the betting is that consumers will fast be fed up with constant high prices.

And let me remind you that in all our negotiations, we are representing a total of some 10 million people who are Teamster members and their families.

Teamsters are consumers, wage earners, taxpayers, homeowners, and too, they are voters.

In short they are Mr. and Mrs. America, and they are very much affected by today's badly managed national economy.

As you know, we are not alone in our stand. Douglas Fraser, President of the United Auto Workers who sits down with Ford, G.M., and Chrysler this year, has called the Carter inflation standards self-destructing and has told the Administration to stay the hell out of his negotiations.

Peter Bommarito of the United Rubber Workers has been much more blunt.

So, I think that we can say that the year 1979 was the year in which the White House tried to abrogate the free collective bargaining process, and it will also be known as the year that unions stood their ground against such an intrusion.

I think this is important both to you, many of whom are deeply involved in the management end, and to me, deeply involved in the labor end. I maintain that collective bargaining is an equal partner in the free enterprise system.

You and I have an obligation to make the free enterprise system work—and for one simple reason—the alternatives are frightening and unacceptable. To do this, we have to be leery of politicians holding out easy solutions. There are no easy solutions.

Seriously, we must get a grip on our economic problems, and 1980 will be an opportunity to do so. We must have candidates who will address our badly managed economy, huge federal deficits, a workable energy policy, candidates with workable solutions to the imbalance of trade and the consequent loss of American jobs.

We need candidates ready to bite the bullet of hard facts, and I for one will be looking for a man or woman ready to do so regardless of the political consequences.

Perhaps if we achieve that, you who are financial analysts will have a more pleasant task and can be innovative for the good of America instead of just holding our ground.

Thank you.

One strike ends, another drags on

As we go to press, the nearly two-month strike by 18,000 machinists that shut down United Airlines, the nation's largest commercial carrier, appears to be over.

Leaders of the International Association of Machinists (IAM) report that the contract is being overwhelmingly ratified.

Various reports peg the new contract as being in excess of 30 percent in wages and benefits over three years. While exceeding the Administration's 7 percent wage-price guidelines, the pact also appears to exceed the contract between machinists and Trans World Airlines reached last October. Spokesmen for Inflation Czar Alfred Kahn had previously indicated that they would accept a contract similar to the TWA settlement, since they viewed that pact as a "pattern settlement" for the industry, and since it went into effect prior to the guidelines.

However, one source close to Kahn confided, "I'm not so sure we could do anything to the IAM or United even if we find the contract outside our guidelines. ... Let's face it, the whole program is a shambles. ..." Kahn in an interview with the *New York Times* said he didn't see any hope for the present program if the inflation rate stayed above 10 percent: "We might as well give up. ..."

Other sources report that the Administration is taking a "good hard look at some very unpopular

options," including mandatory controls. "It looks like we are going to have to come up with something before the auto contract," an aide to Kahn stated. The contract between the auto industry and the United Auto-worker expires in mid-September.

Meanwhile, another strike forced by the Carter austerity policies is dragging on.

Spokesmen for the United Rubber Workers and Uniroyal, the nation's third largest rubber company, said that they would come back to the bargaining table this week in another effort to settle the now three-week-old strike.

URW leaders continue to charge that government interference, aimed at holding the contract within the 7 percent guidelines, is the principal obstacle to a pattern-setting pact for the rubber industry; but other sources indicate that Uniroyal's rationalization policy and company politics are also playing a disruptive role. Some industry people expect the strike to continue into the summer.

Steelworkers union under CFR seige

Vice President Walter Mondale and National Security Advisor Zbigniew Brzezinski met two weeks ago for several hours in a closed-door session with the Ex-

ecutive Board of the United Steel Workers. USW spokesmen later announced that the Executive Board had decided to support the proposed SALT II treaty, in a break with the national AFL-CIO leadership.

The Executive Board took some other actions which left many local Steelworker leaders confused. For example, many local leaders expected a ringing reaffirmation of support for nuclear energy development from the previously strongly pronuclear USW leadership. Instead, the board called for a crash program to develop solar energy.

The *Pittsburgh Press*, whose editors are thought to be leaning toward support for NATO Supreme Commander Gen. Alexander Haig in the 1980 Presidential race, says that the USW under President Lloyd McBride is "beginning to resemble" the United Auto Workers union in its policy formulations. This shift toward "left social" issues and away from strong support for nuclear energy is most important, commented the *Press*.

The USW might very well soon find itself in the camp of Doug Fraser's UAW and Wimpy Winpisinger's machinists. This grouping is the cornerstone of support for Ted Kennedy in the labor movement. McBride, who was elected USW President in 1977 over UAW-backed environmentalist Edward Sadlowksi, will probably never sound like solar freak Winpisinger, but some USW leaders point out that his current silence on nuclear power hurts almost as much. One USW national leader has said it may take a year before the union does anything on the nuclear energy issue—though he assures people that "we are still pronuclear." Many local Steelworkers leaders are growing impatient. "We didn't put McBride in office for this garbage," said one.

AMERICAN SYSTEM

Mathew Carey on protection vs. free trade

As the U.S. economy worked itself into a near official recession over the last quarter, Ireland, once the impoverished colony of the British Empire, continues its remarkable economic growth (see our ECONOMIC SURVEY).

Considering that irony, we are reminded of the little known—today—but influential political economic writings of Mathew Carey, the 19th century Irish republican who was a close working collaborator of Benjamin Franklin, Alexander Hamilton, and other fighters for the new American republic. Carey, in fact, came to the U.S. after being kicked out of Ireland for "defaming" the British.

In his speeches and writings, Carey advocated a national policy commitment to foster domestic industry in the United States. This included a policy of protective tariffs which in his time was the most appropriate defense against the economic warfare being waged by Great Britain under the rubric of "free trade."

We quote below from the series of addresses which Carey delivered to the Philadelphia Society for the Promotion of National Industry in 1819.

... Political Economy shall be the subject of these essays. In its broad and liberal sense, it may be fairly styled the science of promoting human happiness....

... As a preliminary step, we propose to establish the utter fallacy of some maxims, supported

by the authority of the name of Adam Smith, author of *The Wealth of Nations*, but pregnant with certain ruin to any nation by which they may be carried into operation....

....The main proposition which we at present combat, and to which we here confine ourselves is, that,

"If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy of them with some part of the produce of our own industry, employed in a way in which we have some advantage."

The only rational mode of testing the correctness of any maxim or principle is to examine what have been its effects where it has been carried into operation....

Great Britain affords a felicitous instance for our purpose....

There are above a million people of both sexes and of all ages, employed in that country, in the woollen and cotton manufactures. By their industry in these branches, they make for themselves and families a comfortable subsistence. They afford a large and steady market for the productions of the earth, giving support to, probably, at least a million of persons engaged in agriculture; and moreover, enrich the nation by bringing into it a wealth from nearly all parts of the earth. The immense sums of money they thus introduce into their native country afford means of employment and ensure happiness to millions

of other subjects...

From this cheering prospect, let us turn the startled eye to the masses of misery which Dr. Smith's system would produce; and we shall then behold a hideous contrast which, we trust, escaped the doctor's attention....

The East Indies could at all times, until the recent improvements in machinery, have furnished cotton goods at a lower rate than they could be manufactured in England, which had no other means of protecting her domestic industry, but by a total prohibition of the rival fabrics. Let us suppose that France, where labour and expenses are much lower than in England, has possessed herself of machinery, and is thus enabled to sell woollen goods at half, three-fourths, or seven-eighths of the price of the English rival commodities. Suppose, further, that articles manufactured of leather are procurable in South America, and iron wares in Sweden, below the rates in England. Then, if the statesmen of the last nation were disciples of Adam Smith, as "foreign countries can supply them with those commodities cheaper than they themselves can make them," they must, according to the doctor, "buy from them with some part of the produce of their own country," and accordingly open their ports freely to those various articles, from these four particular nations. Who can contemplate the result without horror?...

Industry paralyzed and the enormous floods of wealth, drawn from their colonies, answering no other purpose but to foster and encourage the industry, and promote the happiness of rival nations; and all obviously and undeniably the result of the system of "buying goods where they are to be had cheapest," to the neglect and destruction of their domestic industry....

London oil wire leaks classified CIA scenario

Next to James Rodney Schlesinger's Department of Energy, the agency in Washington with the least credibility is the Central Intelligence Agency under Admiral Stansfield Turner. In a clumsy bid to overcome this credibility gap, the CIA has come up with another of its world oil analyses. This time, the agency appears to be using the classic "controlled leak" tactic.

A newsletter titled *London Oil Reports* has somehow managed to get an exclusive leak of a still classified CIA study, "The Oil Market Through 1982," in its May 14 issue. This document claims that there will be a 0 to 1 percent growth in the amount of world oil available in the next three years. According to the report, "CIA analysts believe that the static supply situation will trigger an accelerated scramble between developing nations and the industrialized West for available oil, a competition that will be heightened and sharpened by the absence of any effective international mechanism for allocation of oil supplies." The report adds that the situation does not evaluate the consequences of elimination of nuclear power growth in the U.S. "and that (nuclear power—ed.) could become doubtful in Europe as well, if a nuclear power plant accident were to take place there during the next 12 months."

Many remember the last time—in 1977—the CIA issued a

world oil study. It predicted a decline in world oil supply beginning in the early 1980s leading to increased USSR-U.S. conflict over Persian Gulf oil. That report, prepared by Walt McDonald using widely discredited linear projections was disputed at the time. But, Schlesinger cited that report as the justification for his draconian energy austerity approach of the National Energy Act.

NRC imposes three-month licensing moratorium

The Nuclear Regulatory Commission has ruled to impose a moratorium for at least three months on all nuclear plant licensing while safety lessons from the Three Mile Island incident are being "studied." The decision came in a ruling by four of the five NRC commissioners on a recommendation by Commission Reactor Regulation Director Harold Denton. Denton was in charge of the on-site NRC operations at Harrisburg during the incident.

NRC chairman Joseph Hendrie, who opposed any moratorium as unnecessary, was out ill. In his absence, Commissioner Victor Gilinsky, the most consistent—along with Peter Bradford—of the antinuclear NRC commissioners, chaired the session and approved Denton's moratorium plan. Gilinsky's background includes a stint at RAND Corporation in the 1960s when Schlesinger

was there doing strategic studies. He is also a member of the London International Institute of Strategic Studies (IISS). Commissioner Richard Kennedy angrily protested not receiving adequate notice of the moratorium decision. The "swing vote," Commissioner John Ahearne, who is considered a close Schlesinger ally from the Department of Energy, sided with the two antinuclear members.

The moratorium could seriously cloud the future of nuclear energy in the U.S. Already more than 25 percent of U.S. nuclear capacity—19 reactors—are shut down in the wake of Three Mile Island for an indeterminate period. As many as 11 nuclear reactors could be eligible for NRC licensing this year. These 11 reactors, if brought on line, would generate the annual equivalent of 120 million barrels of oil, more than 60 percent of the amount of petroleum that would have been normally imported from Iran.

Exxon head predicts 20-year gas shortage

Exxon Chairman Clifton C. Garvin stated recently that American consumers can expect "to be on the ragged edge of price and supply for 20 years or more." He also stated that the current California gasoline shortage is the result of government policy and consumer hoarding, not oil company actions. Garvin downplayed the prospects of solar energy to meet any basic supply in the U.S.: "There is just too much money invested in equipment that uses oil and gas," he said. "The cost of changing the nation to solar, even if it were even possible would be prohibitively expensive." He added in conclusion: "There is no central problem in energy, no one thing to focus on."

—William Engdahl

FACTS BEHIND TERRORISM

Italian investigation uncovers Bertrand Russell networks behind terrorism

In the next several weeks, a team of Italian magistrates involved in the investigation of the terrorists who are charged with the kidnaping and assassination of former Italian Prime Minister Aldo Moro, will visit the United States to collaborate with U.S. officials in uncovering more of the international network behind the Italian Red Brigades.

Since early April, the Italian investigation has led to the arrest of over 60 individuals for terrorist activities: Most of them are members of the "Autonomi" movement—the above-ground support committees of the Red Brigades which have operated freely inside Italian universities.

The break in the investigation was the arrest of Professor Toni Negri of the University of Padua Political Science Department. By tracing the activities of Negri, now accused of being the mastermind of the kidnaping and murder of Moro antiterrorist officials operating in France, Italy and West Germany have succeeded in tracing the international contacts of the Italian terrorists.

On May 21, *L'Unita*, newspaper of the Italian Communist Party, exposed one of Negri's international organizing efforts which brought together in London representatives of the "autonomist" movement from West Germany, Britain, France, and the United States. The conference, held from July 10 to 14, 1976, was jointly organized by Negri and a London colleague, Mr. John Meryington. It took place at Meryington's

University Institute. Representing the United States were Negri's collaborators from the Telos network created by Bertrand Russell—a split-off called "Zero Work."

Tracing Negri's defenders in the United States has uncovered a terrorist and support operation of proportions which encompass the Italian terrorists, the Baader-Meinhof networks, and one of the bloodiest of all terrorist groups, Black September.

The "Zero Work" group has organized a Negri defense operation in the United States, calling itself the "Committee Against Repression in Italy," to organize demonstrations and funds to oppose Italian anti-terrorist effort. Top figures supporting the Committee have been identified as Paul Sweezy, a known British intelligence operative who published *Monthly Review*; Sweezy associate, Harry Magdoff, a cultural anthropologist linked to operations of the Puerto Rican terrorist group, MIRA; Sylvia Federici, head of "Zero Work" and associate of Potere Operai founder, Paul Piccone; Bertell Ullman, Professor at New York University and an editor of *Marxist Perspectives*, and Martin Glaberman, formerly of the Socialist Workers Party, now living in Michigan.

Glaberman's Michigan network includes Abdeen Jabarra, a leading "Palestinian rights" operative for the Institute for Policy Studies. Jabarra also serves as the Midwest contact point for "Dr. Medi," the New York-based head

of the Arab-American Action Committee. Medi was an operative for Israeli intelligence and the FBI's Division Five who acted as the New York control point for the Black September terrorist organization following the 1972 massacre at the Munich Olympic Village.

U.S. terror wave readied

In the last three weeks, prison escapes in Seattle, Washington and New York City indicate that U.S.-based terrorist organizations are logistically operative.

In Seattle, John Sherman, a leader of the George Jackson Brigade, which ended its operations when the ring was apprehended in November 1977, managed to escape his prison guard. This is the second time that Sherman has escaped from custody.

In New York, Edward Morales, the FALN terrorist who was seriously injured when a "Bomb factory" located at his Queens, New York apartment exploded, mysteriously escaped from the Bellevue Hospital Security Ward. Morales, who lost the use of both hands in the explosion, is alleged to have climbed miraculously from a window using an ace bandage.

Morales is defended by Attorney William Kunstler, who has been involved in a "Support Negri" style committee defending West German terrorists that are members of the Baader-Meinhof gang and Red Army Fraction. In 1978, shortly after the murder of West German banker Jürgen Ponto, Kunstler hosted a New York visit by Sigrid Huth and other West German lawyers who were defending the terrorists.

The fact that the broad activation of the U.S.-based terrorist support network coincides with the terrorist prison escapes suggests that a major outbreak of terrorism in the United States is once again being planned.

—Michele Steinberg

WORLD TRADE REVIEW

New trade deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
China from Canada	Credit line for purchase of goods and services by China from Canada	C\$2 bn	Export Development Corp. of Canada to Bank of China	III
Poland from Japan	Credit lines issued for Polish purchase of foundry and chemical equipment and semi-finished textile goods	\$900 mn	(\$370 mn is unused line of credit from 1976)	III
Japan from W. Europe	Toa Domestic Airlines purchases 6 Airbus jetliners, takes options on 3 others	\$225 mn	NAv	III
U.S. from Japan	SRC-II coal liquefaction plant to be built in W. Virginia	NAv	Japanese gov't will invest \$175 mn	Agreement in principle
Ireland from U.S.	Ireland's Electricity Supply Board is purchasing equipment for a Shannon estuary power plant, including \$46 mn to Foster Wheeler Energy Corp. for coal-fired boilers	\$136 mn	\$115 mn Eximbank loan	III
Luxembourg from U.S.	Guardian Industries will build a flat glass plant	\$75 mn	NAv	Memo of understanding with Luxembourg gov't
Indonesia from Japan	Toshiba Corp. will supply equipment for a hydroelectric power station in northern Sumatra to P.T. Indonesia Asahan Aluminium (jt. Indonesian-Japanese firm)	\$62.4 mn	NAv	Order received
USSR from Italy	Montedison will build a large plant for the manufacture of leather additives (in Ukraine)	NAv	NAv	III
Soviet Union from U.S.	Ampex sells video tape recorders and related equipment	\$7 mn	NAv	NAv
III	U.S. from E. Germany	E. Germany will supply 250,000 to 300,000 tons/yr potash to Phillip Brothers	NAv	NAv

Abbreviations:

U = Undetermined
 NAp = Not applicable
 NAv = Not available

Status:

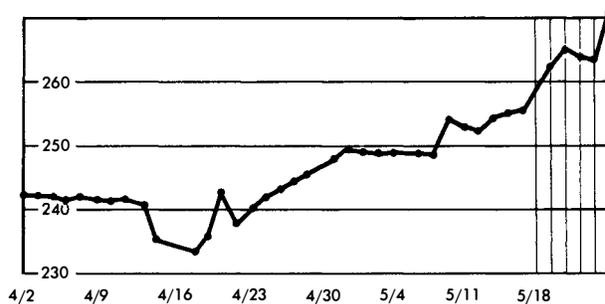
I = signed, work in progress
 II = signed, contracts issued
 III = deal signed
 IV = in negotiation
 V = preliminary talks

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Gold

London afternoon fixing

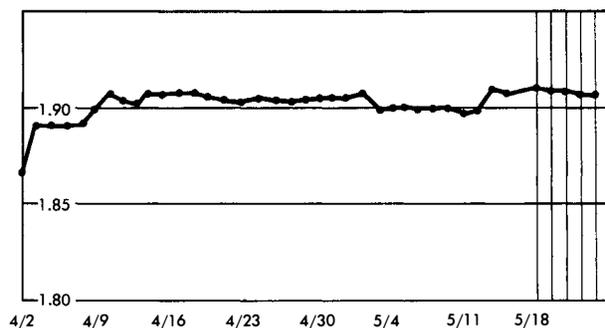
May 21	262.00
22	265.40
23	264.15
24	263.75
25	270.60



The dollar in deutschemarks

New York late afternoon

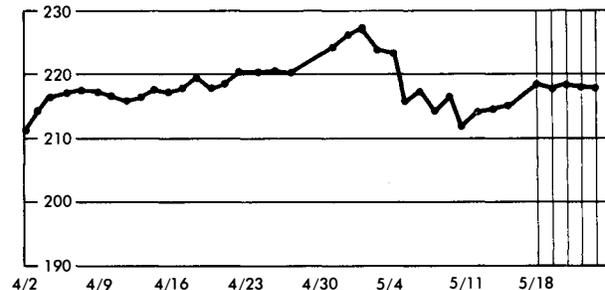
May 18	1.9218
21	1.9180
22	1.9171
23	1.9130
24	1.9118



The dollar in yen

New York late afternoon

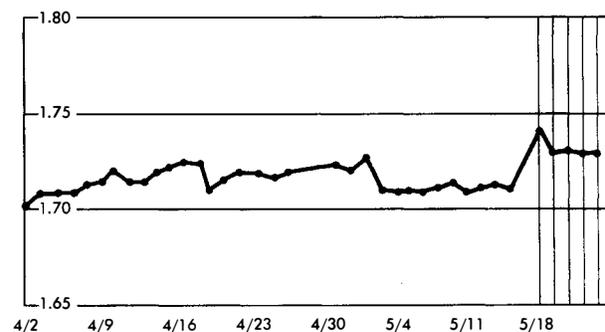
May 18	219.25
21	218.60
22	219.25
23	218.60
24	218.65



The dollar in Swiss francs

New York late afternoon

May 18	1.7400
21	1.7362
22	1.7370
23	1.7325
24	1.7335



The British pound in dollars

New York late afternoon

May 18	2.0545
21	2.0445
22	2.0480
23	2.0575
24	2.0550

