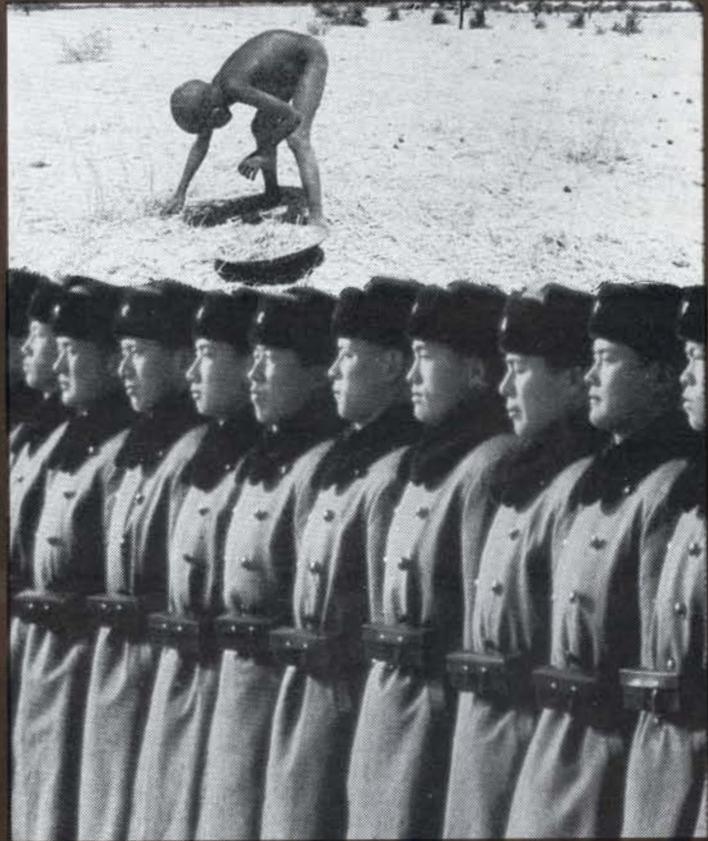


EXECUTIVE INTELLIGENCE REVIEW

After Bhutto —
What next?

April 17-23, 1979



The IMF way to World War III

Vance: No Technology for Third World

New Solidarity International Press Service

\$10

[THIS PAGE IS INTENTIONALLY BLANK]

EXECUTIVE INTELLIGENCE REVIEW

Editor-in-chief: Fernando Quijano

Editor: Paul Arnest

Associate Editor: Kathy Stevens

Production Manager:

Patricia Van Zwaren

Contributing Editors:

Lyndon H. LaRouche, Jr.,

Criton Zoakos, Christopher White,

Costas Kalimtgis, Nancy Spannaus

NEW YORK BUREAU:

Nora Hamerman, bureau chief

Africa: Douglas DeGroot

Asia: Daniel Sneider

Counterintelligence: Jeffrey Steinberg

Military Strategy: Paul Goldstein

Economics: David Goldman

Energy: William Engdahl

Europe: Vivian Zoakos

Labor: L. Wolfe and M. Moriarty

Latin America: Dennis Small

Law: Felice Gelman

Middle East: Robert Dreyfuss

Science and Technology:

Morris Levitt

Soviet Sector: Rachel Berthoff

United States: Konstantin George

and Stephen Pepper

United Nations: Leif Johnson

INTERNATIONAL BUREAUS:

Bogota: Carlos Cota Meza

Bonn: George Gregory

Brussels: Christine Juarez

Chicago: Mitchell Hirsch

Copenhagen: Vincent Robson

Mexico City: Robyn Quijano

Milan: Muriel Mirak

Paris: Catherine Kantor

Rome: Marco Fanini

Stockholm: Clifford Gaddy

Washington D.C.: Laura Chasen

and Ron Kokinda

Wiesbaden (European Economics):

Mark Tritsch

Executive Intelligence Review is

published by New Solidarity

International Press Service

304 W. 58th Street

New York City, N.Y. 10019

Copyright © 1979 New Solidarity

International Press Service

Subscription by mail for the U.S.:

3 months — \$125, 6 months — \$225,

1 year — \$400

ISSN 0146-9614



The IMF way to World War III

On March 30 in Seattle, Secretary of State Cyrus Vance outlined the Carter Administration's approach to solving the pressing problems of industrializing the Third World. His solution: such a goal is impossible in an era of austerity; instead the Third World must content itself with a piecemeal approach based on traditional crops, alternate technologies, and aid from the World Bank and International Monetary Fund. What Vance's report implies is graphically detailed in our blockbuster INTERNATIONAL REPORT, featuring an introduction on the implications of the proposed NATO role in the Third World by Middle East editor Robert Dreyfuss, on IMF genocide in Africa compiled under the supervision of distinguished journalist Christopher White, co-author of *The Political Economy of the American Revolution*.

Page 16

IN THIS ISSUE

After Bhutto: what next?

The brutal execution of Pakistan's Prime Minister Zulfikar Ali Bhutto by the Pakistani military junta is the trigger for a wave of destabilization and ethnic conflict throughout the Subcontinent and extending into Iran and Afghanistan. Our ASIA section, prepared by Asia editor Daniel Sneider, explains the "arc of crisis" in the Subcontinent, including reports on Afghanistan and the latest round of terror in Iran, plus a special appreciation of Bhutto and his role in maintaining a national identity for Pakistan. **Page 37**

LaRouche campaign cracks media censorship

U.S. Labor Party chairman Lyndon H. LaRouche, Jr. saw the announcement of his presidential candidacy last January boycotted by the national news media. Unlike other "minor" candidates who have received similar treatment, LaRouche did something about it. His supporters have mounted a nationwide paid media campaign which has reached an audience estimated at 10 million with a message focused on the war danger posed by the Carter Administration's confrontation policies. How LaRouche did it is the subject of this week's SPECIAL REPORT. **Page 54**

EXECUTIVE INTELLIGENCE REVIEW

THIS WEEK

SAC maneuvers blackmail Europe5

ECONOMICS

The London bubble7
South Korea challenges the U.S.8
Domestic Credit9 Britain12
International Credit ...10 Trade13
Banking10 Gold14
Foreign Exchange12 Corporate Strategy14
Commodities15

INTERNATIONAL

The IMF way to World War III16
No technology for the Third World, says Secretary of State Vance
Vance: the IMF's policy must prevail17
Soviets rebut U.S. Third World policy18
The IMF's holocaust in Africa21

LATIN AMERICA

'Energy for growth'27
Mexico's President puts daring new plan before UN
Chronicle of Lopez Portillo's diplomacy27

ECONOMIC SURVEY

Latin economies under siege29
Free enterprise 'cures' savage industry, living standards
New regime to halt Brazilian growth31
The truth on Chile's 'economic miracle'32
Argentina: world's highest inflation34

ASIA

After Bhutto: 'arc of crisis' in S. Asia	37
1. The plot against Afghanistan	38
2. Iran: a new reign of terror	40

U.S. REPORT

Confrontation gains steam	45
<i>Carter's SALT push</i> <i>part of 'arc of crisis' policy</i>	
Haig sees NATO move into Third World	45
<i>Haig backer sees U.S. and Soviets</i> <i>going 'eyeball-to-eyeball in ninety days'</i>	

ENERGY

Three Mile Island	49
<i>A dry run for</i> <i>crisis management news control</i>	

SPECIAL REPORT

LaRouche campaign cracks censored U.S. media	54
<i>Candidate assails Carter war policies</i> <i>on television and in press ads</i>	
'A last-minute call for sanity'	57
<i>A sample of LaRouche's media drive</i>	

LABOR

'Dissidents': the union's side of the story	60
<i>IBT official Lawrence McHenry</i> <i>says Camaratta would destroy the union</i>	

COLUMNS

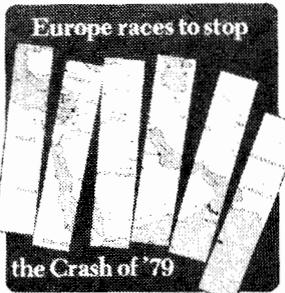
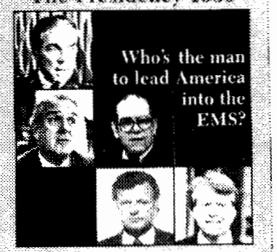
Congressional Calendar	52
Labor Periscope	62
Facts Behind Terrorism	63
World Trade Review	64

Latin economies under siege

"Free enterprise" economics is suddenly being hailed as the savior of Latin America, and a model that the United States should follow. Is it true? Our Latin America specialists surveyed the wreckage left by Milton Friedman and his collaborators of the Mont Pelerin Society in three key Latin economies: Argentina, Brazil, and Chile. After you read this week's ECONOMIC SURVEY, you'll wonder if Bill Simon has his head screwed on backwards. **Page 29**

COMING **NEXT WEEK**

The Connally Tapes ... introducing a new section in *Executive Intelligence Review* devoted to revealing what the big personalities say among their inner circle of associates and friends. Kicking off the section: remarks by presidential candidate John Connally to a recent private gathering of the American Jewish Congress. Made available by a shocked member of the audience who came away from the session convinced that Connally will be a war president, the **Connally Tapes** raise profound doubts about Connally's ability to serve as president, and about his conservative "Texas" image. You'll see for yourself when you read the former Texas governor's uncensored words.

<p>EXECUTIVE INTELLIGENCE REVIEW <small>October 19 23, 1978</small></p> <p>Why the World Bank Pushes Drugs</p> <p><small>Following Soviet attempts and actions as the Third World - main self-export crop</small></p> <p><small>New Solidarity International Press Service \$10</small></p>	<p>EXECUTIVE INTELLIGENCE REVIEW <small>November 3 17, 1978</small></p> <p>Saving the dollar -</p>  <p>-without a recession</p> <p><small>The new world monetary system - conditions - impact</small></p> <p><small>New Solidarity International Press Service \$10</small></p>	<p>EXECUTIVE INTELLIGENCE REVIEW <small>November 13 17, 1978</small></p> <p>Japan exports the A...</p>  <p><small>with...</small></p> <p><small>New Solidarity International Press Service \$10</small></p>
<p>EXECUTIVE INTELLIGENCE REVIEW <small>November 28 - December 4, 1978</small></p>  <p>The oil giant next door</p> <p><small>New Solidarity International Press Service \$10</small></p>	<p>Don't miss another opportunity - subscribe to the EIR now!</p>	<p>EXECUTIVE INTELLIGENCE REVIEW <small>December 12 16, 1978</small></p>  <p>The new monetary system - it's official!</p> <p><small>New Solidarity International Press Service \$10</small></p>
<p>EXECUTIVE INTELLIGENCE REVIEW <small>December 19 23, 1978</small></p>  <p>China plays the 'America card'</p> <p><small>New Solidarity International Press Service \$10</small></p>	<p>EXECUTIVE INTELLIGENCE REVIEW <small>December 26 30, 1978</small></p>  <p>Europe races to stop the Crash of '79</p> <p><small>New Solidarity International Press Service \$10</small></p>	<p>EXECUTIVE INTELLIGENCE REVIEW <small>January 9 13, 1979</small></p>  <p>The Presidency 1980</p> <p>Who's the man to lead America into the EMS?</p> <p><small>New Solidarity International Press Service \$10</small></p>

EXECUTIVE INTELLIGENCE REVIEW

The U.S. can get in on the boom which the new European Monetary System will create. But where are the opportunities and how do you get in on them?

Read the **Executive Intelligence Review** and see the facts that your newspaper, stock broker, or economic analyst doesn't know or doesn't tell you.

Find out about the battle between the International Monetary Fund and the European Monetary System.

THE EIR GIVES YOU THE FACTS

Subscribe Now!
Don't miss another opportunity!
 Special **3 month** introductory half-price subscription offer— \$65 • (regularly \$125)

6 months	1 year
\$225	\$400

Central America, West Indies, Venezuela, and Colombia:
3mo.-\$135 6 mo.-\$245 1 yr.-\$450

Western Europe, South America, Mediterranean, and North Africa:
3mo.-\$140 6 mo.-\$255 1 yr.-\$470

All other countries:
3 mo.-\$145 6 mo.-\$265 1 yr.-\$490

• To qualify for the special 3 month subscription offer, your order must be received by April 30, 1979. Special offer good in U.S., Canada, and Mexico only.

I would like to subscribe to the **Executive Intelligence Review** for
 3 months 6 months 1 year

Please charge to my

Mastercharge No. _____

Interbank No. _____

VISA No. _____

Signature _____ Expiration Date _____

I enclose \$_____ check or money order.

Name _____

Address _____

City _____

State _____ Zip _____

Make checks payable to **Campaigner Publications, Inc.** distributing agents for New Solidarity International Press Service, and mail to Campaigner Publications G.P.O. Box 1920, New York, N.Y. 10001

Credit card holders call toll free 800-621-5809, 24 hrs. a day - 7 days a week. In Illinois call 800-972-5858.

SAC maneuvers blackmail Europe

According to a report in the *International Herald Tribune* of April 11, the U.S. Strategic Air Command (SAC) has announced that it plans to conduct "the largest simulated nuclear air maneuvers in its 33-year history" and that these maneuvers will be conducted later this year "without any prior notice." Two aspects of the maneuvers deserve special underlining: first, these maneuvers are explicitly gauged as training for a U.S. nuclear first strike against the Soviet Union; and second, for the first time, the United States' Western European NATO partners are being shut out of the proceedings.

The signals are unmistakable. The Carter Administration has opted for an early nuclear confrontation with the USSR—a confrontation slated to take place *before* the full impact of the "emergency" Schachtian austerity measures and militarization of the U.S. economy being imposed in the wake of the Harrisburg nuclear sabotage incident. To wait two or three years, from the standpoint of Anglo-American war planners, would mean facing the Warsaw Pact in the condition of a shattered, deindustrialized economy.

Moreover, the SAC maneuvers function to make concrete the threat delivered to the Federal Republic of Germany, one month ago at the Washington meeting of the International Monetary Fund. BRD Finance Minister Matthoefler was warned that any moves on the part of Western Europe to challenge the hegemony of the IMF by issuing credit through its new European Monetary System, would be considered a strategic security breach of the NATO alliance. The Europeans buckled under to the blackmail from Washing-

ton, postponed the crucial European Monetary Fund feature of their new system, began endorsing energy austerity for advanced and developing sector alike—and a series of long-simmering Third World hot spots flared.

The blackmail against Western Europe can be reduced to relatively simple terms. Cyrus Vance has pronounced the IMF's genocidal dictates of pick-and-shovel "technology" for the developing sector as official U.S. policy. And it is Cyrus Vance's State Department—notably the sections run by Deputy Secretary Warren Christopher—that has been busying itself telling Western European banking, government and political circles to keep away from Lyndon H. LaRouche, Jr., the distinguished American economist who originally framed the "triangular trade" and "high-technology industrial development" notions that formed the keystone of the EMS as a war-avoidance policy initiative by

France and West Germany. In effect, the U.S. government is telling the Europeans that the "LaRouche question" is a strategic war issue.

Indeed it is. Without the Europeans standing up now to the blackmail of the London-Washington-Peking-Jerusalem war axis and intervening in American politics on behalf of the *LaRouchian* EMS, there is little chance of preventing a thermonuclear World War III that NATO would lose.

As we go to press, the first major official endorsement for LaRouche's 1980 candidacy is reported from WGPR-TV President Dr. William V. Banks in Detroit. Dr. Banks's endorsement should encourage certain Western European leaders, who know that LaRouche is correct to make that knowledge public with the confidence that a substantial and growing portion of the sane U.S. population would respond appropriately.

The Week in Brief

The U.S. Strategic Air Command announced a "major nuclear exercise" to take place "without prior notice" under the code name "**Global Shield '79.**" "The exercise, designed to test SAC's ability to respond to a nuclear attack, calls for the launching of at least one unarmed Minuteman missile that will be sent about 5,000 miles down the Pacific from Vandenberg Air Force Base, California," reported the *International Herald Tribune* on April 12. "Unlike most major U.S. maneuvers, no for-

eign observers will be invited to view the exercise," the paper reported. "In addition, the Soviet Union is not being notified despite plans for SAC bombers to fly in its direction.

The maneuvers correspond with a major **reorganization of the U.S. military** reportedly aimed at ousting traditional flag officers and replacing them with Rand Corporation "whiz kids."

On April 12, the U.S. Air Force issued a release identifying the planned maneuvers as an "exercise

to test the ability of SAC forces" under "emergency war orders to support U.S. policy if deterrence fails."

The ugly realities of the **Camp David** pact have become manifest in Jordan. Throughout the week, the European press, notably France's *Le Monde* and West Germany's *Deutsche Zeitung*, have reported from Amman, Jordan, that advanced preparations have been made for the overthrow of King Hussein and the installation of a phony "Palestinian state" on the East Bank of the Jordan River.

Le Monde reports that the American and British embassies have gone so far as to prepare their respective citizens for evacuation in "case of emergency," which has led many leading Jordanians to suspect a "CIA conspiracy" against the King.

The *Zeitung* links these developments to a long-standing plan of Ariel Sharon, currently Israeli Agriculture Minister, to install "Palestinians" at the helm in Jordan to take the heat off Israel on the West Bank.

Hussein himself told the Lebanese press April 13 that there is "a plot" to depose him and make Jordan into a "Palestinian state." The King blamed the U.S. and Camp David, and demanded that the Soviets be brought into negotiations for a comprehensive regional peace.

"Is the United States Yet a Fascist State?" asks Lyndon H. LaRouche, chairman of the U.S. Labor Party and 1980 presidential candidate in a lengthy statement issued April 8. "No informed historian could raise a competent objection to the proposition that the institution of **PRM-32** on April 1, 1979 poses immediately and directly the question of whether the United States is currently undergoing a 'a legal coup d'etat' of the kind which placed Adolf Hitler into power in 1933."

The process by which leading sections of German industrialists were maneuvered into backing the **Hitlerian solution** is now repeating itself in

the United States, said LaRouche. But "it is worse today."

"Just as most U.S. industrialists and related interests were for nuclear energy development and high-technology exports **up to about the present moment**, so most German industrialists had chosen General von Schleicher and favored a reactivated "Rapallo" policy as a way of getting 1932 Germany out of the world depression....

"A similar process is occurring in America." LaRouche pinpointed **Pittsburgh**—center for U.S. Steel and the Mellon interests—as the leading equivalent of Germany's "smokes-tack barons." These forces, the presidential candidate stated, "are to our knowledge, currently leading the campaign for **Haig** and for fascist policies among industrialists and related strata."

There is still time to reverse the trend, concludes LaRouche.

Chinese Vice-Premier Deng Xiaoping told a visiting British delegation that the upcoming Vietnam-Chinese negotiations could "**drag on forever.**" Scheduled for Saturday, April 14, there has been no confirmation whether they will even occur. In fact, according to a TASS report, **Chinese** troops are **regrouping** and building fortifications near and "in the direction of Mong Cai, Lang Son and Lao Cai."

Deng made his prediction to a delegation of the **British-China Committee**, led by Malcolm MacDonald. He told MacDonald, the son of former Prime Minister Ramsey MacDonald and, like James Schlesinger, an accomplished bird watcher, that the Vietnamese are the "Cubans" of Asia and that **China "punished" Vietnam** "on behalf of the whole world."

It's not to be believed, but electrical utility executives gathered in Atlanta this week came away thinking that now Energy Secretary James **Schlesinger** "**is on our side.**"

Schlesinger did handle the belea-

gured executives with care. "The Three Mile incident is a warning," he said. "We must have safety and we must have nuclear power if we are to maintain our standard of living. Therefore, we must have **self-policing**, if it comes to that."

Calling for "structural changes" in the utility industry, the energy czar explained that "We must be sure they do not get pressured into **unnecessarily** investing in nuclear capacity."

Schlesinger put a **red light** on the **fast breeder** and said **nuclear reprocessing** won't be developed either. "These are **not cost-effective** until the price of uranium rises considerably," he claimed

But utility executives weren't reading between the lines. Said one, "He's changed."

Schlesinger is not viewed so sympathetically in Mexico, as El Nacional made clear this week. James Schlesinger, said the semi-official daily, is one of those in the United States "who wish to revive the '**Big Stick**' policy" and who see "oil as a resource that should be at the service of the powerful countries either at low cost or **through force.**"

Who wants higher oil prices? British Petroleum, that's who. BP Chairman **David Steele** "made it clear yesterday that BP would like **Saudi Arabia** to fall in line with other OPEC members by **imposing a surcharge** on all its crude oil production," reported London's Financial Times April 11. According to the Times account, Steele complained that "the present two-tier price system of the market is working to BP's disadvantage because it has **no access to cheap Saudi supplies**, which are largely concentrated in the hands of its major rivals, Exxon, Socal, Mobil and Texaco.... Sir David said these countries had a 'large and destabilizing advantage that will add to the confusion of the market' as long as the Saudis kept their prices below other producers."

The London bubble

More ominous than the mythical radioactive cloud over Three Mile Island, a financial bubble has emerged over London—and threatens even worse consequences for the U.S. economy.

Since the fall of the Callaghan Government in Britain two weeks ago, a scenario first published in American Express's *Amex Review* has been in effect in American financial markets. According to that scenario, restricted credit availability in the United States will make American credit users heavily dependent on capital imports from the London-centered Eurodollar market. A survey last week of both money-center and large regional banks conducted by *Executive Intelligence Review's* economics staff indicates that the banking system is heavily dependent, as a whole, on London- or Caribbean-funded lending.

Effectively, the banking system is operating on two tiers. The upper tier is characterized by free access to repatriated-dollar liquidity, whose abundance accounts for the two drops in New York commercial banks' broker loan rates during the past two weeks. However, the section of the banking system which does not have free access to Eurodollar liabilities—second-tier regional banks on down—is unable to meet existing credit demands. Apart from the qualitative views of bankers in several regions, it is not possible to quantify this capital movement. It is nonetheless clear that the Federal Reserve's restrictive policy has taken hold in rural America and other regions without direct access to money-center institutions, and has forced the remaining banking sectors into dependency on external funding sources.

The secular rise of the values of the dollar and the British pound on the foreign exchange market reflect one side of this set of capital movements. Since the London market—both the bubble in the London securities markets and the Eurodollar center (see *International Credit Markets*)—has gained at the expense of the so-called hard-currency markets in long-term securities, the two beneficiary currencies are rising. Last week's fall in the Japanese stock exchange was a

particularly dramatic example, because many investors converted yen-denomination equities directly into British gilts.

For the moment, the credit stance of the Bundesbank, indicated two weeks ago by the rise in the West German discount rate, has poisoned the credit well on the non-dollar Eurobond market. Because West Germany's external credit position was most heavily characterized by medium to long-term capital exports, the effect of the credit tightening has not been to draw short-term funds in, but to push long-term money out. A similar restriction of credit has also been mooted for Japan, although the Japanese Vice-Minister of Finance told the Parliament last week that no rise in the discount rate was anticipated.

Essentially, these are short-lived phenomena. Difficulties in the European and Japanese markets can only benefit the British and American markets for a brief period before the entire system gets into trouble. The Japanese case is the most glaring: Japan contributed \$11 billion in foreign lending in 1978, nothing during the first months of 1979, and will become a major Eurodollar short-term borrower again later this year if current parameters remain in force. The recent rise in oil prices—a major factor in European market destabilization—also throws the current-account deficit of the non-oil LDC's into the \$50 billion annual rate for 1979, against earlier estimates of \$35 billion. The United States will not be the only credit user to present additional major demands to the Eurodollar market. We have emphasized in recent coverage the underlying illiquidity of the American economy, especially considering the vast financial requirements of even present rates of "inventory-led" growth. The American banking system is already strongly dependent on repatriated funds, well before the Federal Reserve has tightened credit to the point that would satisfy the monetarists.

Contrary to surface impressions, the London bubble is a perverse effect of the *illiquidity* of the international dollar financial markets. Something will have to give. When the dollar first rallied at the beginning of April,

the cry went out on Wall Street, "Buy dollars! The recession is here!" But would a downturn in the American economy eliminate major liquidity demands in the entire sphere of dollar credit? Not necessarily. The effect on the rest of the world, including on the current-account positions of countries heavily dependent on exports to the United States, would likely outweigh the reduction of inventory-related lending stateside. It was not so long ago that Japan ran up a \$35 billion short-term borrowing tab to meet internal cash flow requirements in the corporate sector. The LDC's (See *Executive Intelligence Review* April 10-16) require major debt refinancing.

Particularly since the West Germans agreed to put off the birth of the European Monetary Fund until 1981 under Anglo-American pressure, the pattern of the world credit picture points towards major economic dislocations in many sectors at once. The results of this are entirely unpredictable. Lazard Freres is already advising investors to "write off the United States" and prepare for capital controls. "Smart" money is already banking on a new dollar crisis three to six months down the road.

This background puts into perspective the widespread predictions of a new ratchet-turn of credit restrictions in the United States. If Fed Chairman Miller takes seriously what the monetarists are recommending, the swing towards illiquidity will hit with shockwave force. Much more than the performance of the American economy in the medium term is at stake in this. Possibly this is why Economic Advisor Charles Schultze and Treasury Secretary Michael Blumenthal have invited every reporter with whom they are on speaking terms in for a "background briefing" on their support for a restrictive policy. The banks may have more trepidations about this route than they are advertising. If Miller sits on the monetary aggregates, the world banking system may be in for the type of crash the British financial press is fond of predicting.

—David Goldman

South Korea challenges the U.S.

South Korea's Commerce and Industry Minister Choi Gak-kyu livened up an otherwise businesslike luncheon of the U.S.-Korea Economic Council this week with a challenge to the United States to stem the growing tide of world protectionism with a concerted effort to industrialize the developing countries.

"A more fundamental solution to idle capacity and unemployment in advanced countries would be to create the demand for capital goods and advanced technology abroad," the minister said. "Such demand, as is well evidenced by the Korean experience, can best be created in the process of industrialization in developing countries." Choi added that Korea and the United States could enter into a new era of economic cooperation by jointly sponsoring industrialization projects in the developing countries.

Minister Choi is in the United States as the leader of a high-powered purchasing mission, comprising some of Korea's leading businessmen. The mission was dispatched under pressure from the Carter Administration, which is seeking to reverse Korea's trade surplus with the United States of the last three years (after some 20 consecutive years of deficits with the United States). The U.S. has been imposing a combination of import barriers and special measures, such as government-backed bilateral trade measures. It is expected that more than \$1 billion worth of high-technology products will be purchased by the Korean mission during its two-week tour in the United States.

In his speech on April 8, Minister Choi reviewed in detail his country's efforts to maintain its remarkably high rates of growth in the coming years, and explained the enormous opportunities that exist for American companies to export to Korea. He warned, however, that protectionism—"one of the most alarming international developments in recent years"—is "gaining a foothold in the United States," a development that can only exacerbate the problems in the world economy. "Protectionism accorded to a particular sector of an economy not only penalizes the consumer who has to pay high prices for inferior, protected products, but by suppressing import demand abroad for high technology goods, reduces the export potential of efficient sectors as well," the minister said. And, in a not-too-veiled warning, he added, "It also risks producing reciprocal protectionist measures."

"Whatever the political and economic justification for the practice of protectionism, it has a most discouraging effect on the developing countries which hope to industrialize their economies and improve their standards of living," Choi said.

Credit squeeze plus inventory pileup equals disaster

Treasury Secretary Michael Blumenthal told the sixth annual International Trade Conference in Dallas April 11 that the United States cannot delay implementing "anti-inflationary measures" which will shut off U.S. economic activity. "We must take the risks entailed by austere policies which run the risk of recession," stated Blumenthal. Blumenthal's speech was anticipated by a number of bank economic newsletters which predict Federal Reserve tightening of the federal funds rate by a quarter percent at the April 17 Federal Open Market Committee meeting.

While spokesmen led by Blumenthal are willing to openly call for a recession, few have thought through the effect such tightening will have in combination with Energy Secretary Schlesinger's low-energy policies and Alfred Kahn's attempt to hold down wages and prices.

The U.S. economy is currently characterized by the problem of a huge inventory build-up, especially at the goods-in-process level of production. The amount of final sales or consumer spending—when corrected for inflation—is not enough to take finished goods off the hands of industry.

In January, total business stocks (inventory) rose by the extraordinarily large amount of \$5.4 billion. In February, the amount of stocks rose \$2.6 billion, bringing the two-month increase, after adjusting for inflation, to 7 percent. What is of great importance is that inventories of goods-in-process account for 33.8

percent of producers' stocks—the highest level in four years. Stocks of materials and supplies account for only 34.2 percent of manufacturer's inventories.

At the same time, final sales, while rising a moderate 1 percent in March, fell in January and February, making the first quarter level of sales completely flat. Real consumer spending for the first quarter is also flat. This means corporations are being forced to swallow each other's goods without sufficient final sales outlets.

In this context, the increase of energy costs through U.S. oil price decontrol, the rise in oil import costs, and the constriction of the U.S. nuclear industry, means that industry and labor will be hit with huge surtaxes. Alfred Kahn's clamp on wages and prices will prevent industry from passing on or labor from recouping this drain through higher incomes.

With a rising CPI of 14.4 percent since November, this already spells production cuts and vast inventory liquidation. But higher interest rates, as prescribed by Blumenthal, will turn "recession" into an utter rout.

How can corporations accept this situation? Moreover, with the pile-up of inventories, how could corporations be led to place new manufacturers orders at such a hefty pace? New orders have jumped by \$15 billion in the first two months this year to the level of \$256 billion.

The answer is not simply a rush to beat inflation. A series of short-

term bribes is being offered to the business community, prompting the build-up of goods. This alternative, under the code term of the "Haig alternative," includes the promise of austerity, increased military contracts as part of a turn toward a war economy, and the promise of various energy boondoggles. The bribes are typified by the inducements made to U.S. Steel to accept Schlesinger's energy program. The emphasis on coal and solar appears as a promise of more orders for structural steel to build coal gassification plants and steel rails for greater rail capacity to transport coal.

Both history—notably the history of Schacht's broken-down Nazi war economy—and economics demonstrate that the Haig alternative doesn't have a ghost of a chance of working. Energy cuts, combined with high interest rates, mean lowering the energy-intensity and general productivity of U.S. industry. This in turn wipes out the level of energy needed, for example, to produce more steel; by ratchets, the entire economy breaks down.

—Richard Freeman

INTERNATIONAL CREDIT MARKETS

Screws turned on bonds and Euroloans

From Frankfurt to Zurich to Tokyo, the upward spiral in inflation and interest rates set in motion by the recent hike in world oil prices has upset bond markets in nearly every major foreign money center in recent weeks, except that of London.

Last week was Tokyo's turn in the barrel as rumors intensified that the Bank of Japan was about to hike

the discount rate—presently at 3.5 percent—by half a percentage point or more. Japanese ten-year government bonds priced originally at 99 $\frac{1}{2}$ fell to below 90 in secondary market trading, the worst performance in postwar history. Foreign yen issues, known as “Samurai bonds,” were also badly battered: dealers were unable to place new bonds is-

sued by the Danish and Austrian governments despite discounts of as much as three percentage points.

There appears to be some resistance to credit tightening among Japanese business and Liberal Democratic Party leaders. A Vice Governor of the Bank of Japan, for example, told the Finance Committee of the Japanese Parliament that the BOJ does not intend to raise the discount rate. Nevertheless, the markets are reacting as if the rate hike is a foregone conclusion. And, according to the West German financial daily *Handelsblatt*, the Bank of Japan has already moved to restrict long-term commercial and industrial lending by Japanese banks.

Similarly, the Bank of Italy announced on April 9 that it has decided not to ease any further the mandatory lending ceilings for Italian commercial banks.

This comes just at the point when Italy's depressed economy is show-

BANKING

Behind the banking shakeup in West Germany

International financial newspapers commented widely this week on the proposal issued by West German Economics Minister Count Lambsdorff that his country's banks should be made to “limit” their shareholdings in domestic corporations to 15 percent of total company liquidity.

Lambsdorff made the proposal during the National Banking Conference, a late-March event whose proceedings are still being debated by financial circles worldwide.

In an exclusive story last week,

this publication revealed that Lambsdorff's proposal is part of a “package deal” put together by Lazard Freres International, to persuade its West German colleagues to withdraw their support for the newly founded European Monetary System. The package calls for West German banks to concentrate investments in North and South American labor-intensive raw materials “development” schemes, with funds scraped together through liquidation of their holdings in West Ger-

man industry.

On April 9, the London *Financial Times* discussed Lambsdorff's proposal and stated bluntly: “West Germany's universal banking system (i.e., the arrangement which allows banks to conduct both commercial and investment banking—ed.) differs radically from the Anglo-Saxon concept of things.”

The Lazard group wants to impose an “Anglo-Saxon” banking apparatus on West Germany—not the least in order to reverse the Schmidt government's efforts at nuclear generator exportation, and active East-West entente.

The Lazard banking clique is largely based in Frankfurt. There Lazard's International has a partial subsidiary, the Dausbank, which it controls with Westdeutsche Landesbank (WdL), the largest regional, “semi-government”-owned bank. Also based in Frankfurt is Walter Hesselbach, former head of the trade union-owned Bank für Gemeinwirtschaft (BfG), and a leading figure in

ing signs of revival (the volume of industrial output in February rose 8.2 percent from the year-ago level). The new credit ceilings announced by the central bank will permit individual banks to increase their lending by a maximum of 5.2 percent between now and Sept. 30. Bankers had previously expected that the limit would be raised to 7.5 percent or even 9.

Euromarket squeeze?

Tightening credit conditions in the advanced-sector countries of the U.S., Western Europe and Japan point to the possibility of a sudden squeeze in the important medium-term Eurocurrency lending markets later this year. Although the Euro-dollar market still appears flush with liquidity, a Herstatt-style international banking crunch is one possible option which might be activated by London as part of its "Crash of '79" option.

New York investment bankers tend to dismiss the immediate likelihood of such a crisis. According to these sources, OPEC's financial surplus, swollen by this year's price run-up, will be placed with U.S. and British banks, as in 1973-74, and then recycled to cover the increased borrowing needs of non-oil producing developing countries as well as the advanced sector countries. Nevertheless, these sources say, there will be a "secular tightening" of overall credit supplies and very few funds will be supplied to the developing sector beyond what is required to roll over existing debt.

Brazil is a case in point. The country's foreign debt now totals \$42 billion, the largest of any developing-sector country; 60 percent of its annual export earnings must be used to pay debt service. Although the central bank presently has a \$12 billion cushion of foreign exchange reserves, the government has been

pressured by its foreign bank creditors into enacting severe new austerity measures. These include limits on the amount of new foreign debt which can be taken on by the Brazilian public-sector companies—which are being undermined in favor of "free enterprise"—and increased emphasis on agricultural production at the expense of industry.

The cost of rice rose 110 percent in Brazil during the month of March alone. According to the April 10 *Financial Times*, "the government intends to announce a drastic package of anti-inflation measures before Easter and is reported to have deliberately delayed the announcement until the holiday to give the Brazilian public time to meditate at length on the belt tightening that will follow."

—Alice Roth

international Zionist organizations. Along with S.G. Warburg, these private Frankfurt banks are committed to weakening the financial and political stature of the "big three" commercial banks, the Deutsche, Dresdner, and Commerzbank. The private Frankfurt banks have a powerful ally in the WdL, the regional bank of the Ruhr. During 1978, WdL overtook Commerzbank in deposits and loans, becoming the country's third largest bank.

Two years ago, WdL's chairman Ludwig Poullain was driven to resign over a real estate scandal. His replacement, Walter Seipp, had been representing WdL on the board of Kredietbank, Belgium's leading Flemish bank, where he developed a reputation for arranging international business deals. Seipp is a key figure in the Lazard scheme, due to his association with Kredietbank director Robert Triffin, an economist commissioned by the Belgian and British royal families. Notable for promoting schemes for a European

"regional currency bloc" over the past 35 years, Triffin hopes to capture the new European Monetary System as an International Monetary Fund partner for this purpose.

Triffin has also persistently advised that the strength of West German banking should not lie with the "big three" commercial banks, but rather with the regional and cooperative banks, led by WdL. To support this argument, Triffin has pointed out that the combined assets of the regional and smaller banks outstrip the "big three" banks of industry by more than 200 percent.

Three new European-American financial deals announced this week add to the evidence that the investment offers now being made to West German and other European banks are strictly aimed at bolstering London's "buy American cheap" scheme.

Baring Brothers, Robert Fleming of London, and Paluel-Marmont of Paris, all investment banks, took major participations in U.S. pension

management corporations this week. Pension funds, like insurance companies, are prime targets for investment, as far as London is concerned, because they hold rapidly deployable funds, easily manipulated to rig financial markets. Reports are that French and West German firms are picking up on this idea in the hope of dumping European securities, which have weakened since the oil scare, on the U.S. market.

—Renée Sigerson

FOREIGN EXCHANGE

At issue are dollar-fundamentals

The currency markets during the week of April 4-11 were characterized by further dollar strength—or to put it more accurately, by a weakening of the deutschemark to the 1.89-1.90 to the dollar level, and by a late profit-taking spurt in sterling sales.

U.S. business is being told by the *New York Times* and *Business Week*

that the dollar is strong because high U.S. interest rates are attracting an inflow into dollar holdings, and because Europe and Japan are more vulnerable than America to external oil-supply cutoffs and price-gouging. Then these commentators turn around and advise serenity in the face of the U.S. Energy Department's imposition of the same supply

cuts and price hikes domestically—this won't hurt the economy, they say, because of the strong dollar! The idea is that this strong dollar will combat inflation, at the same time that it happens to be weak enough on the J-curve to help the trade balance—so there is little to worry about so long as interest rates continue to be screwed tight.

Insofar as these bromides have any coherence, their intent is to prepare the audience for an autarkic U.S. economy in a world where currency markets as such will be superseded by controls, trade war, and raw materials-based blocs. A Lazard Freres spokesman April 11 privately dismissed all the financial press fluff: the dollar stabilization, he said, is "strictly temporary," the U.S.—except for a few regions like Texas—is "finished," and America will go back to interest equalization taxes, along with severe exchange controls.

BRITAIN

Tory manifesto: industrial fire sale

"For Sale—At a Loss" ... "Everything Must Go." These are the signs which shopkeeper's daughter Margaret Thatcher plans to hang around the neck of Britain's state-owned industry when, as seems probable, she becomes Britain's Prime Minister next month.

According to advance leaks of the Conservative Party's Election Manifesto, the Tories are planning to raise immediate cash by selling off the government's shares in British Airways, British Gas, British Shipbuilders and other public enterprises.

The Tories also plan to denationalize the British National Oil Company, which by law holds a 51 percent stake in North Sea oil fields. And the Manifesto specifies a curb on the powers of the National Enterprise Board to use state funds to bail out high-technology firms in financial trouble.

The Tory strategy is geared toward reducing public expenditure wherever possible. Sir Keith Joseph, Thatcher's economic coach, is a member of British intelligence's Mont Pelerin Society, which espouses "free enterprise" as an alternative

to growth-oriented dirigist policies. Joseph stated April 11: "When the IMF insisted on (UK budget) cuts of £4 billion, unemployment fell for a whole year. This is the ultimate proof...."

Since there is no way to save British industry without shutting down the gambling casino otherwise known as the City of London, the Tories have decided to concentrate on building up London as a major world financial center. The March 31 London *Financial Times* announcement that an incoming Conservative government would "abolish exchange controls" is part of this strategy. The removal of exchange controls, which place premium on the cost of dollars for use in overseas investment, would not only enable British banks to finance sweeping new purchases of U.S. banking and industrial assets; it would also mean that investments held abroad by British corporations could be shifted back into immediate liquidity for British banks.

TRADE

U.S. electronics want CoCom beef-up

Prominent West Germans have said more or less the same thing at the same time, signaling the danger that the new European Monetary System will be captured by London-centered strategists who, since its creation last summer, have worked to turn it into an antidollar, austerity-committed bloc if they could not halt it altogether. Robert Dhom, head of the Commerzbank, announced in an April 9 speech that he expects a new dollar collapse by year's end, since "the fundamentals have not changed"; Wilfried Guth, his counterpart at the Deutsche Bank, stated the next day that the way to keep the mark-franc parity stable, and thus ensure the EMS's success, is French Premier Raymond Barre's economic blend of income austerity and free-market clamps on the economy.

—Susan Johnson

London is to act as the clearing house for petrodollar recycling and for international speculative investment. The European Monetary System—which was designed to harness the Arab financial surpluses for high-technology development in the Third World—must be neutralized or turned into a vehicle of London, if this strategy is to be carried out.

Already the British have dropped the pretense of making the pound an unofficial member of the EMS currency band, as Chancellor of the Exchequer Denis Healey had promised earlier. In the second week of April, the pound smashed straight through its theoretical EMS ceiling, forcing the Irish "punt" to decouple from Sterling. Yet, the London *Economist* has advised Thatcher, should she become Prime Minister, to "make Britain a full member of the EMS instead of hovering awkwardly on the sidelines."

—Marla Minnicino

The U.S. electronics industry, manipulated from within and panicked by its lack of venture-capital resources, is proposing NATO control over OECD countries' export policies, under cover of reforming the Export Administration Act. The specific reform, proposed by Peter McCloskey, president of the Electronic Industries Association, would turn the Free World Coordinating Committee (CoCom) into a treaty organization, binding U.S. allies to greater restrictions on sales of agreed upon "strategic materials" to the East bloc and Third World, while—as a concession—loosening the grip of National Security Council and Defense Department oversight on such exports from the U.S. and giving nominal jurisdiction to Commerce.

At present CoCom has no binding provisions on its members, which include all NATO countries plus Japan and France, while the U.S. Department of Defense and NSA have regularly employed even stricter criteria to deny export licenses to firms selling to the East bloc.

Industry representatives say that such government intervention into OECD nations' export policies is necessary because the U.S. has lost its competitive edge on high technology vis-à-vis its own allies. The EIA's statement before the subcommittee of the Senate Banking Committee bluntly asserts that U.S. government intervention in licensing procedures, such as NSA's stopping of the sale of a Univac computer to the Soviet press agency TASS "can no longer significantly retard the military capabilities of countries which threaten the national security of the U.S. unless such export controls are imposed in cooperation with such friendly countries."

In the same hearings, the AFL-CIO's Rudolf Oswald echoed the habitual anti-technology transfer formula of Texas Instruments chairman J. Fred Bucy. Oswald maintained that "some exports weaken the U.S. industrial base. The law ... should protect the domestic economy from the excessive drain of scarce materials and ... reduce the serious inflationary impact of foreign demand. ..." A softer line for trade war against the Soviet Union and the Third World, under cover of expanding U.S. exports, came out of industry press shortly after National Security Advisor Brzezinski personally stopped the Univac-TASS sale. At the time it was loudly claimed that increasing exports to the East bloc would create dependence on U.S. technology which could later be withheld for a hypothetical Soviet infraction of "human rights."

The USSR has made it clear that it does not need to sit still for any of these strategies. While the U.S. government has just cleared the scaled-down Univac sale to TASS, the Soviets have chosen a French consortium, Thomson-CFS, to install a computer system that includes full switching and communications facilities. A spokesman for the Thomson-CSF consortium emphasized that should CoCom attempt to intervene, any U.S. components in the system "can be replaced." Thomson-CFS's Paul Worb explained that the Franco-Soviet computer agreement was expected to increase exchange of technical knowledge in developing both nations' information processing abilities. He added, "all of us wanted the contract to serve as a prelude to the signature of the agreement during (French President) Giscard's visit (to the Soviet Union on April 26.)"

—Katherine Ransohoff

GOLD

Bullion price finally dips

The first significant break in the gold price in weeks occurred on April 11, when the spot market price fell from \$239.10 at the London morning fixing to \$232.50 in late New York trading the same day. The turning point appears to have been Treasury Secretary Michael Blumenthal's statement in Dallas the day before that the U.S. must be prepared to "risk recession" to fight inflation, amidst growing expectations that the Federal Reserve is about to tighten credit

another notch. Higher interest rates in the dollar sector increase the "opportunity cost" of investment in gold; that is, the price of gold must rise more sharply if the investor is to receive returns comparable to what he would otherwise have earned by investing in high-yielding dollar-denominated securities. The dollar's rally on world currency markets has also reduced the large volume of funds previously flowing into gold out of sheer panic and uncertainty.

An April 11 *Wall Street Journal* feature on gold, citing several analysts who believe gold could soon slip back to \$200 or below, has also contributed to the bearish atmosphere. These forecasts should be taken with a grain of salt, however, for the following reasons: 1) Political destabilizations and U.S. brinkmanship toward the USSR could again have the side effect of sending the gold price skyward. 2) British and other outlets are already talking about another bout of dollar weakness (see Foreign Exchange), noting acerbically that none of the "fundamentals" in the U.S. economy have changed. Carter's oil price deregulation program will further compound the danger of runaway inflation in the U.S.

A U.S. credit crunch might cause the gold price to fall back temporarily, especially since industrial demand for the metal tends to be lower in the spring and summer months and the market may have greater

CORPORATE STRATEGY

After Harrisburg: utilities pressed to lie low

Utility, construction and oil companies are being told by dubious friends in government, foundations, and business to adopt a near-invisible profile until the crisis around the Three Mile Island nuclear plant malfunction blows over.

What is being recommended has less to do with building nuclear power plants than most utilities presently understand. Lying low right now means the executive branch reorganization involving the Federal Emergency Management Agency

(FEMA) goes into effect unopposed.

FEMA, which went into action around the Harrisburg shutdown March 27 ("jumping the gun," according to acting director Gordon Vickery), is a disaster management team under the National Security Council that in the event of "emergency" is empowered to bypass federal and state constitutional and legal structures, and rule by decree.

A classic routine is being used to keep U.S. corporations, especially the hard-hit utilities, in line. The soft

end is the earnest advice given by Energy Secretary Schlesinger and Secretary of State Vance to stay out of sight for a while and make no response to the Three Mile Island sabotage lest the public think the power companies are seeking alibis.

Parallel advice was given by the British intelligence front, the Heritage Foundation which held a special conference on the future of nuclear energy in Washington Feb. 2, and agreed to set up a national steering committee to promote nuclear energy. The steering committee met once, two weeks before Harrisburg, and was disbanded. According to Milton Copulos of the Heritage Foundation, "It would just set up another bureaucratic layer" while what was needed was a "mandate from the grassroots." At least one senior executive at Allied Chemical, which has nuclear holdings as well as direct ties to an Israeli intelligence front called the Nuclear Club of Wall Street, has put out the word that "rational elements" will prevail in

COMMODITIES

Bonn raw materials compromise

difficulty absorbing the increased U.S. Treasury and International Monetary Fund bullion sales. Nevertheless, with the establishment of the European Monetary System, European central banks will probably curb a drastic price fall. According to Jeffrey Nichols, chief economist for Argus research, "Central banks have too much of an interest in sustaining gold's price. If the price goes too low, the banks will intervene." Furthermore, both British and Swiss sources report that the Soviets are reducing their sales until the price improves.

—Alice Roth

The West German government announced a raw materials policy the week of April 9 which was the upshot of a stalemated fight. Chancellor Schmidt's allies in the Economics Ministry—who under Hans Matthöfer had spearheaded earlier German efforts to turn the European Community's Lomé trade agreements with the underdeveloped nations into some sort of transfer-of-technology alternative to UNCTAD's "Common Fund"—clashed with Finance Minister Otto Graf von Lambsdorff, who demanded that private raw materials speculation be underwritten through tax breaks.

The compromise provides government authorization for corporations to use the discounting facilities of the Bank for Reconstruction (Kreditinstitut für Wiederaufbau) on an expanded scale to acquire raw materials and bolster their inventories. Traditionally, the notion has been touted in West Germany that the government should not get too deeply involved in Third World economic development, but leave it to industry, and industry was happy not to get dragged into various Common Fund or International Resource Bank schemes.

industry and Washington, so "wait till the facts are in."

Westinghouse Electric Company, which issued a statement on March 29, the day after Harrisburg, on the sufficiency of nuclear safety features, changed its tune 24 hours later, claiming no connection to Three Mile Island and refusing comment on any other matter. Meanwhile, Paul D. Bordwell of Argus Research in New York and Donald Reid of Dominion Securities, Toronto, told the Canadian press that Westinghouse is in trouble because of Harrisburg and its failures to meet its uranium supply contracts, and that depreciated Westinghouse stocks should become a good buy in the future.

According to a preliminary survey by the Fusion Energy Foundation (FEF), a nonprofit organization which is a leading promoter of nuclear power, some corporate leaders know nothing about FEMA and the crisis management reorganization, and don't want to know. A spokes-

man for the Atomic Industrial Forum expressed surprise that he had not been told about the creation of FEMA, especially since FEMA had to be working directly with the Nuclear Regulatory Commission, with whom the AIF collaborates.

According to an FEF staff member, officials of San Diego Gas and Electric, Alabama Power and Light, and Santa Fe Oil were extremely interested in the data assembled by the Foundation on the hows and whys of the Harrisburg sabotage, but told the Foundation that it was corporate policy not to learn anything further from the FEF.

This publication has learned that at a recent New York cocktail party attended by top oil men and East Coast bankers, the FEF was slandered as "receiving funds from the CIA" and "occasionally using a Communist cover to hide the source of funds," as a warning to management not to go anywhere near the Harrisburg story.

Utilities in the South and Midwest however, have evinced a strong "go get 'em" spirit which may result in a media campaign to inform the American public. This means taking on the Carter Administration, important financial interests close to the power industry, and at least one utility engineering firm which is reported to have consciously underdesigned parts of power plants, making them unsafe.

Given the growing belief among Americans that sabotage was involved at Harrisburg—even if the motives are still unclear to them—and the recent Gallup Poll which found, two weeks after Harrisburg, that 63 percent of Americans insist that nuclear power is necessary to the nation's future, corporations have both an obligation and a broad mandate to tell the truth.

—Leif Johnson

The IMF way to World War III

No technology for the Third World, says Secretary of State Vance

At a recent NATO symposium, General Alexander Haig and NATO Secretary-General Joseph Luns echoed each other—and the Royal Institute for International Affairs—by advocating that the military power of the Atlantic Alliance be projected into the so-called Third World.

This scheme, long advocated by Haig even though it is technically a violation of the NATO mandate, is not primarily aimed at confronting Soviet power and influence. Its chief objective is the ruthless enforcing of strict austerity regimes throughout the developing sector in conjunction with the conditional credit approach of the International Monetary Fund.

In effect, NATO—in Haig's vision—will be the debt collection agency of the IMF.

Such a course can only lead to a thermonuclear showdown with the Soviet Union that will leave North America a smoking rubble heap. For to enforce the type of austerity policy required to maintain the solvency of the IMF and the City of London must necessarily require the establishment of harsh, Chile-style dictatorships throughout Africa, Latin America, and Asia.

But—as pointed out in *The Danger of General War*, written in 1976 by U.S. Labor Party Chairman Lyndon H. LaRouche—such a policy, even before it is fully implemented, will represent an intolerable strategic provocation to the Soviet command.

In the following pages we review some of the strategic areas in which the London-NATO leadership has already begun to put into effect the strategy for “appropriate technology” and World Bank-style “rural development.” Most graphic is the case of Africa, where entire regions of that continent are being reduced to locust-infested, drought-stricken hells, inhabited only by marauding bands of tribal warlords and mercenary armies. The destruction of the immense industrial potential of the Indian subcontinent and Iran is also a case in point.

Equally exemplary is the sustained economic holocaust that has swept through South America's “south-

ern cone” of Brazil, Argentina, and Chile, covered in this issue's ECONOMIC SURVEY.

In a recent speech, Secretary of State Cyrus Vance explicitly endorsed the IMF perspective for the developing sector. Said Vance on March 30, “The developing sector must realize that making demands which the industrial nations cannot meet will produce international acrimony, not progress.” He warned the Third World against “endless debates on sterile texts”—an unobvious reference to calls in the Third World and in the West alike for a “new international economic order.” Major excerpts of the Vance speech appear below.

Reading the map

A quick glance across the map reveals the Haig strategy for IMF control in the Third World.

Perhaps the best example is the proposal, which has been floated from time to time in NATO circles in recent years, for the establishment of a South Atlantic Treaty Organization. This organization is meant to link South Africa, Brazil, and Argentina in an alliance with NATO. Its purpose is to provide the framework in which African states like Zaire, Zambia, Nigeria, and so forth can be brought firmly under the control of the IMF. By institutionalizing the leverage for NATO intervention in Africa, Haig is seeking to have a ready-made apparatus to breaking the resistance of key African political forces presently committed to the development perspective of the anti-IMF European Monetary System.

The SATO proposal is one of many. Recently, the Egyptian-Israeli treaty has created the basis for yet another regional bloc, the proposed Middle East Treaty Organization. Under this proposal, strongly backed by Haig and the Zionist lobby, Egypt would be assigned a role as policeman for North and East Africa—from Libya through Chad, Sudan, and Ethiopia into Uganda and Zaire—while Israeli intelligence would step up its activities throughout the continent of Africa.

Then, crucial to the METO bloc, such countries as

Turkey, Jordan, and the Arabian Gulf states would be compelled to join the alliance. Turkey, for instance, in the midst of a bitter battle with the IMF, is slated for destabilization by the NATO apparatus preparatory to a military coup that would entrench the pro-NATO faction in Ankara.

Further along the arc of crisis—Brzezinski's term for the Islamic region and the Indian subcontinent—Iran, Pakistan, Afghanistan, and India have already been severely destabilized and their economic crises pushed to the brink of catastrophe. The scene in Iran—where millions have been thrown out of work and the fanatic government of Ayatollah Khomeini, and his mobs are intent on destroying industry and depopulating Iran's cities in a "ruralization" program—is being held up as the future for the Indian subcontinent as well. The murder of Pakistan's Prime Minister Bhutto has already begun to trigger the "Iran treatment" there.

Antinuclear conspiracy

The key to the implementation of the NATO-IMF strategy for the developing sector is the destruction of the option for nuclear-power development in those areas. Although several countries in the Third World have highly ambitious programs for the development of nuclear energy, including research facilities and reprocessing centers, the Carter Administration, almost from its first day of office in 1977, has worked tirelessly against nuclear power for the developing world.

Now, several events have combined to hit hard at the plans of the Third World.

First, the sabotage of the Harrisburg Three Mile Island reactor last week has touched off a predictable campaign by the foes of nuclear power, including the environmentalist extremists and zero-growthers. In addition, the terrorist bombing of a French nuclear fabrication plant by Israeli intelligence commandos—a factory where a French company was constructing two nuclear power stations for Iraq—has raised in Europe a similar antinuclear campaign.

Meanwhile, the ostentatious cancellation of U.S. aid to Pakistan because of that country's possession of a nuclear device will be used everywhere as reason not to allow Third World countries access to nuclear technology—even though, according to intelligence sources, the Pakistanis acquired their atomic weapons capability as a gift from the British!

And Iran's nuclear program—by far the most advanced of any Third World country—has fallen apart in the wake of the Khomeini revolution.

—Robert Dreyfuss

Vance: the IMF's policy must prevail

On March 30, Secretary of State Cyrus Vance delivered a major policy speech to the Northwest Regional Conference on the Emerging International Order in Seattle, Wa. Titled "America's Commitment to Third World Development," Vance's speech gave carte blanche to the International Monetary Fund to endorse its policies of austerity throughout the developing sector. Excerpts from Secretary Vance's speech follow.

Ellipses in parenthesis denoted material that has been deleted by Executive Intelligence Review; other ellipses are as in Secretary Vance's text. Large subheads are added by EIR.

These past weeks have been a time to deal with immediate diplomatic issues of extraordinary importance to our nation. Today, I want to speak about an issue that may seem less immediate, but is no less important: our approach to the economic future of the developing nations.

Before turning to our strategy towards the "North-South dialogue" between the industrial and developing nations, let me first talk a moment about why the development of Third World countries matters to us.

Its human dimension is clear.

Our humanitarian commitment is reinforced by the recognition that it also serves our national self-interest to assist the process of equitable growth within the developing nations. We need to help shape an international economic system which will support and stimulate that growth. (...)

These countries of the Third World are increasingly involved in our daily lives.

We know how oil from these countries affect us.

As a nation, we also get more than 50 percent of the tin, rubber and manganese we need from less-developed countries, and substantial amounts of our tungsten and cobalt. We now export more to the developing countries, including OPEC, than to the Common Market, Japan, and the Communist countries combined. For example, almost one-half of our commercial aircraft sales abroad are to developing nations.(...)

Most countries of the Third World have too little food ... and rapidly growing populations.

We face the prospect of a population increase in the final quarter of this century which will equal the entire growth of world population from the birth of Christ to 1950. Roughly 90 percent of this increase will be in developing countries. And perhaps more troubling, this

growth seems certain to be greatest in already hard-pressed urban centers.(...)

Four tenets of U.S. policy

Our approach to development in the Third World is based on four fundamental tenets:

First, we are committed to supporting strong and equitable growth in the developing nations, as a matter of our national interest as well as our national ideals. And we recognize that at times this requires facilitating adjustment in our own economy in ways which will support economic growth in the Third World.

Second, we are committed to improving the international system in ways which will be mutually beneficial to all, which respond to the particular needs of the developing nations, and which accord them an appropriate voice in decisions that affect them.

Third, despite the economic pressures we and other industrial nations now face, the United States remains committed to increasing transfers of resources from the richer to the poorer nations.

Let me emphasize, however, a *fourth* point. As we cooperate with developing nations in seeking useful changes in the international system, and as we consider the level and nature of our resource flows, we must be clear about our priorities. Alterations in the international system, and resource transfers among nations, are not ends in themselves. They are a means to the compelling goal of development within nations.

Soviets rebut U.S. Third World policy

In the days following Secretary of State Cyrus Vance's Seattle address on U.S. Third World policy, the Soviet Union issued a series of warnings: the "appropriate technologies" approach to the developing nations that Vance outlined as official U.S. policy is a matter of war.

Radio Moscow charged on April 3 that Vance's claim to a "new approach" toward the developing countries is "sheer propaganda" for the credulous. Vance's expressed policy outlines a role for the U.S. as a member of a "Club of Strongs," to subjugate these nations as raw materials suppliers forced to pay more and more for manufactured goods they cannot produce. It also targets their energy supplies

The tenor of the Soviet charges are contained in the following report filed by Vitaliy Gan, the Washington correspondent for the Soviet news agency TASS, titled "Vance Reveals Aims of U.S. Policy toward Third World."

The United States intends to invigorate sharply political and economic-financial penetration of the developing countries with the aim of ensuring the latter's position as raw material appendages and champions of Western interests. This is the meaning of the speech by U.S. Secretary of State Cyrus Vance at a conference in the city of Seattle (Washington State). He acknowledged that the attitude of the United States to the development of the Third World states is based on its own economic interests. We receive from the developing countries, he said, more than 50 percent of tin, rubber, and magnesium, considerable quantities of tungsten and cobalt. These countries account for 45 percent of oil consumed in the United States.

The developing countries are an important commodity market for the USA. Cyrus Vance pointed out that at present the United States exports more products there than to the Common Market states, Japan, and

We cannot spend so much time and energy on our international discussions of the roadmap that we lose sight of our destination. The destination—the goal we share—is to find practical ways to have an appreciable impact on the lives of people around the world, and especially on the lives of those for whom daily survival is an unanswered question. (...)

We face an unusually large number of important international conferences in the coming eighteen months. These meetings provide an extraordinary opportunity for progress on issues of importance to developing nations—and us all.

As we prepare for them, we must first recognize the progress that already has been made.

Last week in Geneva, for example, agreement was reached on most of the basic elements of a Common Fund to help finance international buffer stocks and other commodity development measures. (...)

— Resources available through the International Monetary Fund for financing balance of payments difficulties have been substantially increased—through liberalization of the IMF Compensatory Financing Facility; through the fourth IMF quota increase; and through the establishment of new IMF facilities including the Trust Fund and the \$10 billion Witteveen facility.

— Consuming countries have agreed to the concept of shared responsibility with producing countries for financing buffer stocks to stabilize prices in commodity markets. Agreements for coffee and tin were renegotiated;

a new agreement for sugar has been reached; and negotiations on rubber and a new cocoa agreement are under way. Such agreements can have important anti-inflationary benefits for our own economy. (...)

— The President is proposing the creation of an International Development Cooperation Administration which would consolidate or improve coordination among our bilateral and multilateral development assistance programs.

Period of austerity

In a period of fiscal austerity, there is a danger, which we must frankly address, that negotiations between North and South could return to the rancor of earlier years. This will happen if each nation becomes so concerned with its own problems that it forgets the essential reality of an interdependent age: that each nation can surmount its own difficulties only if it understands and helps resolve the difficulties of others as well.

The industrial nations must maintain their commitment to the well-being of the developing nations. The developing nations must recognize that making demands which the industrial nations cannot meet will only produce international acrimony, not progress. And the oil producing nations must recognize their special responsibilities for the health of the global economy, and their fundamental stake in its continued vitality.

the socialist countries combined. They account for two-thirds of the total U.S. exports, which total \$42 billion. The Secretary of State laid special emphasis on “aid” to the young states in the development of power resources. He outlined a program of American “initiatives” in this field, which is actually called upon to place under U.S. control prospecting, development, and extraction of oil and other fuel in the developing states. In his words, the U.S. International Development Agency requested \$42 million for the fiscal year of 1980 for the introduction of American technology in the power industry of the developing states. The U.S.-controlled International Bank for Reconstruction and Development has appropriated nearly \$10 billion to finance various energy programs in those countries.

Washington attaches political strings to its disinterested aid. Thus, the Secretary of State openly warned the developing countries that making demands which the industrialized states cannot meet, will lead to international conflicts rather than progress. He implied by these unacceptable demands a mounting movement for the establishment of a more just international economic order that would be based on the principles

of equality, noninterference in the affairs of the others, and respect for national sovereignty.

Cyrus Vance claimed that there are no grounds for such demands by young states since, as he put it, distinctions between the industrialized and developing countries are allegedly disappearing. Facts, however, indicate a further deepening of the abyss between the poor and the rich. According to the official figures of the International Monetary Fund, for example, the total balance of payments deficit of the developing states which do not produce oil, will top \$38 billion this year.

The Secretary of State, as a matter of fact, exposed one more aim of the American approach to the development problems of the states—to prevent the creation of economic groupings of the type of the Organization of Petroleum Exporting Countries (OPEC) that could effectively resist Western dictat.

As followed from his statement, the USA attaches in this connection great significance to the series of agreements being drawn up by the Western states on a “stabilization” of prices of the most important kinds of raw materials with the developing countries.

Energy

No issue we face today more clearly demonstrates the interests we share with the people of the developing world than energy. (...)

We must do what is necessary in our own country to restrain consumption and increase domestic production. But we cannot solve the energy problem by what we do here alone. It is a global challenge.

Thus, we have a direct interest in helping developing countries devise their own effective energy policies—helping them identify their energy resources, determine their current and future energy demand, identify the technology they need, and obtain the necessary financing. Let me tell you what we are already doing in each of these areas.

—We are now helping several developing countries survey their national energy resources, define their future energy needs, and construct alternative energy strategies.

—With our strong support, the World Bank is significantly expanding its program to help developing countries finance further exploration and development of fossil fuels. The Bank envisages loans amounting to as much as \$3 billion over the next five years.

—We are devoting substantial financial resources to research on renewable energy sources. In addition to private financing, the Department of Energy has budgeted over \$600 million this year to study, develop and demonstrate renewable energy technology. We have asked the Congress for more than \$700 million for these efforts next year. These programs can lead to technological developments that directly benefit the developing nations.

—The Agency for International Development has requested \$42 million in FY 1980 for the actual application of renewable energy technologies in developing countries. (...) The World Bank, to which we are the largest contributor, has already provided about \$10 billion for financing of conventional power projects. And the other development banks also are active in this area.

But we must and will do more.

—*First*, we will respond positively to additional requests from developing nations for help in evaluating their energy resources, needs, and strategies.

—*Second*, we will encourage the regional development banks to expand their energy programs, and to consider new approaches to encourage further private capital flows into mineral and energy development in their regions.

—*Third*, (...) We are now in the process of formulating a coordinated effort which will be discussed at the Tokyo Summit in June.

—*Fourth*, with strong United States backing, the United Nations will hold a World Conference on New

and Renewable Energy in 1981. We intend to play an active role in that effort. (...)

—*Finally*, we must assure that as new renewable energy technology becomes relatively less expensive, adequate financing is available for the developing countries to acquire it. We will ask the World Bank to undertake a thorough review of this question. (...)

Food

In one respect, this is a question of the equity with which economic benefits are distributed. Millions are too poor to buy food, even when it is available. As I have stressed, our overall development efforts must address this fundamental issue.

But it is also clear that in many developing countries, food production is not keeping pace with population growth. The long-range prospects point to even greater food deficits in developing countries in the years ahead. Not only will we approach the limits of new land to cultivate, but soil erosion, desert encroachment and simple overuse are robbing the world's historic "breadbaskets" of their productive capacity because of inadequate land and resource management practices. (...)

—We continue to believe that an effective International Wheat Agreement, with an expanded Food Aid Convention, would help stabilize world wheat prices and strengthen world food security. (...)—To assure that our food aid commitments can be met even during periods of tight supply, we are seeking to establish a special government-held wheat reserve which would add to food security for food-deficit countries.

—(...) we must now devote greater attention to some of the traditional crops and animals raised by poor farmers on marginal lands and to less widely grown crops that hold promise as new sources of food and income.

Programs such as those I have mentioned today are no cure-all. But they come to grips with the most pressing problems of the developing countries and they will make a difference where it counts most—in the daily lives of people. (...)

This is not cause to be sanguine; but it is reason to be confident that practical progress can be made. But, only if...

... Only if we and the other industrial countries recognize that we share a common destiny with the developing world.

Only if they, the developing nations, recognize their responsibilities both within the international system and for equity as well as growth in their own societies.

And only if all of us ... together ... recognize the wisdom of a great man the world has now lost ... Jean Monnet. "We must put our problems on one side of the table," Monnet said, "and all of us on the other."

The IMF's holocaust in Africa

Africa's population is on the verge of extermination as a result of the combined effects of the policies which the International Monetary Fund and the World Bank have viciously enforced upon that continent. They did it by slapping austere measures on the African nations as "collateral" for the debt incurred from these London-based institutions. They did it by ruthlessly enforcing the political integrity of historically incurred instruments of indebtedness—a debt that is massive and expected to grow. They did it by destroying African agriculture and food production.

In prescribing the domestic economic policies to be implemented by recipient nations of IMF-World Bank loans, the IMF has throughout insisted that only labor-intensive modes of agricultural production are permissible for developing sector countries. This approach is

"....the previously underdeveloped backward agricultural profile has been shifted into a full-scale subsistence economy with certain large scale labor plantations thrown in, for the production of cash crops —and IMF debt repayment. The African peasant is now forced to clear land with slash-and-burn methods to produce food for himself and his village...."

applied to both food production and cash crops which are supposedly foreign exchange earners.

But, in fact, this policy has brought about a fundamental shift in even backward Africa's economy. Prior to the rigorous enforcement of this policy, most African nations were food exporters, even if on a small scale. Like Zaire, they marginally maintained a division of labor which could support a surplus-producing internal economy. There are now no African food exporters, if coffee production is excluded.

Instead, the previously undeveloped backward agricultural profile has been shifted into a full-scale

subsistence economy with certain large-scale labor plantations thrown in, as in Tanzania, for the production of cash crops for export—and IMF debt repayment. The African peasant is now forced to clear land with slash-and-burn methods to produce food for himself and his village. Internal markets have been destroyed. There has been a shift in emphasis away from encouraging production of grains into the production of carbohydrate source root crops such as cassava. In many cases, implementation of agricultural development programs has been stalled until the debt is repaid.

This policy profile has been applied not just to the black African nations, but to South Africa and Rhodesia as well. The consequences of this policy pursued since 1973-74 and with relentless ferocity since 1975 are now beginning to surface with a vengeance in depleted soil fertility, crop failures, plant disease, drought, famine, plague, and the genocidal emargination of the millions of rural inhabitants thrown into such subsistence forms of agriculture.

In its 1978 "World Development Report," the World Bank gloats that what it calls Africa's "high" population growth rate of 2.5 percent a year "has been checked so far by high mortality rates associated with the high incidence of communicable diseases, especially gastric diseases, malnutrition and poor traditional midwifery and weaning practices."

In Zaire, infant mortality rates in the first five years of life are now estimated at over 50 percent.

According to the Rome-headquartered United Nations Food and Agricultural Organization, 17 African nations now face severe food shortages as a result of drought, floods, and war. During the 1970s, the average annual rate of increase in food production has been 1.3 percent—down from the average annual 2.7 percent registered during the 1960s. In terms of per capita consumption of food, these figures mean that, in the 1960s, food consumption increase by an official 0.3 percent per year, but in the 1970s decreased by 1.4 percent. This is on a continent in which 75 percent of the 380 million population are still tied to the bestial routines of subsistence agriculture.

The FAO considers that Ethiopia, Nigeria, Mali, Chad, and Ghana are the most critical cases. But in fact the entire continent has since 1975 been considered by Robert McNamara's World Bank as so poor in terms of raw materials resources, so backward and primitive, that they should no longer have access to outside sources of credit, capital goods, and so on. The

World Bank is explicit on this: "Even if large-scale and highly commercialized farms were more efficient, which is not always the case, there are reasons for preferring a strategy which emphasizes the growth of small-holder production" and starvation for the African people.

Bringing about a New Dark Age

The ultimate impact of the policies of the IMF-World Bank and the other political instrumentalities of the British Monarchy is to bring about a New Dark Age, reducing the world's population by between one and two billion people during the decade of the 1970s. In Africa, the conditions for doing that have been met. It is only a matter of time.

The IMF and World Bank have created the economic conditions for launching wars of extermination of populations, in the same way as happened with Adolf Hitler. In Africa, as elsewhere, these wars are directed at the destruction of states such as Angola, Mozambique, and Ethiopia that have operative defense treaties with the Soviet Union. Thus Africa has

"The IMF and World Bank have created the economic conditions for launching wars of extermination of populations, in the same way as happened with Adolf Hitler....Reports of mass-scale starvation are beginning to trickle out from relief and church organizations...."

increasingly been destabilized since 1973-74 by a succession of local wars whose purpose has been to strengthen the hands of the institutions for which the IMF is the international cover—the group of London-centered international financial and mineral corporations.

South Africa

South Africa is the case in point. According to unofficial estimates, South Africa's corn crop will be two-thirds of the 1977-78 tonnage. The shortfall follows a period of mounting austerity against farmers in South Africa. Threatened are the more than 10 million inhabitants of the so-called homelands. These are

primarily small plot, tribal subsistence farmers who have been shut off completely from access to outside credit and supplies since Harry Oppenheimer of the Anglo-American Corporation elliptically announced three years ago that they would be eliminated. Reports of mass-scale starvation are beginning to trickle out from relief and church organizations, as are reports of conflict between the subclans of the various tribes. The homeland population was scrapped at the same time that South Africa went into negotiations with the IMF.

Now, according to a white paper published during the week of April 2, the South African government of Prime Minister P.W. Botha has declared its readiness to act as a "marcher lord," policing the southern African region, while Egypt polices the north. It plans for a mobile strike force capable of hitting deep into black Africa, and the creation of a South Africa-controlled "coprosperity sphere" in the region.

The white paper defines the enemy not only as "Marxist influence"—read, Angola and Mozambique—but also as "increased political, economic, and military pressure" from the West. It foresees increased isolation for South Africa and therefore the necessity of developing a self-sufficient military industry not only in basic equipment such as small arms, armor, and artillery, but also in advanced military electronics and other "advanced technological fields."

The paper notes that the permanent core of the South African defense force, now around 65,000 men, has been expanded by a full third in the last two years. Its "total national security strategy" to counter the "total threat" of a "total onslaught" includes an increase in naval defense, an overhaul of the air defense system, and the creation of a parachute brigade: "a quick reaction force" which may be called up and deployed at short notice for both "conventional" and "semi-conventional" actions. Such a brigade would probably be 4-5,000 men, with light armor and artillery, which could take on any army in southern Africa.

The paper proposes "a geo-economic community of interests" and "the concept of mutual defense against a common enemy." What this means is that South Africa's repeated raids against Angola and Zaire are no short-term maneuvers for the Namibia negotiations, that South Africa is abandoning its undertaking to refrain from military support of the "blackface majority rule" government in Rhodesia, and that it fully intends to set up a puppet government in Namibia.

Rhodesia

In Rhodesia, there will be a 30 percent shortfall in the corn harvest for white farmers this year. There will be a 100 percent wipeout for the black farmers on the tribal trust lands. The government now proposes to reduce the number of "cultivators" on the tribal trust lands from 700,000 to 125,000.

One million of Rhodesia's cattle herd died last year.

NATO plans end to Third World Sovereignty

The top echelons of NATO are launching a new phase of that institution's operations which includes targeting the sovereignty of key countries in order to prevent their government from implementing ambitious development policies. The method is this: the exacerbation of regional, tribal, and religious tensions.

Harlan Cleveland, a director of the Aspen Institute, included this kind of attack in his proposals for a NATO policy in an article in the December issue of *NATO Review*. Since "ethnic and religious rivalries and subnational separatists threaten the integrity of long established nations," and since "central economic planning ... is nearly everywhere in disarray," Cleveland wrote, "NATO must enter a new phase and must foster new styles of government."

The two key African countries of Nigeria and Ethiopia were both cited as examples of countries that would be subjected to this treatment. Nigeria is the largest African nation; Ethiopia is the second largest country in sub-Saharan Africa.

In late March, the *New York Times* and *Washington Post* respectively singled out Nigeria

and Ethiopia as targets for destabilization. If successful, these scenarios will leave Nigeria and Ethiopia looking like the African country of Chad, which presently has no government and is the scene of tribal, communal and religious fighting and bloodshed. Efforts led by Nigeria and France to avoid the partition of Chad and the establishment of a government there are threatened by British and Israeli intelligence networks operating through neighboring countries like Libya, as well as Egypt and Sudan. The most recent reports out of Chad are that there have been 10,000 reprisal killings of Moslems in the non-Moslem south.

The articles on Nigeria played up the differences between the Moslem north and non-Moslem south, asserting that people in the north regard the southerners with "contempt and envy," and played up all the points of contention between the two regions. The Chad situation could easily spill over into Nigeria, already put through the wringer of a disastrous civil war in the mid-1960s.

The series in the *Washington Post* on Ethiopia likewise played up the secessionist difficulties facing that government.

By the end of next month, another one million head will be dead out of a total herd of six million. The head of Rhodesia's African Farmer's Union, Gary Magadzire, recently warned that over 90 percent of Rhodesia's registered black farmers face bankruptcy. The government has outlawed certain kinds of production because of the war.

The profile of Rhodesia's economic policy matches that shaped for South Africa by the IMF.

The Catholic Institute for International Relations reports on the situation as follows: "The breakdown in administration has led to the closure of food stores, clinics and mission hospitals. Immunization programs against common disease such as measles and tuberculosis have been abandoned. So too have programs to combat endemic diseases such as malaria and bilharzia. Cattle dipping has been stopped in a number of areas ... The situation is in large part due to the government's insurgency campaign. With stringent curfew regulations and martial law in 85 percent of the country, the tending of crops and cattle is drastically curtailed."

Zambia

In Zambia, the corn crop will also fall 30 percent short. Zambia has had no foreign exchange earnings from its major raw material asset, copper, since the third quarter

of 1973. Corn has been exported as a cash crop instead of being fed to Zambian cattle or to the population. The country went to the IMF in 1975. Since that time, the area of the country under agricultural production has increased, while the amount of food produced has declined. The amount of food consumed by the population has dropped 10 percent on a per capita basis. In 1978 President Kenneth Kaunda was forced the IMF to implement an enforced ruralization program.

Tanzania

Between 1974 and 1975, Tanzania's labor-intensive development model, "Ujamaa," collapsed after a series of disastrous harvest. Certain of the country's collectivized lands were turned back into private plantations under their original owners. Its war against Uganda has debilitated the civilian transport sector. In the meantime, Tanzania is totally dependent on outside supplies of food to maintain a margin for the survival of the population.

Angola and Mozambique

Food production in Angola is now at approximately 50 percent of the levels reached in the years before the 1975 war. The South African-backed UNITA guerrillas

are keeping Angola's Benguela railroad closed.

In Mozambique where economic activity has been continuously disrupted by Rhodesian military strikes against transportation infrastructure, storage depots, and farms, the situation is again critical.

Zaire

In Zaire, the situation is so critical that the *Baltimore Sun* on Feb. 10 warned that "three million hungry Zaireans may turn on the 30,000 well-fed Europeans," in the capital

city of Kinshasa. Average wages in Kinshasa are \$30 a month. This is sufficient to buy one week's food. A loaf of bread could be bought for \$7.39 last year against \$2.29 the year before. Cassava, the staple root crop source of carbohydrate, was \$.96 a kilogram in 1977, \$3.57 in 1978.

In Bas-Zaire to the west of Kinshasa, drought has created famine conditions worse than prevailed in Ethiopia in 1973. At least 500,000 lives are immediately threatened.

In Kivu province in the east of the country, food riots are reported

and marauding bands of pillagers. This is a food-producing area. Doctors unable to do anything have evacuated.

In Shaba province, the mineral production center, unemployment is now calculated at 80 percent. Infant mortality in the first five years is at 50 percent; malnutrition and the diseases of malnutrition run rampant. Now the IMF has demanded that Zaire further cut its health and education program by another 50 percent.

At the time of its independence in the early 1960s, Zaire was a food-producing country. It had 80,000 miles of roads and an internal economy. It now has 12,000 miles of roads. There was no seed available for the beginning of the planting season this year. The IMF refuses to allow gasoline or spare parts to be imported for the country's run-down truck fleet. Food that is successfully grown inside the country cannot be transported to consumers. Zaire has approximately 25 million inhabitants.

African food output: a downward spiral

The table below presents the regression of African agriculture before the wars of the last three years and the current famine. In many African countries, per capita food production for the continent this year may be down as much as 20 percent below the 1975 averages.

The figures are for production of food, including estimates for the subsistence sector, and without regard for imports or exports. The dollar figures are farmers' prices in constant dollars of the 1961-65 period for the worth of per capita annual food production.

Index of per capita food production for selected African countries, 1966-75

	Average 1961-65	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Tanzania	100 (\$24)	111	99	100	99	102	102	103	98	86	95
Angola	100 (\$26)	101	103	103	105	103	94	87	94	87	67
Zambia	100 (\$8)	122	187	81	85	92	110	157	113	135	125
Zaire	100 (\$24)	109	111	114	120	122	111	108	111	115	111
Rhodesia	100 (\$31)	97	92	85	90	79	93	103	77	102	92
S. Africa	100 (\$68)	96	121	100	101	101	113	115	93	114	104
Nigeria	100 (\$47)	94	88	83	102	96	94	96	89	92	93
Guinea	100 (\$17)	93	101	108	109	106	108	107	107	104	104
Mali	100 (\$18)	92	95	82	96	87	80	66	60	67	65
Niger	100 (\$27)	100	107	98	99	96	88	73	52	71	64
Ethiopia	100 (\$34)	100	101	103	102	100	99	91	87	87	77
Sudan	100 (\$24)	90	106	87	100	106	109	100	92	103	104
Kenya	100 (\$23)	99	105	100	95	95	90	97	95	95	96
AFRICA*	100	96	97	97	101	98	98	97	91	95	94

* excluding Egypt, South Africa

Source: USDA, *Indices of Agricultural Production in Africa and the Near East, 1956-75*. There is evidence that the USDA figures overstate actual production.

Horn of Africa

The IMF has refused Sudan the credit lines to complete the ambitious agricultural development program begun in the early 1970s. Sudan could produce enough food on its own, if that program were to be adequately capitalized, to feed the whole of Africa.

Thus far the IMF's policies of preventing the slated agricultural modernization of the Horn area from taking off have been supported by Saudi Arabia, Kuwait, and the Europeans. Here the IMF has em-

bargued all new developments projects until the debt has been paid off. This has emphatically included the construction of the Jongelei Canal through the Sud which would double water throughput in the region.

In Ethiopia, locust extermination programs were stopped during the war. Mulugetta Bezabih, Director-General of the Desert Locust Control Organization for Eastern Africa, has warned that the swarms can no longer be controlled with the resources available in the area. Immediately threatened are Ethiopia, Somalia, Sudan, Djibouti, Kenya, Tanzania, and Uganda. If not destroyed, the swarms will move through the Arabian peninsula into the Indian subcontinent. The U.S., Britain, other countries, and the international agencies have been asked to help. None has bothered to reply.

West Africa

The resources of this area, human and otherwise, have been depleted by the long-standing drought in the Sahel countries, which has lowered water levels throughout the region's river systems while exacerbating problems of food supply. Again the IMF has accelerated the process of decay.

Ghana's "Operation Feed Yourself" has destroyed that country's advanced agricultural sector and reduced overall food production 16 percent since 1973.

In Nigeria, "Operation Feed the Nation" has produced an annual official 0.5 percent increase in food production. The population growth rate of 3 per-cent offsets that.

—Christopher White

The debt burden for Africa

The following table indicates the burden of debt for three selected Africa governments. Figures are for foreign public sector debt, and include private and public sector loans to public sectors of the above countries. The figures do not include private sector borrowing.

Country	Year	Balance of trade (\$ mil)	Total debt (\$ mil)	Debt service due (\$ mil)	Debt service ratio (%)
Sudan	1970	NA	293.7	33.3	NA
	1971		309.1	46.3	
	1972	6.9	329.4	48.8	13.5
	1973	1.0	376.9	54.5	12.4
	1974	-305.4	723.0	58.5	16.6
	1975	-518.1	941.7	93.0	21.2
	1976	-426.1	1,292.1	119.7	21.6
	1977	-398.6	NA	184.0	27.8
	1978		2,500.0†	224.9	30.0
	1979			228.6*	
	1980			219.6*	
	1981	NA	NA	229.1*	
	1982			197.5*	
1983			181.2*		
Zaire	1972	112.2	541.1	61.1	8.0
	1973	258.4	860.5	93.0	9.0
	1974	469.4	1,292.2	189.1	13.6
	1975	80.8	1,650.9	153.6	17.8
	1976	320.6	2,170.0	119.8	13.8
	1977	476.9		378.4	37.1
	1978			453.9*	50.0**
	1979			448.3*	
	1980			459.3*	
	1981	NA	NA	385.2*	
1982			357.2*		
1983			309.7*		
Zambia	1970	NA	547.8	54.4	NA
	1971		534.6	71.8	
	1972	81.4	559.6	85.3	11.3
	1973	401.9	568.9	346.5	30.0
	1974	421.6	679.6	77.7	5.5
	1975	-327.9	957.2	76.5	10.2
	1976	228.0	1,184.3	86.5	19.8
	1977	77.4	1,270.0	185.4	
	1978			211.0*	
				210.5*	
	1980			176.8*	
1981	NA	NA	128.9*	NA	
1982			112.9*		
1983			109.1*		

* World Bank projections

** estimate, *Euromoney* (Feb. 1979)

† estimate

Sources: International Financial Statistics, March 1979, IMF
World Debt Tables (World Bank)
Euromoney, February 1979

Belgian-Hapsburg control of Zaire

The Zaire economy is controlled by a Belgian-von Hapsburg political machine which loots Zaire's wealth and prevents the industrial and agricultural development of the country in order to preserve that privileged relationship. Since Zaire became independent in 1960, tribal disturbances have sabotaged every attempt by the central government to seize control of its own economy, and have justified the intervention of foreign troops.

The corruption, indebtedness, and tribal mobs are the instruments used to maintain this control, and were jointly created by the British-allied Belgian monarchy and the would-be pretenders to the throne of the Austro-Hungarian empire. Now, threats of another tribal uprising are being threatened by Hans Germani, whose role as a member of the Belgian-Hapsburg machine has been as a mercenary in Africa.

The Hapsburg connection

The Belgian-Hapsburg influence in Zaire is concentrated in the mining and business conglomerate, Societe Generale, which controls the mining giant Union Miniere operating in Zaire. The Hapsburg family dynasty is on the board of Societe Generale, including Otto von Hapsburg, the avowed leader of the Pan European Union, along with his four brothers and one sister. This Belgian-Hapsburg combine has traditionally been the main exploiter of Zaire's wealth.

These "Belgian" interests skim off a good portion of the mineral wealth produced by Zaire, through both corruption and usury. As a result, the lack of resources necessary to develop the country is ensured, thus fueling the tribal rebellions and destabilizations.

How Zaire is looted

There are two ways that the Belgian-Hapsburg complex bleeds Zaire. One is through kickbacks from corrupt officials that they have bought: "... The real kernel of the 'Zairean disease'," reported Jean-March Kalfleche in the conservative daily *Le Figaro* on March 16, is "the failure of hundreds of millions of dollars to appear in the coffers of the state." Kalfleche adds that "what is true is that Zairean and European interests (essentially Belgian, it must be said) would be significantly affected if this hemorrhage was cut off."

The second way the Belgian-Hapsburg combination extorts Zaire's wealth is through loan sharking to the liquidity-strapped Zaire government. The process began in 1967 when Zaire President Mobutu nationalized the mining giant Union Miniere. To pull the deal off, Mobutu had to grant Union Miniere the monopoly on the marketing and refining of Zaire's minerals.

In a move to regain control of his own economy in early 1975, Mobutu nationalized agricultural, commercial, and industrial properties. He also created the Societe Zairoise de Commercialization in an attempt to break the Union Miniere marketing monopoly. As Mobutu's initiative followed by a little over a year the October 1973 oil hoax price rise, he was extremely short on foreign exchange.

Kalfleche reports that the Belgian group, infuriated at Mobutu's "Zaireanization" program, agreed to prepay for minerals to be exported. But they only agreed to partial repayment and at "usurious rates," according to Kalfleche. "This is reportedly one of the essential causes of the current collapse, the other being corruption to ensure this friendly arrangement..."

The IMF of course never attacks the Belgian-Hapsburg machine, which is the root of the problem in Zaire. The IMF demands austerity to force a further lowering of the standard of living to ensure that the Belgian-Hapsburg machine gets its payoff and stays in control.

Will it happen again?

Mobutu recently shuffled his cabinet and set up a "legislative council." The first act of the council called on Mobutu to "reexamine all contracts concluded with foreign companies exploiting Zairean minerals." The call elicited this response, according to Kalfleche: "This shouldn't go to far (read with a Belgian accent) and again brings into question the existence of an arrangement which ... deprives Zaire of ..." hundreds of millions of dollars per year.

There are again widespread stories about possible unrest in Zaire, as well as a repeat of the time-worn Belgian-Hapsburg strategy of introducing mercenaries; 100 who were recently arrested were financed by the Belgian finance house Banque Bruxelles Lambert.

Mercenary Germani boasted in an article in the West German daily *Die Welt* that the tribal unrest tactic would work yet another time. He said that the Belgian-Hapsburg-allied "black mafia" could be used to "lead to new bloody unrest if they, the black mafia, manage to mobilize their black and impoverished countrymen against the whites. Then, there could be a massacre like Kolwezi again." — Douglas DeGroot

'Energy for growth'

Mexico's President puts daring new plan before UN

This week Mexican President José López Portillo announced that he will soon put before the United Nations a proposal for agreements in world energy production and distribution keyed to take energy out of the realm of speculation and economic warfare, and place it at the service of generalized economic development. The West German daily, *Frankfurter Allgemeine Zeitung*, immediately underscored the significance of this move in an article stating that the Mexican President's proposal will prove the basis and direction for discussion of the new world economic order.

Mexico's initiative has been endorsed by the European Community heads of state, on the urging of French President Giscard d'Estaing. It is complementary to a Saudi proposal for an oil producers and consumers conference, also endorsed by the EC. Representatives of the EC and OPEC are now in discussions over implementation of the proposals, which spell the end of the oil majors' domination of world energy markets.

The general thrust of Mexico's initiative, taken to world opinion with increasing forcefulness and detail by López Portillo since his launching of the concept during a state trip to Moscow almost 11 months ago, is to arrange state-to-state treaties in energy matters which establish order in international oil markets and expedite transfer of energy technology—in oil, nuclear and all other areas—to energy deficient regions and the developing sector in general.

El Nacional, the semi-official newspaper of the Mexican government, highlighted the proposal's significance for the U.S. in an unusual front-page editorial April 11. López Portillo's UN drive is the answer to "Mr. Schlesinger's myopic, ... arrogant and close-minded attitude," the paper stated, referring specifically to Schlesinger's wrecking efforts against U.S.-Mexico energy cooperation, but drawing a lesson generally appropriate for U.S. critics of Schlesinger's zero-growth energy policies.

While primarily designed to wrest control of world energy production and allocation from the hands of London and Schlesinger, the Mexican push simultaneously cuts the ground out from under the "Western

Hemispheric strategic reserve" conception, whereby Mexico's oil and, in fact, all resources of the Western Hemisphere would be placed at U.S. disposal as a backup to Anglo-American war confrontations.

And little wonder that Mexico has shown a chilly attitude to the eight-nation Organization of Petroleum Exporting Countries as well as nonmember oil producers meeting arranged by British energy officials to take place in London sometime in the next months, and by all signals designed to keep development considerations out of a renewed energy cartelization drive.

López Portillo has repeatedly stated that energy must be made the "patrimony of humanity" if World War III is to be avoided. And he has no illusions about just how close such a global conflagration is. "The horsemen of the apocalypse are galloping," he says.

Look for a vigorous Mexican diplomatic effort behind its energy proposal in the weeks ahead. Will U.S. constituencies speak out for it?

—Tim Rush

Chronicle of Lopez Portillo's diplomacy

Over the past year, Mexican President José López Portillo has stated his commitment to the use of his country's oil reserves for development. A brief listing of his remarks appears here.

Moscow, May 19, 1978

As reported in the Mexican press: The Mexican President yesterday called upon all humanity to establish an international finance system keyed to the optimal rationalization of energy resources.

In the course of a press conference called at the conclusion of his three-day stay in Moscow, he spoke of the necessity of establishing (such) a financial system. He added that the system could be based on funds

freed by disarmament, (and that its purpose would be) that developing countries, dependent on oil but not oil producers, have sufficient means for energy development.... Energy resources must be considered the patrimony of humanity.

Japan, Oct. 30, 1978

Energy, from current and future sources, with associated technology, is the key to peace and world development. Now is the moment for us to realize that, to win peace, we must launch an effort to bring international politics into accord with the yearnings for justice among so many prostrated countries, in the interests of the health, welfare, and genuine progress of humanity. It means the definitive abandonment of the different forms of coercive unilateral action.

World economic problems must be viewed in a global perspective. And in a global perspective also must be viewed participation (in decisions), because it is neither democratic nor viable that one country or group of countries carry out partial solutions. We need approaches which are the fruit of worldwide good-faith negotiations...

Energy must be the point of agreement of views so that the international community can find solutions to its problems in a shared and equitable way. We, the energy-possessing countries, approach the problem with humanist criteria, and we are open to the indispensable interrelation required. We are asking for transfer of wealth in exchange for our perishable resources. And also, that energy technology be shared so that all energy sources, current and future, can be taken advantage of by the countries in which they are found...

Mexico, Feb. 5, 1979

I want to declare that the use of our resources—and here I'm referring exclusively to our oil resources—will only be made for the purposes of the national interest: only that which serves the country; never distortion due to bilateral greed....

Only a higher, collective and generally observed reason could cause Mexico to deviate from or add to its oil production program. World opinion permits us to consider energy as the patrimony of humanity—to the extent we are all obligated and committed to consider it so by a new economic order—from the production process through distribution to consumption. What we cannot allow is that specific interests disfigure systems of production. These systems belong to, and are at the service of, their respective nations. To the degree that we establish a higher order, we will try to agree on solutions to the energy supply needs of all countries, strong or weak. To us, there is no difference between the needs of one or the other group....

Feb. 11, 1979

The following is an excerpt of López Portillo's interview with Dan Rather of CBS' "Sixty Minutes."

Rather: *Mr. Schlesinger continues to strongly pressure for the building of a gas pipeline which would satisfy the long-term natural gas needs of the U.S. A well-informed American in Mexico told us a few days ago that if this is also the point of view of Mr. Carter, it would be a waste of time for him to come to visit you (Feb. 14-16); that in that case there would be nothing more to discuss in terms of future energy relations. Do you agree?*

López Portillo: No. The question of energy is not exhausted in exchanges between Mexico and the United States... Unfortunately these matters are treated this way, in a conjunctural way, because of the presence of a gentleman (Schlesinger) who has a certain opinion about the specific possibility of one outcome. For our part, we would be delighted if the most powerful country in the world presented the energy problem not as the problem of the United States, but as a fundamental factor in the rationalization of the world economy. And on this matter there is a great deal to discuss with Mr. Carter, much more important than the modest four percent of our gas which we can sell at this time. Mexico is a country with important reserves, ready to enter into serious negotiations to rationalize production, distribution and consumption of energy so that they do not continue being a factor of disarray, imbalance and risk of war....

Feb. 16, 1979

From the joint communiqué issued by President López Portillo and President Carter:

The leaders had a wide-ranging discussion on energy, which included both its bilateral and global aspects. They agreed that it is not possible to separate energy resources from economic development, not only for countries who have them, but for countries that do not have them, and because of this, an economic order should be sensitive to the necessity to provide for the needs of the poor, and investment should be directed so as to encourage their industrialization.

Taking into consideration Mexico's potential as an energy-producing country, President López Portillo reiterated that energy resources must be considered as the patrimony of mankind, so that the production, distribution, and consumption of these resources may be made in an orderly and rational fashion, and so that all alternative sources of energy be developed, including the financing and transfer of technologies that are accessible to all developing countries.

President Carter expressed interest in this idea and willingness to explore these subjects further.

Latin economies under seige

Free enterprise 'cures' savage industry, living standards

Former U.S. Treasury Secretary William Simon told a press conference in Buenos Aires March 29 that the "free market economy" and "anti-inflationary policies" applied for the last three years in Argentina "look so good that I would like to apply them in the United States." Three weeks earlier Chase Manhattan's David Rockefeller, concluding a four-day stay with "his personal friend," Argentine Finance Minister José Martínez de Hoz, exclaimed euphorically, "I believe there is no better alternative plan in Argentina" to de Hoz's IMF-guided austerity policies.

What are these gentlemen urging upon the United States?

The "anti-inflation program" of de Hoz spurred Argentine inflation to 170 percent last year, 5 percent more than the year before, and the world's record for the fourth straight year.

The program has not been without effect, however. It has cut living standards by 50 percent. Last year manufacturing fell by another 8 percent, and industry ran at only 64 percent of capacity. The "budget-cutters" nearly doubled taxes on those who still have incomes.

Argentina is not the only country in Latin America's Southern Cone (Argentina, Chile and Brazil) being touted as a model for the U.S.

President Carter and Senators Frank Church and Birch Bayh are only the most prominent of a number of U.S. leaders extolling the virtues of Brazil's "gasohol" program as an answer to U.S. energy needs.

Gasohol, a form of gasoline distilled from vegetable alcohols (sugar cane is the most widespread raw material), can only be cost effective if 1) labor-intensive methods are used to produce it and 2) the labor employed is subjected to pay scales far below the actual necessary standard for a productive worker in either industry or mechanized agriculture. Gasohol, in fact, was perfected by the Nazis.

Two myths

There are two myths about the Southern Cone economies which must be immediately dispelled to put the "recommendations" of Simon et al. in proper perspective.

The first is that the drastic austerity of these police regimes is some kind of "temporary" belt-tightening and reorganization following "overspending" under previous regimes, and that "recovery" is already underway or just around the corner.

In fact, the purportedly anti-inflation recipes in effect in Chile, Argentina and increasingly in Brazil are part of a model of "economic liberalism," also known under the "free enterprise," "free market," and "free trade" labels.

The heart of the free enterprise program is the reversion of in-depth industrialization programs, with strong state sector participation and direction, to agricultural and mineral export economies. Deindustrialization and destruction of labor power are the hallmarks of the process.

Economic "liberalism" does not mean "recuperation." It is a process of cannibalism in which meeting skyrocketing debt payments (Chile and Brazil each remit over 60 percent of export income for debt payment) only further erodes the productive base of the economy. There is no end except that pioneered in Nazi Germany: concentration camps producing for a war economy.

Those who have accepted the line that the free-market model means bigger foreign investment and profits should note that aggregate *disinvestment* has characterized both Chile and Argentina in the period since the military coups in those countries. And temporary spurts in providing certain consumer and even agricultural goods to the Southern Cone economies should not blind U.S. exporters to the overall decline of their markets and the virtual extinction of sales in capital-goods and other high-technology categories.

Dictatorship part of the package

The second myth is that the free-market economic "model" of the Southern Cone can somehow be set apart from the military-terror regimes which have implemented it. This is the call of those who preach "Chile without Pinochet" for the rest of the American continent—including the United States.

The truth is that economic liberalism necessarily

means fascist dictatorship, just as it did for Hitler's finance minister, Hjalmar Schacht, in the early 1930s. As London's *International Currency Review* remarked in its February 1979 praise of the Chilean model, "such policies could only be implemented by a government ... sufficiently ruthless to quash all opposition by the use of force."

It is this fact which exposes the vaunted Carter Administration "human rights" campaign in Latin America for the miserable farce it is. Unless the U.S.—and particularly the self-righteous Kennedy liberals—take aim at the International Monetary Fund and its "free enterprise" economic policies in Latin America, their alleged concern is the purest hypocrisy. Argentina, where 10,000 people have been killed and 15,000 have disappeared under the de Hoz "liberal" economic model, is a case in point.

And the lesson holds for the United States. As *Handelsblatt*, West Germany's leading financial daily, warned last week in reaction to manipulated worldwide hysteria about the Harrisburg nuclear shutdown: elimination of nuclear power means "a zero growth economy ... which can only be enforced through police states."

IMF and Mont Pelerin

The IMF is the well-known "outside" force instrumental in establishing and maintaining the Southern Cone regimes as self-cannibalizing debt-payment machines.

With almost indecent haste, it set up shop in Chile with official government agreements in November 1973, two months after the Pinochet coup which murdered President Allende. The de Hoz Finance ministry in Chile signed its pact with the IMF just one month after taking power in 1976, and numerous sources report the coup itself was carried out as a recognized precondition for the IMF takeover. It is widely recognized that the 1964 coup in Brazil was carried out in the closest cooperation with the IMF and that the policies of the first post-coup finance minister, Roberto Campos, like Planning czar Simonsen's today, were cleared through IMF channels.

The story of the IMF's "inside" man is less well known: the semi-clandestine networks of the Mont Pelerin Society (see box). It has been the free enterprise ideologues of Mont Pelerin throughout the continent who have taken the lead in preparing government policies and training private sector leaders for implementation of what Mont Pelerin director Milton Friedman fondly terms "economic shock treatment," Chile style.

In the following survey, the *Executive Intelligence Review* presents the reality behind the myths of "economic recovery" in the Southern Cone. We look at the Chile case because that is the country, outrageous as it may seem, most often portrayed today as a "success story." The Argentina story is of special

importance because, of all countries in Latin America, it possesses an advanced, skilled urbanized population most similar to those of advanced-sector countries like America. This is undoubtedly why Simon and Rockefeller value the Argentine "model" so keenly.

But it is equally important to understand that, while the continent offers some of the most advanced examples of Mont Pelerin economic wreckage, it also presents some of the most powerful examples of state-sector directed economic boom and in-depth industrialization. This is true of Mexico, where entrenched Mont Pelerin networks are more than meeting their match in the Lopez Portillo government's development plans. Oil makes the difference here.

And then there are those regimes, under assault by the IMF/Pelerin forces, which have not yet completely turned aside from development. Brazil is the key nation, strengthened by the build-up of capital goods and basic industry under the Geisel regime, but now facing concerted attack against its state sector industry, nuclear program and commitment to rapid growth.

Colombia likewise is heading toward "Chileanization"—and with a prodrug coup on the agenda if Mont Pelerin associate Alvaro Gomez has his way. An energy crisis reminiscent of Schlesinger's is being used as the springboard.

—Tim Rush

Mont Pelerin Society

The Mont Pelerin society is a semi-secret organization set up following World War II by Austrian economist, Friedrich von Hayek. An outgrowth of the so-called Vienna School of economic policy, the Mont Pelerin Society's raison d'être is as an extension of the Schachtian economic experiment carried out in Nazi Germany. Its most notorious officer is von Hayek's monetarist pupil Milton Friedman, the author of the Chilean model and the leading spokesman for the society's crusade for worldwide "free enterprise" deindustrialization.

The Society has had extensive operations in Latin America dating back to its founding period. Many leading proponents of Mont Pelerin policies are also to be found in the Society's twin institution, the European Center for Documentation and Integration, where Colombia's fascist ideologue Alvaro Gomez Hurtado, Venezuela's former president Rafael Caldera, and Mexican oligarch Andres Marcelo Sada rub shoulders with West Germany's Franz Josef Strauss, and Europe's aspiring emperor, Otto von Hapsburg.

Below is a partial list and identification of leading Mont Pelerin members in Latin America.

New regime to halt Brazilian growth

Despite the reappearance of many faces associated with the rapid Brazilian economic growth rates of the past decade in the cabinet of Brazil's new president, Joao Baptista Figueiredo, the gears of the nation's industrial machine are being thrown into reverse.

The motor of Brazilian economic growth during the past period was the rapid build-up of basic industry and assimilation of the world's most advanced technologies. Under President Ernesto Geisel (1974-79), Brazil focused its energies on building up basic industries like steel and petrochemicals, capital goods, and the infrastructure needed for future development. In the area of machinery and equipment, for example, domestic production in Brazil spurted ahead at an average of 7 percent the annual rate during the 1974-78 period, but the overall average of 9 percent growth rate maintained in industry was sufficient to make Brazil an ever-growing market for foreign capital goods producers. Brazil has gained an impressive industrial structure capable of rapidly raising the inadequate standard of living of the majority of its population

in Latin America

Mexico: *Gustavo R. Velasco*. Founder and director of the Free School of Law in Mexico City, and mentor of pro-Chile propagandists and writers Luis Pazos and Mont Pelerin's Agustin Navarro Vasquez. Helped found Mont Pelerin fronts like the Panamerican Institute of Business Development. (IPADE).

Argentina: *Guillermo Klein*. Argentine undersecretary of finance, hand-picked lieutenant of Finance "Czar" Martinez de Hoz. Helps coordinate 12-member de Hoz "brain trust," all Chicago School disciples. Fellow de Hoz defender: former finance minister and Pelerin member, Alvaro Carlos Also-garay.

Brazil: *Eugenio Gudín*. Octogenarian "godfather" of the Brazilian monetarist school and life member of Mont Pelerin. Writes a weekly column in the daily *O Globo*, where he recently called for de Hoz-style iron control of Brazil's economy and Argentine "model".

Brazil: *Henry Maksud*: publisher of *Visao* business magazine and raving disciple of von Hayek. Honored speaker at the Hong Kong conclave of the Mont Pelerin Society in September 1978.

Led by state sectors

The government has been the engine of the development process by channeling resources into the most vital areas and giving generous subsidies to foreign and domestic entrepreneurs who worked within the government-directed programs. Brazil has built up a complex system of state incentives and controls with which to provide that direction. It is this system—and the industrialization impulse itself—which is now being dismantled by the followers of the Mont Pelerin Society "free enterprise" cult.

General Figueiredo has granted Planning Minister Mario Simonsen dictatorial powers over the economy in the name of "halving inflation," currently hovering around 40 percent per year. No other government official can make any important decisions affecting the economy without the prior approval of the "economic czar."

Shortly before Geisel left the presidency in mid-March, however, Simonsen forced him to decree a 7 percent cut in the 1979 budget, which had been approved in January. The agencies most severely affected are those producing steel and petrochemicals and providing the electrical, transport, and communications infrastructure needed to support future growth. Simonsen also clamped a tight lid on the ability of the big state sector companies to borrow abroad. The entire sector will be forbidden from borrowing more than \$300 million in any month or \$3 billion in the entire year, a 25 percent cut from last year's levels.

In a complementary measure, the National Economic Development Bank (BNDE) has been ordered to shift its lending of highly subsidized cruzeiros from capital-intensive basic industries areas.

The BNDE will now focus on light manufacturing industries which are labor-intensive, use relatively primitive technology and can generate profits without the long lead times of more substantial industrial investments.

In the name of "free enterprise," the private banking system now will have to reserve half its portfolio for Brazilian private sector borrowers. These measures—taken together with the generalized "anti-inflationary" reduction of money supply—will throw the capital-starved big state enterprises and the multinational corporations into a fierce battle for the totally inadequate amounts of credit open to them. "Free market" interest rates for industry and their consumers will skyrocket. Most sectors of industry, with the exception of those oriented towards bringing in a quick buck on the export markets, will be severely depressed.

That is exactly what Simonsen intends. He is operating under tremendous pressures from the London and Wall Street banking communities which are demanding that Brazil turn in a \$3 billion annual balance of trade surplus with which to pay its mushrooming debt service, in contrast to the \$1 billion trade deficit racked up in 1978.

Selling cutbacks

Simonsen and his subordinates have mounted a three-sided effort to sell his destructive policies to various Brazilian constituencies. First, they are putting forth lavish praise to "free enterprise," and promises to "destatize" public sector enterprises true to a long-term campaign of Simonsen's economics mentor and Mont Pelerin Society life member Eugenio Gudín. This Friedmanite propaganda has succeeded in convincing most of the powerful business community in Brazil to welcome or at least accept the dismantling of the state structures which have nurtured and protected them.

Second, Figueiredo is proclaiming that "agriculture has the priority." Beyond being an excuse for strangling industry, the objective is to grind out a few billion dollars worth of cheap exports from Brazil's bountiful land and abundant miserably paid agricultural labor force.

For those not enamored of the "laissez faire" rhetoric of the Mont Pelerin Society, Finance Minister Karlos Rischbieter has embellished the same policies with flowery Kennedyesque appeals. Rischbieter called for "a war on absolute poverty." He blamed technology for causing rural unemployment and urban migration, and called for the population to be "fixed in the rural areas" through World Bank-style slave labor employment. "Otherwise," he threatened, "Brazil is going to turn into a new Iran, where the fourth estate reacts violently as a result of having been marginalized from economic growth."

The clearest example of Brazil's changing of gears is in the energy area where the model agreement for West Germany to transfer its most advanced nuclear technology to Brazil is being spurned by Simonsen and his Energy Minister, who will quietly try to starve the program of needed funds, and justify their acts on the grounds that demand for electricity is stagnant. Meanwhile the country is being turned into a slave labor sugar plantation to produce alcohol to replace imported petroleum. Based on stoop labor sugar cane harvesting, the "gasohol" program is based on similar ersatz fuel programs developed by the Nazis.

Petrobras, the state oil company, has to pay much higher costs for alcohol than petroleum and is forced to pass the costs on to the consumers.

—Mark Sonnenblick

The truth on Chile's

In the view of Milton Friedman-styled Chicago School monetarists and their "plain business" followers, Chile's "economic recovery from the Allende disaster is now complete." They marvel at the success of the Friedman-taught Chilean "Chicago Boys," backed up by the savage repression of General Augusto Pinochet, in reducing consumer price inflation from 337 per cent in 1973, the year of Allende's destabilization and the Pinochet coup, to only 30 per cent in 1978.

Bankers are beginning, in fact, to call the restructuring of the Chilean economy along Friedmanite

"Chile has too many people. The type of economy Chile can generate can't absorb the workforce. They are not seeking full employment. It doesn't fit in with their deindustrialization plans."

—Leslie "Skip" Bourne, organizing a May conference in Santiago for Business International, designed to promote the "Chile Model" for U.S. industrialists.

"liberal" lines "the Chilean Miracle," says London's *Institutional Investor*. "It is a plan that is bound to bring joy to any international banker, since it makes proper debt-servicing a cardinal virtue and debt-rescheduling a cardinal sin." Chile paid up every penny on time during the period of harshest austerity, reports the *Institutional Investor*, "even though it meant that some 50 per cent of the country's export earnings were devoted to debt service."

But closer scrutiny of the "miracle" exposes the transparency of its touted accomplishments. Chile is a bankrupt and devastated economy. Debt service payments have increased by an annual average of about 30 per cent since 1973 and will continue to outstrip export growth for years to come. This creates a veritable time-bomb which can only be postponed by higher copper prices (an undependable factor), by selling off natural resources to foreigners, and by pyramiding international loans. There is little chance that Chile will ever again be an outpost of industrial development in the South Pacific.

'economic miracle'

The myth of free enterprise

Free enterprise cultists rave about the military government's success in cutting the budget deficit from 55 per cent in 1973 to 8 per cent in 1977. This was done at devastating cost to the economy and the population. The deficit was cut by firing tens of thousands of state workers, eliminating free services such as public education and a health system, and by doubling the real costs to consumers of such services as gas, water, and electricity. While "big government" was reduced, tax rates were jacked up as high as the market would bear. The protective tariff system was eliminated to subject domestic manufacturing to "free trade" competition with products "dumped" from abroad onto Chile's free market place at duty rates of under 10 per cent.

The late 1973 end to price controls sent prices skyrocketing to an average inflation rate of 700 per cent during the first half of 1974, double its peak under Allende. Workers' wages and the supply of credit were frozen. The immediate result was to cut real wages in 1974 to less than 50 per cent of what they had been in 1971, by University of Chile figures.

The disappearance of Chile's traditionally strong mass consumer market, combined with usurious interest rates on loans (often given only at real interest rates of 9 per cent per month), higher taxes and loss of protection from imports, rapidly wiped out many industrial firms.

In April of 1975, the Milton Friedman model was put into full gear and the depression deepened. By August 1975, industrial output was running at only 61 per cent of the levels of three years earlier, and at only half of 1972 levels if industries such as metals, petroleum and wood pulp are excluded.

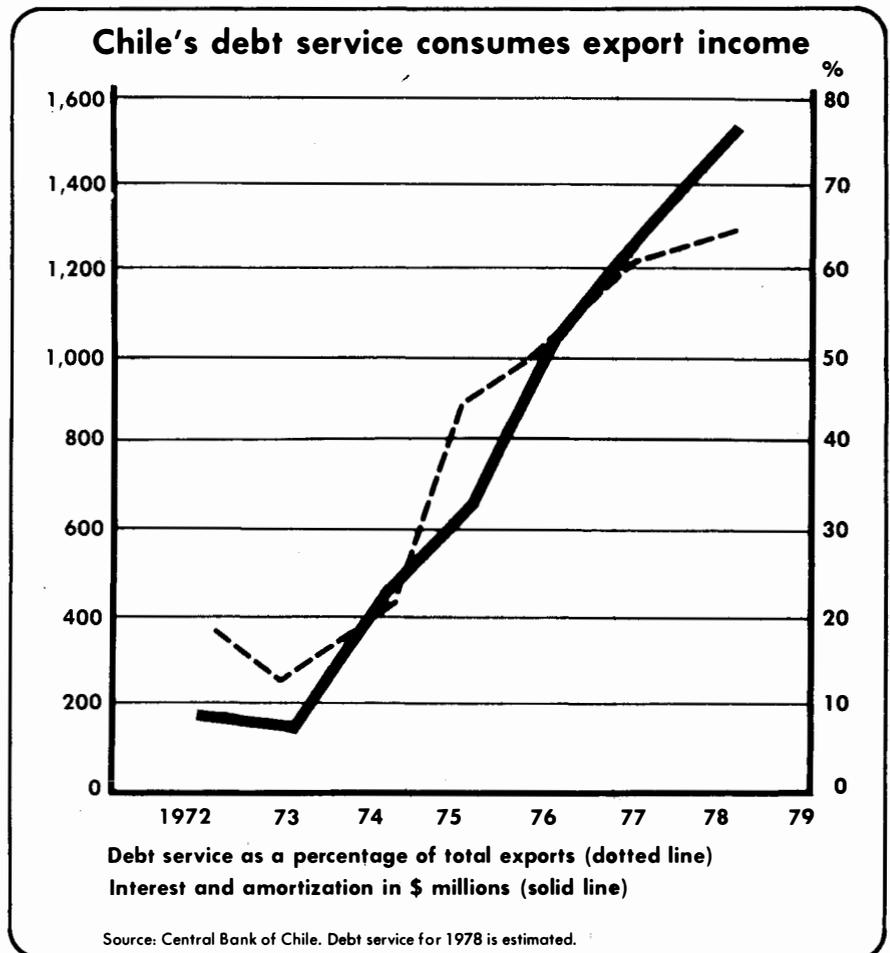
A policy of unemployment

Employment also plummeted. By March of 1976, the deindustrialization policies of the monetarist government had raised the unemployment rate to 19.8 per cent from 3.1

per cent in 1973. Officially, unemployment was gradually reduced during the 1976-78 "recovery period" to 13.7 per cent in September 1978, but most observers doubt the validity of that figure. The University of Chile, for example, considers unemployment to be at a 22 per cent level, when those forced out of the labor market or on the "Minimum Employment Plan" are included. The Minimum Employment Plan hires workers at wages of roughly \$24 per month for local pick and shovel and broom work.

Friedman's model increases inefficiency

The proponents of the Chilean Model claim that Friedmanite "free market economics" has radically increased the "efficiency" of the Chilean economy by getting the modern equivalent of Hitler's "useless eaters" off the payroll. Official government employment statistics are sufficient to prove that there has been a sharp diversion of labor from productive to unproductive activities, even when all the workers thrown on unemployment are not taken into account (see chart). Clearly, the overall rate of "efficiency" and "productivity" in the Chilean economy has collapsed along with the rest of the real economy.



Fewer investments

The ostensible purpose of economic "sanitizing" conducted by the Mont Pelerin crowd was to bring about an economic boom by creating conditions favoring local and foreign investment. Although monetarist propaganda such as *Business International's* have brought many investors sniffing around Chile, few are foolish enough to risk their money in a country which is being destroyed.

Between August 1974 and April 1978, Chile's Foreign Investment Committee approved and widely announced 289 foreign investment projects with a total investment of \$2.5 billion. Sixty-six per cent of this investment was to come from U.S. companies. However, a survey of actual U.S. direct investment in Chile in 1977 found a total of only \$187 million worth of *new and old* U.S. investments. U.S. investment in Chile grew at only a 4.5 per cent rate in 1977, compared with 16 per cent elsewhere in Latin America, despite Chile having by far the most liberal conditions for foreign investors.

The Chileans themselves have decapitalized their country to such an extent that even the monetarist *Economist Intelligence Unit* says "investment levels are inadequate for any future growth." The IMF reported that gross fixed investment fell from 11.8 per cent of GNP during the hand-to-mouth Allende year of 1972 to only 9.0 per cent of GNP during the "record GNP growth" of 1977. Industry is just wearing out 10 and 20 year old equipment, never to be replaced.

Even the extractive industries have been managed with a predatory, fast-buck attitude which bodes ill for the future. Although copper production increased rapidly between 1973 and 1976 as new mines were completed, it has been stagnant since then. Last year the state copper company reinvested 25 percent less than its own management estimated as necessary to keep up production, and it is widely thought to be cheating on its accounting of depreciation in order to report healthy profit levels.

Agriculture shrinks

Five years after the coup abolished Allende's land reform and gave back full property rights and police security to the landed oligarchy, agriculture is a disaster area. The prohibitive costs of credit, the high prices of fertilizer, and the elimination of all protection from imports have not compensated for the dirt-cheap labor. Chilean farmers have pulled their profits into speculation, cut back acreage planted, and brought about a drop of 27 per cent in the production of the 14 basic crops in the 1977-78 crop year. Agriculture has shifted to export fruit and vegetable crops, leaving the local population more undernourished than ever.

—Mark Sonnenblick

Argentina: world's

The acclaimed "Argentina model" that William Simon and others have proposed the United States follow is presently in the process of destroying Argentina's own small and medium-sized national industry, its state sector and its labor force which, two decades ago, was the most advanced and educated in the developing sector with cultural and skilled levels comparable to those of Europe.

Argentine Economics Minister José Alfredo Martínez de Hoz is the author of this "anti-inflationary" model, which is premised on the conversion of the Argentine economy into an "agro-exporting" and nonindustrial one. As part of this model, de Hoz has eliminated the protective tariffs on manufactured goods imports in line with the British doctrine of "free trade," which increased the rates of interest on credit to industry, and drastically restricted internal demand for consumer goods.

Even so, 1978 proved a disaster for the monetarists. Inflation, for the fourth consecutive year, was the highest in the world at a rate of 170 percent. The GNP fell 4.1 percent, largely due to an 8 percent drop in industrial production. In contrast, as a result of elevated levels of monetary speculation at the expense of production and real investment, the financial sector grew by 8 percent.

Bleak as this record is, spokesmen for the City of London financial interests, such as the *International Currency Review*, attribute Argentina's troubles to the excessive "gradualism" of de Hoz, as compared to the shock treatment employed by Milton Friedman. The fact is that despite his "best" intentions, de Hoz has simply been unable to risk the political consequences of firing 300,000 out of a total of 1.6 million public workers, as the International Monetary Fund has demanded.

Industrial sector: Argentine publications like *El Economista* already insist that small and medium-sized Argentine industry "has died." Those most affected by the low purchasing power, the high cost of money and the impact of foreign competition were the textile and machinery and equipment sectors, whose production levels fell 9.1 percent and 14.2 percent respectively.

In the case of the home appliance industry, by the middle of this year more than half of internal supplies will be made up of imported products as a result of the Economic Ministry's intention to transform that industry into labor-intensive assembly lines.

Although recent bankruptcy figures have not been released, in the last two months of 1977 these broke the national record—more than 8 times the accumulated

highest inflation

bankruptcies recorded for the previous ten months. Thus, by mid-1978 utilization of installed industrial capacity had fallen 64 percent, the lowest level in the last ten years.

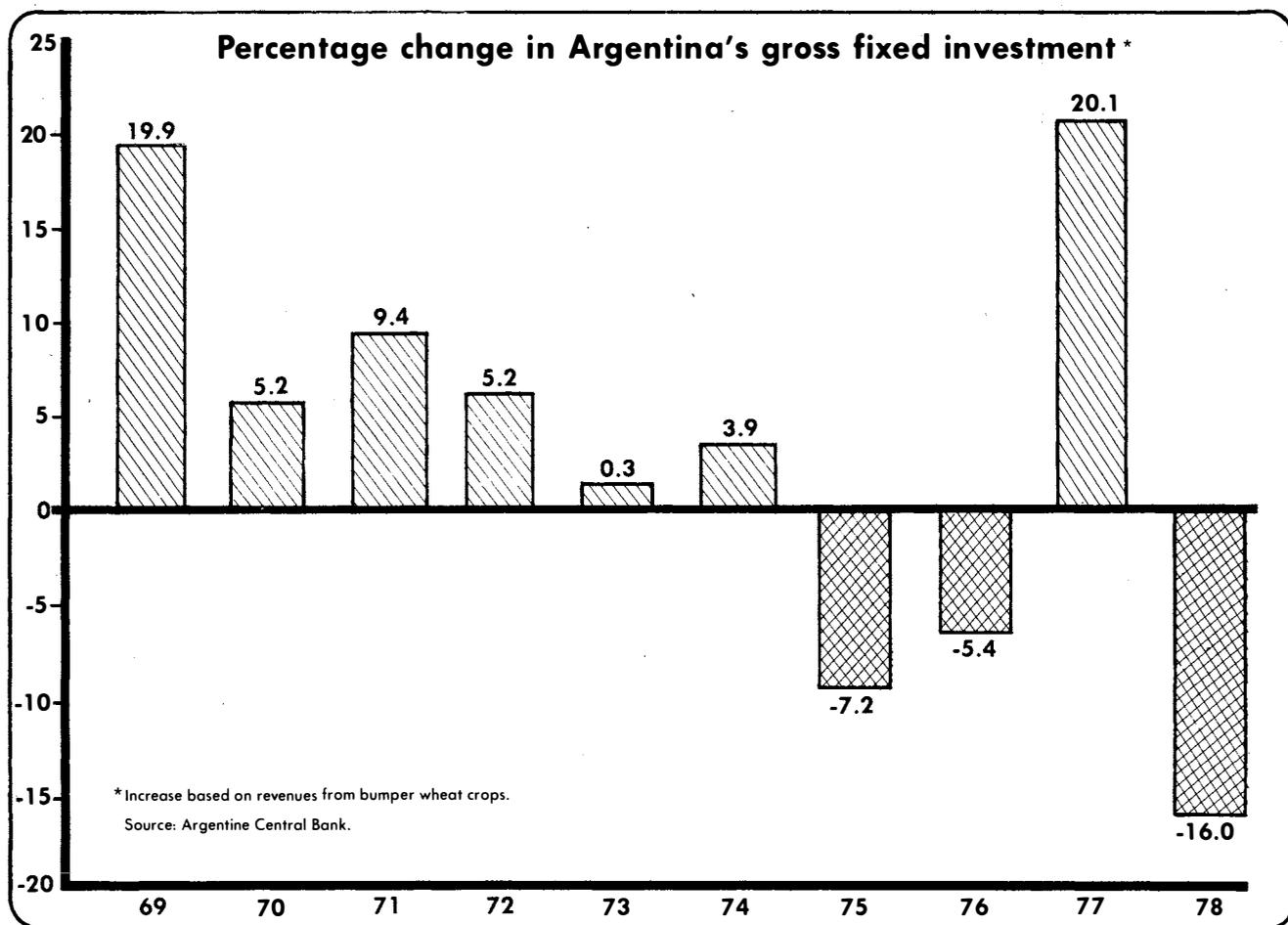
This panorama of recession with hyperinflation has also had its effect on investments, which in 1978 fell 16 percent (see box), as well as in the collapse of capital goods imports from the advanced sector. In 1979 the same tendency is continuing. De Hoz has just announced that public investment will drop from the 11 percent of the GNP it was in 1978 to 9.5 percent by 1981.

State sector: In 1978, the public deficit represented 5 percent of the GNP. At the beginning of the year, the International Monetary Fund has demanded that it be reduced to 1 percent of the GNP. As opposed to previous years, the 1978 deficit was covered by

increased indebtedness and not by the usual practice of printing money. In real terms, public indebtedness grew 65.5 percent, in 1978 alone. In addition, a heavier tax levy was imposed, public service rates were hiked monthly and budget allocations for the provinces were eliminated outright. The result was a collapse in education and of public social services in the poorest provinces.

Although official statistics do not reveal this, the other factor which influenced the increase in the public deficit was the elevated defense budget due to the imminence of war with Chile.

Labor force: Although de Hoz has not frozen salaries for fear of provoking a general strike, real wages have fallen 50 percent in the last three years. In 1979 the situation will worsen since a monthly wage increase of 4 percent was granted, in the face of a monthly



inflationary index of more than 10 percent. Thirty years ago, the income from one hour's work could buy 1.8 kilos of beef and 7 liters of milk. Today, the average Argentine worker has had to exclude meat from his daily diet altogether. In 1949, per capita meat consumption in Argentina was only surpassed by the United States and Australia. Today, the purchasing power of the Argentine consumer is at its lowest rate in ten years.

To avoid unemployment en masse, labor-intensive methods have been employed both in agricultural activity and in industrial plants. The Buenos Aires weekly *El Economista* reports that employment levels have begun to increase while less and less is produced, a phenomenon *El Economista* labels "industrialicide".

Agricultural Sector: Although agricultural production has fallen slightly (1.2 percent) in relation to the record 1976-1977 harvest, agricultural goods continue to be the principal Argentine export—in accordance with de Hoz's plan to turn Argentina wholly into an "agro-export" economy. Nevertheless, there has been a change in agricultural policy. Wheat production has fallen while sorghum and soy has increased, crops that require less technology and fertilizer. The best indication of how Argentina's mechanized agricultural sector has been increasingly converted into a labor-intensive one is the drastic fall in tractor production. In 1977, 24.5 thousand units were produced in the first 11 months as compared to 5.4 thousand units in the same period of 1978.

But Argentina's farmers are not exempt from the scourge of de Hoz's "free enterprise" measures. With the intention of keeping inflation at 60 percent, the goal fixed for 1979, de Hoz has blamed the nation's food producers for the 20.2 percent inflation rate registered for the first two months of this year. He argued that this is a result of the 15.5 percent increase in food prices, and proceeded to overturn the 10 percent duty on imported meat, fresh fruit and milk. This will guarantee that within a short time Argentina, the third-largest producer of food in the post-war world, will now have to import food for its own consumption needs.

—Dolia Pettingal

Martinez de Hoz: wearing an Eton collar

Argentine Prime Minister José Alfredo Martínez de Hoz rules his country in the best tradition of British colonialism, a role for which he was uniquely molded. De Hoz is the scion of one of the richest families in Argentina. His grandfather was a member of the exclusive British Jockey Club, among the members of whose Argentinian chapter one could find the leading oligarchic landholders, cattle barons and the holders of Argentina's beef export monopoly at the end of the 19th century through the beginning of the 20th centuries. Until the 1940s, this elite was the real power behind the figurehead governments of that period.

Born in Argentina in 1925, de Hoz spent the first years of his childhood and adolescence in England. His primary grades were spent at exclusive Eton, through which pass the members of the British monarchy and their most loyal agents. Later, de Hoz attended Oxford University.

Many today express their surprise at de Hoz's perfect British accent, unaware that—according to *The Economist* of April 1976—"Joe" had a "British nanny."

After leaving England, de Hoz's family returned to Argentina where in 1949 the promising Alfredo graduated from the Law School of the University of Buenos Aires with a "gold medal." De Hoz then transferred to Harvard University in the U.S., from whose Business School he graduated.

Today de Hoz maintains close ties with fellow Harvard graduate Henry Kissinger and with David Rockefeller of the Trilateral Commission. Through his strong influence on Argentina's foreign policy, de Hoz plans to make Argentina a member of the Trilateral Commission in the developing sector.

De Hoz is also an ardent admirer of the Chinese economic model. Last year he traveled to China where he held extended meetings with Deng Xiaoping, with whom he coordinated an alliance between their respective countries against the Soviet Union.

After Bhutto: 'arc of crisis' in S. Asia

In the dark of night, at 1 a.m. Pakistani time, on April 4, the foremost political leader in that south Asian nation, Zulfikar Ali Bhutto, was legally murdered by the military regime of General Zia ul-Haq. The shocking death of Mr. Bhutto, carried out despite worldwide appeals to the regime to halt the execution, has opened the floodgates of chaos and instability in this region. The fears expressed by many world leaders that Bhutto's death would bring turmoil to Pakistan and beyond are fast being realized. The question is—after Bhutto, what next?

The code words for the situation prevailing in this region—that stretches from the Middle East and Iran across the vast subcontinent of Asia into Southeast Asia—are Zbigniew Brzezinski's now famous phrase, "an arc of crisis." With Iran in the midst of political upheaval and disintegration of all semblance of central government, the Iranization of Pakistan now promises to spread the chaos.

The Pakistani regime is under the domination of extreme reactionary Islamic elements, led by the Pakistani branch of the Muslim Brotherhood, the Jamaati Islami. The country is now heading for confrontation with neighboring Afghanistan, whose government is accused of being "un-Islamic." The Islamic regime in Pakistan is also likely to create tensions with its historic nemesis, India. There are strong fears in India of a Chinese-directed "encirclement" through the Islamic regimes in both Pakistan and Bangladesh (formerly East Pakistan).

These regional tensions will be coupled with the disintegration of Pakistan itself. It is unlikely that the Army, traditionally the stronghold of the dominant Punjabi population, will be able to retain the loyalties of secessionist, pro-autonomy forces in the other three major provinces of Baluchistan, the Northwest Frontier (Pukhtoonistan), and the Sind.

A chaotic breakdown of Pakistan and an Afghan-Pakistan border war poses a serious threat to India, where anti-Muslim and Hindu chauvinist elements already make up a large section of the present government of Prime Minister Morarji Desai and the

ruling Janata (Peoples) party. The Hindu chauvinist Jan Sangh party (part of the Janata) and its militia arm, the fascist-oriented Rastriya Sevak Sangh (RSS) are already in a bid for power. According to informed Indian sources, these forces desire the ouster of Desai, in favor of Jan Sangh leader and Foreign Minister Vajpayee.

The Hindu chauvinist elements in India feed off the Islamic movements around them, thus setting up multiple scenarios for regional wars and the undermining of the viable nation-states of the area. This is the aim of the "arc of crisis" geopolitics of the Carter Administration and its allies in London, who in particular have a detailed knowledge and direction of these centrifugal movements in their old colonial jewel, the former British Raj.

A shaky Junta

The Pakistani junta is a shaky entity that has held onto power so far only by taking the desperate step of physically eliminating its major political opponent—without any visible support for itself among the masses of the poor and angry Pakistani populace.

The reaction of the Pakistani people to the death of their popular leader was a brief outburst of public outrage. Tens of thousands of Bhutto supporters went into the streets in every city, town, and village across the country. While the junta has managed to quickly suppress the demonstrations, with some deaths already reported and thousands of arrests, the mass outrage is only a warning shot of the unrest in the population.

The regime must now try to destroy the ghost of a martyred Bhutto. Its fears were amply demonstrated in the extraordinary measures taken around the execution. Bhutto was murdered in secret, his body flown in secret to his home town of Larkhana in the Sind, and buried without even the presence of his wife and daughter, who were held under house arrest in Rawalpindi in the north.

Signals of the direction the junta will take emerged in the days following the Bhutto killing. The first was a report of an incursion by Pakistani soldiers into

neighboring Afghanistan, resulting in a clash with Afghan troops that left seven Afghans dead. The Afghan government, closely allied to the Soviet Union, denounced the Pakistanis, while the Soviets, in a high-level commentary in Pravda, charged Pakistani collusion with the United States, China, Egypt, and other states in arming and training Afghani "rebels."

Hoax of U.S. protests

Meanwhile, the U.S. State Department made a show of announcing a suspension of some \$85 million in economic and military assistance to Pakistan, earmarked for the next two years. The State Department claimed it took the action in response to reports that Pakistan is secretly building a uranium enrichment plant that would give it the capability to manufacture nuclear weapons. The Pakistani junta loudly replied that "Zionist circles" are behind the charge, and that it was "unfair" and "discriminatory" relative to U.S. response to the Indian nuclear policy. The entire episode has in fact proven useful to both U.S. and Pakistani designs in the region.

The U.S. move was *not* taken as a result of breaking intelligence but by its own admission, the timing of the State Department announcement was due to imminent press revelations of the Pakistani efforts. The information concerning Pakistani nuclear weapons capability has in fact been widely circulating for several weeks at least, and Indian sources reported two weeks ago that the Indian government has intelligence that Pakistan in fact has a nuclear device that it intends to test in the near future—in part to divert attention from the Bhutto killing. Those sources report that the device was obtained with the direct aid of Great Britain, through private companies there, and West Germany and Belgium.

While the State Department has covered up the role of our British "allies," it has been reported that Desai sent a letter to Prime Minister Callaghan protesting British nuclear assistance to Pakistan. Desai also sent a letter to President Zia of Pakistan. Indian sources report that the U.S. protest is viewed as a "hoax." The protest has given the Pakistanis a cover for further "Islamic" aggression, while disassociating the United States from the junta. The action also added confusion to the situation in a way that encourage further division in the subcontinent.

Adding it all up, examining the background which led to the Bhutto killing and the situation as it quickly unravels—as we do in the section which follows—a clear picture emerges of a major trouble spot in a world already full of them. All the major powers are involved—from the United States, China, Britain, to the Soviet Union—and the stage is set for a confrontation of global proportions.

—Daniel Sneider

1. The plot against Afghanistan

Afghanistan has become the touchpoint of tension in the Asian subcontinent. Over the past months, reports have mounted of armed revolts inside Afghanistan by reactionary Islamic tribalists. Using bases in Iran and Pakistan, these fundamentalists have declared a "holy war" against the government of President Noor Mohammad Taraki. The Taraki government, which came to power in an army-led revolution last April, has denounced the "black reaction" and the "feudal reactionaries," who have been trying to overthrow the government, while pinning Pakistan and the Khomeini circles in Iran for their complicity.

The destabilization of the Taraki government has brought stern warnings from the Soviet Union, Afghanistan's neighbor and treaty ally. In numerous articles over the past weeks, the Soviets have charged the involvement of foreign powers, including "British and American secret services," the Chinese, Egypt, Iran, and Pakistan, in the plot against the Afghan government. The Soviets have made clear they will tolerate no attempt to reverse the Afghan revolution.

The crisis around Afghanistan reached a critical point with the February 13 assassination of U.S. Ambassador Adolf Dubs by Islamic terrorists in Kabul. The U.S. reaction—blaming the Soviet Union and the Afghan government for "overreaction" in the incident—began to set the stage for confrontation. Ironically, responsibility for the Dubs murder has since been claimed by a Maoist Afghan group known to be receiving arms and training from China in camps located in Pakistan.

Since February the Afghan exile movement of Islamic fundamentalists has emerged as the frontpiece of the anti-Taraki operation. The exiles are known to be operating out of base camps in the Northwest Frontier Province of Pakistan, which borders Afghanistan and whose tribal Pathan population stretches across into Afghanistan. The exiles have recently formed an Afghan Liberation Front. Its main components are the Jamaati Islami (the Muslim Brotherhood) and the Hezbi Islami (Fundamentalist Islam party). At the camps, the guerrillas are being armed and trained by Chinese, U.S., and British intelligence operatives with assistance from the Pakistani regime.

A "Holy War"

The Pakistani connection and a similar linkage into Iran, which borders Afghanistan on the west, are run

through the Islamic reactionary networks of the Muslim Brotherhood, and the Khomeini forces in Iran. The leader of the Jamaati Islami of Pakistan, Maulana Maudoodi, has declared his support for the Afghan exiles. Khomeini and his fellow Ayatollahs have called for a holy war against Taraki, with statements by people like "No 2" ayatollah, Shariat Madari, in support of the exile movement.

The Iranian input was highlighted in the seizure by Islamic guerrillas last month for several days of the Afghan city of Herat near the Iranian border. The Taraki government expelled the Iranian consul in Herat, charging that he had coordinated the operation, including sneaking Iranian soldiers, disguised as returning Afghan workers, into the area.

The huge Afghan "guest workers" community in Iran—estimated up to half a million—has been a major target of agitation by the Shi'ite Imams of Iran. While the Afghan populace in the Iranian area are Shi'ite, the

Muslim Brotherhood operation on the Pakistan side works among the largely Sunni Afghans. In Herat itself, after several days of massacres, looting and burning of the city, the Afghan army arrived to put the situation under control.

The wild and backward land of Afghanistan has lent itself to the destabilization operations. The Taraki-led revolution, which has been branded as "Soviet-run," has taken on as its major task the uplifting of the Afghan population from their feudal conditions of life. The revolution overthrew the last remnants of the Afghan monarchy, installed by the British many decades ago. The government has proceeded to carry out total land reform and development of agriculture and industry, with major Soviet economic assistance. This assistance is not itself a new feature in Afghan-Soviet relations; the previous regime received some 40 percent of its budget from Soviet aid.

The Taraki government faces resistance to its

The world reacts to Bhutto's death

Indira Gandhi, former Premier of India, declared: "I am shocked to learn of Mr. Bhutto's execution. The President of Pakistan has acted in defiance of world opinion."

French President Giscard d'Estaing had telegraphed President Zia the night before in a final appeal, saying: "Again I appeal to your humanity so that a gesture of mercy might spare the life of a man who incarnated Pakistan at a dramatic hour of its history." At a cabinet meeting later Giscard expressed "deep emotion" upon learning of the execution.

Turkish Premier Bülent Ecevit deplored the actions. "We believe clemency would have been better for the continuation of Pakistan's advancement on the democratic path."

Turkish opposition leader Suleyman Demirel, head of the Justice Party, said: "Grass does not grow where scaffolds stand." He charged that the execution was not a matter of the internal affairs of Pakistan, but concerned all of humanity.

Senator Clairborne Pell (D-R.I.), of the Senate Foreign Relations Committee, called the hanging "an atrocious action, one which I think shocks the

sensibilities of civilized nations—of which, obviously, Pakistan is not one."

In Geneva, where *United Nations Secretary General Kurt Waldheim* was visiting, a spokesman said: "The Secretary General deplores the fact that the President of Pakistan has not heeded his appeal or similar appeals made by a large number of world leaders."

Public statements of shock and regret came from the governments of West Germany, Norway, Italy, and Belgium, among others.

Former Secretary State Henry Kissinger had this to say: "Bhutto was never an unqualified admirer of the United States—not to say he was even a qualified admirer. Though I must say he saved Pakistan. He was a man of great courage and imagination. Though he committed many errors, I regret that the execution was carried out. I cannot say that Pakistan will become destabilized, though Bhutto was a dynamic leader. And let me emphasize as I say this that I do say this as one who is a good friend of Pakistan, and that I sympathized with Pakistan during its problems with India.

In 1976, pointing to Bhutto's pronuclear and Third World policies, Kissinger had told him: "We will make a horrible example of you."

antifeudal policies from the country's backward tribes, who are being played upon from the outside with appeals to Islam and cries against the Taraki government as "communist" and "un-Islamic." Nonetheless, there is no indication, despite the major press play given to the frequent grandiose claims of the exiles in Pakistan, that the Taraki government is not in firm control of the situation inside Afghanistan.

The danger comes from the outside and the possibility of an Afghan-Pakistan war. The reports of armed border clashes, coming right after Bhutto's death, are ominous. A border war could bring two reactions. One would be an immediate uprising among the tribally-based Baluch and Pathan populations against the Pakistani regime. Baluch leaders have publicly criticized the Zia regime for its anti-Afghan policies and condemned "theocratic politics" in Pakistan. The second would be a tough Afghan response to any more provocation. The Afghans could shut down the Karokarom highway, the newly completed strategic road and the only land route between China and Pakistan. It is now being used to transport military supplies to the Afghan rebels.

2. Iran: a new reign of terror

The sudden execution this week of former Premier Abbas Amir Hoveyda marked a turning in Iran's turbulent political arena since the takeover of the country by the Ayatollah Khomeini last year. Just last month, Khomeini had conceded to Iran's premier Bazargan that his government should have all judicial authority with respect to future political trials of former officials under the Shah. Khomeini had agreed to halt the secret political trials which radical revolutionary committees, known as Khomitehs, were conducting throughout the country.

For a moment it seemed that the government of Bazargan might be given some power to rebuild the country and centralize his authority, at the expense of a radical grouping around Khomeini led by Deputy Premier Ibrahim Yasdi which not only backed the Khomitehs but continues to usurp Bazargan's power.

Since Hoveyda's execution, another round of shootings of top officials from the Shah's regime has occurred, as the Iranian press carries front page photos of their bullet ridden bodies. At the same time, the Khomitehs search all people on Iran's streets, and have even arrested couples who were not married—a supposed offense under Islamic laws. And they continue

to conduct public floggings. This and the continued unrest with Iran's eight leading tribal groupings spell a new phase of radicalization for the country, as its economy continues to disintegrate.

Yasdi is a recognized collaborator of international terrorist and environmentalist networks linked to Jean-Paul Sartre and former World Bank Advisor Rene Dumont.

As the interview below spells out, his economic program for Iran will spell disaster not only for Iran, but for the already troubled region of the Mideast and Subcontinent.

Iran: the new Cambodia?

The following are excerpts from an interview with a Georgetown University professor who supported the Khomeini takeover of Iran. He expressed his support for Khomeini through the U.S. People's Committee on Iran. Here he lays out the thinking of Deputy Premier Ibrahim Yasdi with respect to Iran's future.

Iran's unrest is being exaggerated. What is happening with the ethnic groups is a general process of decentralization. A radical reallocation of the economy, the "de-Teheranization" of Iran. The provinces will be given more clout. Each will make its demand in order.

The aim is economic self-reliance. The agricultural sector is now a disaster. The people are near starvation in several areas. The situation has gotten much worse in the last two years. The government is literally sending out food to the Baluchi areas. Sixty to 75 percent of the 55,000 villages of Iran are in that condition. Yasdi thinks that to correct this you have to get the people back to the villages from the small towns and from Teheran, to utilize the unused land, to produce. Yasdi is trying to reverse the standard 20th century pattern of going from rural to urban.

Yasdi has appointed a Council of Experts, a group of Iranians of all aspects in Iranian society, to brainstorm on problems of agriculture and rural electrification. This will develop self-reliance.

So far this is not like Cambodia, because this is a town-made revolution. But a Cambodia situation could happen in a more radical stage. In this sense, the Cambodia analogy is the best one, without the bloodbath. The extremes of Cambodia won't occur for awhile, until a new stage is entered into in the revolution. Unrest is possible from several areas, as you try to attain self-sufficiency from the minorities, from women, from religious groups. But the economy now is so bad, it can't get much worse at this point.

The Iranians, under these conditions, are phasing out nuclear, they are much more interested in solar than nuclear. There are experiments in solar throughout the villages, Iran has a lot of sun.

Z.A. Bhutto: nation-builder

Zulfiqar Ali Bhutto, the leader of Pakistan until his murder by the hangmen of the military junta which now rules his country, was a *nation-builder*. As he said of himself in a document written from his jail cell last year: "I was born to make a nation, to serve a people, to overcome an impending doom. I was not born to wither away in a death cell and to mount the gallows to fulfill the vindictive lust of an ungrateful and treacherous man. I was born to bring emancipation to the people and to honor them with a self-respecting destiny."

Z.A. Bhutto lived consciously to make history and to leave a legacy in the form of the development of his nation. His fight was a fight against the policies of the International Monetary Fund and World Bank, which serve to perpetuate the backwardness of the developing nations. He was in the forefront of the struggle for a *New World Economic Order* for the entire developing sector. This "ambition," the term now used in a Western press that makes him out as a Shah of Iran version of Icarus, was Z.A. Bhutto's leadership and contribution to the human species. For this and nothing else he was murdered by his enemies, our enemies, the masters of the IMF-World Bank world order of disease, decay, destruction, and destabilization.

Bhutto took on that leadership with a specific and great task before him—to create a viable Pakistani nation where there had been none before him. When he became prime minister in December 1970, Pakistan was a nation whose fundamental self-identity was almost nonexistent. Pakistan was carved out of the Indian subcontinent by the British Raj that partitioned its crown jewel at the point of independence so as to insure a permanently manipulable Middle East-type situation on the subcontinent. The partition left predominantly Hindu India flanked by a divided Muslim Pakistan, West Pakistan separated by more than 1,000 miles from East Pakistan. The partition itself was bloody, marked by provoked Hindu-Muslim violence and disputes between India and Pakistan over territory, particularly the Kashmir issue—all of which have brought three major wars and many minor skirmishes.

While India came into independence led by the great humanist leader of the freedom struggle Jawaharlal Nehru, Pakistan lost its founding father, Mohammed Ali Jinnah, soon after independence in 1947. Instability, assassination, and military coups marked Pakistan's political history for more than 30 years to follow. Pakistan was used as a mere geopolitical pawn of the Western powers led by the U.S. and Britain.

Z.A. Bhutto, who admired Nehru greatly and himself was a product of the great struggle against British imperialism, sought to fill the vacuum of leadership that the generals of the Pakistan Army had incompetently and stupidly failed to fill.

Bhutto's moment came at the point when Pakistan was in its greatest hour of crisis, in the days of 1970-71 when the brutal genocide of Pakistan's generals finally brought about the breakup of Pakistan and the creation of a new nation, Bangladesh, out of what was East Pakistan.

In 1967-68 Bhutto broke with the military regime of General Ayub Khan whom he had served for many years, including as foreign minister, and formed the Pakistan People's Party (PPP), the first large mass-based party in Pakistan's history. Surviving his jailing by Ayub Khan, and helping to lead the revolt which overthrew Ayub in 1968, Bhutto and the PPP won a sweeping victory in the first democratic elections in Pakistan in December of 1970. That victory, entirely in West Pakistan, was shared by the Awami League of Sheik Mujib of the East, but attempts to reach a sharing of power for a new government collapsed due to army intervention, the great mistrust between the two parts of Pakistan, and errors by Bhutto himself in his judgments of the moment.

When the army attempted to crush the Bangladesh movement with fascist force, Bangladesh's independence was fought for and won with the aid of India under Prime Minister Indira Gandhi. For the third time, leaving aside minor conflicts, Pakistan and India went to war, a war which threatened to bring the intervention of the U.S., China, and other powers. Pakistan emerged a defeated nation, a broken nation. There was little to hold it together, even in the West, where secessionist tensions among the provinces of West Pakistan, the Punjab (the dominant province), Sind (Bhutto's home province), Baluchistan, and the Northwest Frontier Province were on the rise.

Bhutto is rightfully credited with saving Pakistan at this dark moment in its history. As French President Giscard d'Estaing said several days ago, he was the man "who incarnated Pakistan at a dramatic hour of its history." Bhutto was determined to restore a sense of purpose to the country and to secure it a stable future. The major tasks accomplished in the early years of his rule were: the reaching of a peace with India, the famous Simla Agreement reached with Mrs. Gandhi in August of 1972, which promised for the first time to establish a firm foundation for peace between India

and Pakistan and future economic cooperation for the development of the subcontinent; the rebuilding of the Pakistani economy through industrialization, development of nuclear energy, and other energy resources; agricultural development accompanied by large-scale land reform and socialization of the economy out of the hands of the oligarchic "22 families" who have controlled the economy as compradors of imperialism since the days of the Raj; and finally, the establishment of a Constitution in 1973 which, for the first time, provided a constitutional democratic framework for Pakistan.

With fits and starts, Bhutto, in the latter part of his rule, began to move beyond these steps to shift the traditional orientation of Pakistan away from its alliance with the U.S. and Britain, as symbolized by Pakistan's membership in the Central Treaty Organization (CENTO) with Iran, Turkey, and Britain. He withdrew Pakistan from the British Commonwealth, and attempted to move it into the nonaligned camp, improving relations with the Soviet Union (whereas China had long been close to Pakistan), with neighboring Afghanistan, India, and Iran, and strongly supporting the Arab cause in the Middle East. Most important, Pakistan under Bhutto became a major spokesman for the establishment of a New World Economic Order and in particular was one of the strongest advocates of a complete debt moratorium for the developing nations. Bhutto himself proposed a Third World Conference to discuss that task.

In 1976 this new momentum of Bhutto's Pakistan became clear, as the New World Economic Order moved onto the center stage of global politics at that time. In spring of 1976, Bhutto concluded an agreement which he cites as the peak of his rule, an agreement with France for the construction of a full-cycle nuclear energy system for Pakistan. Bhutto's critics slanderously claim this effort had only the purpose of creating the capacity to manufacture nuclear weapons in response to India's explosion of a nuclear device in 1974, but it is clear that nuclear energy to fuel a Nehruite industrialization of Pakistan was the aim. At this point Bhutto also was on the verge of two sharp moves—pulling Pakistan out of CENTO (which has now taken place as a result of the Iranian decision to leave the moribund pact) and dramatically improving relations with the Soviet Union, as symbolized by Soviet aid in the construction of Pakistan's first major steel plant in Karachi.

The conspiracy against Bhutto and Pakistan

These events led directly to Bhutto's overthrow in a military coup on July 4, 1977, his imprisonment two months later by the military, his "conviction" on a

frame-up "murder conspiracy" charge, his year-long appeal of that conviction, and finally his legal assassination this week by the same military regime. All of these events, internal to Pakistan on the surface, were the result of an orchestrated and well-constructed international conspiracy whose principal elements from the top down are the Anglo-American imperialist establishment in London, New York, and Washington. Henry Kissinger was the "case officer" of the operation, and each step included the direct participation of the Zionist circles of Israel.

The events of July 1977 in Pakistan occurred in a regional context which can only be understood as a large-scale destabilization effort. Its aim was to prevent the emergence of a regional entente, dedicated to economic cooperation, which would have ended Anglo-American manipulation of regional conflicts and finished off the colonial remnants of the British Commonwealth structure.

In 1974-75, the Anglo-American conspirators had gone after India, the key to a regional entente, with a series of destabilization operations including Chile-style strikes, led by Anglo-American agents like J.P. Narayan. This resulted in the declaration of the State of Emergency in India in July 1975, at which point war was declared by the Anglo-American establishment against South Asia's leadership.

The subsequent chain of events began in August 1975 with the assassination of Bangladesh President Sheik Mujib, the subsequent murder of his top aides in their jails, a series of coups, all of which resulted in a virtual counterrevolution and the establishment of a Maoist-Islamic reactionary axis in power there. The murder of Sheik Mujib was followed by the electoral downfall of Mrs. Gandhi, in March 1977, the downfall of Premier Mrs. Bandaranaike in Sri Lanka, and finally the destabilization and coup against Bhutto. By July 1977, the entire leadership of the subcontinent had been toppled; the Shah of Iran was soon to follow.

The operation against Bhutto himself is an essential part of the pattern in which the nuclear energy decisions of Bhutto and the trend toward normalization of relations across the subcontinent were the key triggers on Anglo-Americans' intervention to "save" their "ally" Pakistan. But, as indicated clearly in the excerpt of the document written by Bhutto in his jail cell that we reprint here, the nuclear reprocessing plant purchase from France was the "end of the line" for Bhutto as far as the Anglo-American circles were concerned.

Mr. Bhutto indicates clearly the role of Henry Kissinger, then the U.S. Secretary of State, in directly moving to block the French deal with Pakistan, including pressure on both France and Pakistan. While Bhutto tells part of the story—mostly referring to a visit by Kissinger to Pakistan in late 1976—he leaves out a part which he mentioned in public on April 28,

1977. In a now-famous speech on that day, he revealed the international conspiracy against him. According to Bhutto's report, Kissinger told Bhutto that unless he backed off from the nuclear deal, symbolic as well of other aspects of his policies, "we will make a horrible example of you."

In March 1977 Pakistan held national elections in which Bhutto's Pakistan Peoples Party won a sweeping victory over its opponent, a mishmash coalition of parties grouped in the Pakistan National Alliance and dominated by the reactionary Islamic Jamaati Islami party run by the international grouping of the Muslim Brotherhood, itself a product of the British Secret Intelligence Services. The scale of victory was massive. Immediately charges of vote fraud were filed and demonstrations run by the PNA, all carried out with foreign funding and direction. The aim of the chaos was to force a situation for army intervention. This is precisely what took place in July, of course, with the usual proviso that the army was just restoring order and would soon return to its barracks, which it has yet to do.

Prescription for Balkanization

The key to the operation, foreshadowing the events in Iran, was the use of the reactionary Islamic networks of the Muslim Brotherhood. The Brotherhood's main message was that Bhutto was not "Islamic," that he was too "Western" in his ways. The mullahs were the mainstay of the anti-Bhutto movement, despite the fact that the Jamaati Islami has never commanded the allegiance of more than a tiny minority of Pakistanis.

The Brotherhood now runs the Zia regime. President and General Ziaul Haq himself is related by marriage to top Brotherhood leaders, and the new chief of the navy is also close to the Jamaat. The silent partners of the Jamaati in this conspiracy are their supposed enemies, an elite cult called the Khadiani (or Ahmedi) which is similar in character and origin to the Bahai in Iran and is an arm of British intelligence and the Israeli Mossad. The Khadiani, who have temples in places like London, Israel, and South Africa, backed Bhutto earlier in his career, but they turned against him a few years ago.

The Anglo-American networks of the Brotherhood and the Khadiani, of course, are paralleled by their control into the military, traditionally oriented toward the U.S. and Britain. General Zia's major theme in the recent period has been to declaim the failure of the U.S. to act as a "superpower," a view whose authority he openly attributes to Henry Kissinger. The Jamaati, who are pushing a major Pakistani confrontation with Afghanistan and backing Brotherhood-run Afghan exiles who are running armed terrorism into Afghanistan out of Pakistan, agrees with this view.

Pakistan is now to be sacrificed on the altar of geopolitics. The junta, which hopes to ruthlessly suppress the pro-Bhutto forces and install a Jamaati government through "elections" in November, will itself be a victim of this design. The military government is held unlikely to be able to maintain control of the country and prevent the centrifugal tendencies of the non-Punjabi population from expressing themselves against the Punjabi Army and ruling elite. Revolts seeking "autonomy" in Baluchistan, the Northwest Frontier Province, and even the Sind are expected to and will be set up by British and CIA circles to occur—as is happening now in Iran. These will be blamed on the Soviet Union. The operant principle of this game is in fact to draw the Soviets into a confrontation by creating such chaos in an area vital to their security—providing the scene for a showdown in which the Chinese, who have military ties to Pakistan, could also intervene.

London's primary goal remains the breakup of all the viable states in the region, especially India. While Islamic reactionaries are installed in Pakistan and Bangladesh, India is being pushed by these same circles into a government controlled and run by the Hindu chauvinist and anticommunist Jan Sangh-RSS party and militia which is part of the ruling Janata party.

The spectre of an Islamic regime confronted by a Hindu chauvinist regime in India is a hideous formula for the destruction of South Asia. The economic policies of the Zia regime in Pakistan—the denationalization of vital industry and banks, the shelving of Bhutto's ambitious industrialization plans, and the implementation of "Islamic austerity" at the behest of debt-strapped Pakistan's creditors—are a crucial part of this. These policies on the Pakistani side are mirrored by the anti-Nehru, anti-industry ruralism of the Janata regime in India, where only Mrs. Gandhi, who faces the same persecution suffered by Bhutto, has the national and international stature to resist these World Bank designs.

The ghost of Z.A. Bhutto

The junta in Pakistan is now shakily confronting the rage of the Pakistani people, who in vast majority will now follow the memory of their leader, Z.A. Bhutto. Elements of the Pakistani military, watching the consequences of their stupidity, may now coup Zia to save the situation. The fascist regime in Pakistan has no cards left to play—the question at hand is whether Pakistan itself can be saved, and whether the subcontinent of Asia can be restored to the policies of peace and development for which Zulfikar Ali Bhutto lived and died.

In life Bhutto did not fully meet the requirements of his own dedication. His failings were not those of

“ambition” but of fulfilling those ambitions. In death, the task is now left to others who must succeed in entirety. Bhutto ended his jailhouse document with the same quote that Jawaharlal Nehru ended *The Discovery of India*, the last book he wrote in prison before victory over the British. It is a quote from Ostrovsky's *How the Steel Was Tempered*:

“Man's dearest possession is his life, and since it

is given to him to live but once, he must so live as not to be seared with the shame of a cowardly and trivial past, to live as not to be tortured for years without purpose, that dying he can say, ‘All my life and my strength were given to the first cause in the world—the liberation of mankind.’ ”

—Daniel Sneider

Bhutto tells why Kissinger killed him

Excerpted below are passages from Prime Minister Zulfikar Ali Bhutto's defense against the Zia government's charges which led to his death sentence. Written in his prison cell and smuggled out, Mr. Bhutto's "The Pakistan Papers" were made available to numerous press agencies internationally. Of them, only this news service dared to reprint Mr. Bhutto's devastating indictment of the international conspiracy against his government. (All emphasis in the excerpts is Mr. Bhutto's.)

What about the nuclear reprocessing plant?

After three years of intense negotiations, the Nuclear Reprocessing Plant Agreement was signed between France and Pakistan in March 1976. France was fully satisfied on the *safeguards*.... The International Atomic Energy Commission at Vienna *confirmed* the Agreement. The United States representative on the Commission voted in favor of confirmation.... In August 1976, I rejected the counter proposals of the United States. At that time, the French Government expressed its indignation over American interference. A consistent position was taken by France on the original Agreement until 5 July 1977.

I have been actively associated with the Nuclear Program of Pakistan from October 1958 to July 1977, a span of nineteen years. I was concerned directly with the subject as Foreign Minister, as Minister for Fuel, Power and Natural Resources and as Minister in charge of Atomic Energy. When I took charge of Pakistan's Atomic Energy Commission, it was no more than a signboard of an office. It was only a name.

Assiduously and with granite determination, I put my entire vitality behind the task of acquiring nuclear capability for my Country. I sent hundreds of young men to Europe and North America for training in nuclear science. I commissioned Edward Stone to build PINSTECH and laid its foundation stone in the then wilderness of Islamabad. I negotiated the agreement for the 5-MW Research Reactor located in PINSTECH. In the teeth of opposition from Finance Minister

Shoab and Deputy Chairman of Planning Commission, Said Hasan, I negotiated with success to obtain from Canada the 136-MW Karachi Nuclear power plant and performed its opening ceremony; towards the middle of 1976, I gave the approval for the Chashma Nuclear Power Plant. And of course, I negotiated and concluded the Nuclear Reprocessing Plant Agreement with France in 1976. Due to my singular efforts, Pakistan acquired the infrastructure and the potential of nuclear capability....

Kissinger Blackmail

Dr. Henry Kissinger, the Secretary of State for the United States, has a brilliant mind. He told me that I should not insult the intelligence of the United States by saying that Pakistan needed the Reprocessing Plant for her energy needs. In reply, I told him that I will not insult the intelligence of the United States by discussing the energy needs of Pakistan, but in the same token, he should not insult the sovereignty and self-respect of Pakistan by discussing the plant at all....

It is about time the regime straightened out its priorities. I did not rig the elections but is rigging an election worse than losing nuclear capability?

Party funds and foreign help

... *The events of the last twenty years have made me arrive at the unambiguous conclusion that, at present, the greatest threat to the unity and progress of the Third World is from coup-gemony....*

PNA was not supported by foreign elements out of love. An understanding was reached. The understanding was that PNA would be helped and supported financially and politically to overthrow my Government by an inspired agitation. In the first instance, the Army would take over. The ground would be cleared and the obstacles removed. After the consolidation, it would be expected that the reason for the overthrow of my Government would be fulfilled. These terms and conditions were settled finally in February 1977. *The protest over the American decisions to halt aid until the questions of the Nuclear Reprocessing Plant is settled, is not an unexpected nor a new development. It was an integral part of the coup d'etat of 5 July 1977. The PNA is expected to fulfill its part of the bargain. The dance of diplomatic words, the strong statements and editorials of the poodle press are a stunt to befool the people.*

Confrontation gains steam

Carter's SALT push part of 'arc of crisis' policy

Behind the Carter Administration's highly publicized push for a conclusion of the SALT II agreement is a move to keep the Strategic Arms Limitation Talks going as a framework for superpower negotiation as regional confrontations erupt at any one of several probable flashpoints along Zbigniew Brzezinski's "arc of crisis" on the Soviet Union's southern flank.

Evidence of this compiled over the past week includes: National Security Advisor Brzezinski's April 4 speech to the Chicago Council on Foreign Relations, detailing the "framework for negotiations" approach; Senator Edward Kennedy's address one day earlier to the New York Council on Foreign Relations, also stressing the need for "negotiations" as confrontation nears while euphorically reporting on the "progress" made thus far in "boxing in the Soviet Union"; and Defense Secretary Harold Brown's April 5 address to the New York CFR, declaring that under the SALT framework an unbridled strategic and theater arms buildup will be launched by the United States.

Policymaking circles make no secret of their commitment to confrontation. A key Haig-for-President organizer, Fletcher School geopolitician Scott Thompson, tells a caller the odds favor an "eyeball-to-eyeball" confrontation between the U.S. and USSR in as little as 90 days, while NATO commander Haig himself outlines a strategy for NATO expansion in the Third World to clean out Soviet influence in an interview in the *Frankfurter Allgemeine Zeitung*. (See excerpts below.)

Hastening the tempo of the confrontation push are the Schachtian energy cutback proposals announced by President Carter. Although the Administration and the supporters of its policies are not saying so candidly, they are fully aware that in the medium-term, the Carter-Schlesinger energy program will have a crippling impact on U.S. industrial capability—and hence, on its capacity to match Soviet military might. They are compelled to seek a decisive showdown in the immediate period ahead.

What Haig and Administration strategists do not admit—as the Haig interview clearly reveals—is the

possibility that the Soviets will not respond to a NATO-initiated confrontation in the step-wise, "escalation-ladder" scenario envisioned by NATO planners. In view of many many observers, the Soviets' only possible military policy in the event of unavoidable confrontation will be an all-out thermonuclear attack. In this area of strategic warfighting, the Soviets have a marginal but decisive edge over their NATO adversaries.

Haig sees NATO move into 3d world

The following excerpts are from NATO Supreme Commander Gen. Alexander Haig's interview in the April 7 Frankfurter Allgemeine Zeitung, one of West Germany's most influential national dailies. The interview was based on questions posed by the Zeitung's military affairs correspondent, Adelbert Weinstein, who was a major in Hitler's General Staff during World War II. Subheads are added by Executive Intelligence Review.

"Nevertheless, because we have to expect a change in the leadership of the Soviet Union, which we can reckon as bringing new burdens, we must also realize that the West is facing a period of great danger." This period will be one, he said, in which the risks of miscalculation increase. Two elements can aid in creating strategic miscalculations: the East's continuing military progress and the possibility of misinterpreting the West's determination. "The future will demand an unusual amount of transatlantic agreement, trust, and concerted action."

Special attention must be paid to the strategic situation in the Mediterranean. General Haig offered the opinion that he would agree in still describing the situation in the Mediterranean as favorable. In this strategic zone, the Atlantic security system will be

strengthened by the American Sixth Fleet: "The Sixth Fleet has a central task. It has brought its combat readiness to a high level through numerous exercises and maneuvers. Its presence has eased the shadow of Soviet military strength which weighs down on the democratic states of the Mediterranean region. The military strength which the Sixth Fleet broadcasts has encouraged a self-expanding network of economic relations that are free from the intimidation attempts of foreign powers."

Nevertheless, NATO faces special problems in the Mediterranean. In spite of praiseworthy efforts in the past years, in spite of the lifting of the American arms embargo against Turkey, much is unsolved: "Greece, an ally worthy of our confidence, remains outside of NATO's integrated military structure. There are many political questions unsolved between Greece and Turkey. Turkey's economic misery has increased."

Mediterranean challenge

The challenge in the Mediterranean forces is the conclusion that the Alliance can no longer be allowed to rest on one-sided efforts from the United States. NATO as a unit must itself use its political, economic and security-technology active posts more effectively. The Atlantic interests cannot be protected in any other way.

"And finally, we ourselves must finally become clear about the effects on those countries of the Third World that lie along the Mediterranean coast and in the strategic Mediterranean triangle if we were to lose our capacity to control this section of the world whose geostrategic importance is of life or death importance." In spite of progress in the direction of peace in the Mideast, NATO cannot lose sight of the fact that the change that recently occurred in Iran fundamentally changed the military balance of power that existed at the beginning of the Egyptian-Israeli peace negotiations. The probability is great that a center for future crisis and conflicts could arise in the Mediterranean."...

The steady buildup of the Soviet nuclear forces has forced the Seventh Army and the Alliance in the past couple of months to make an inventory of just how high its own "nuclear requirements" are. And in addition to this NATO wants to test in which way the present inventories can be modernized. "Up until now no decisions have been made. But it is obvious, that, whatever decision will be taken, will have to be made according to the principles of shared burdens, shared

risks, and shared positive results."...

"The so-called radiation weapon—enhanced radiation/enhanced blast—is a defensive weapon for close distances. It is an antitank weapon. Nevertheless, the greatest problem that we have to solve and that faces the Alliance is how can we meet the threats that come to us from a great distance. The Soviet SS-20 rocket and the Backfire bomber threaten us. The Alliance is at a disadvantage in this weapons sector. Soviet weapons with medium and long distance ranges diminish the effect of the Atlantic deterrence potential. Therefore our most urgent task must be to do everything to modernize NATO's long range weapons systems." ...

"Deterrence"

And if for once a military dispute cannot be avoided in Europe, then this conflict must be limited "to the lowest possible step of armed dispute": NATO must therefore continue to get those troops prepared that are necessary to realize its strategy of "flexible response" in reality; through mutual protection of solidarity in the alliance. This demands the modernization of the West's tactical nuclear forces, a broad mesh of a reserve system, and getting military bases prepared. All of this is necessary to guarantee a "deterrence continuum," and, beyond this, to be able to produce credible deterrence at every level of a possible conflict. "Of course this does not mean that NATO itself will necessarily have to equal the order of magnitude of the Soviet arms potential, for the appearance of reaction on the part of the West would be unsuitable."...

"The problem of security does not only have a military and a political side. Security and economic potential go together. "What we have here is an obvious contradiction between our social economics requirements and our growing desire for security. What must be comprehended above all else is that these are not given entities that rule each other out. We cannot allow ourselves the luxury of working out a compromise with one at the cost of the other. It is a fact that all Western industrial nations have their social and economic problems. And it is precisely because we all have the same problems that they require similar, integrated solutions in monetary affairs, in trade, and in a whole row of further border areas in the social and economic sector to which we have to address ourselves."

In his evaluation and consideration of Atlantic security policy, General Haig said that one should not "only" look at Europe. He does not see any danger of

the European strategic zone being overrun, for NATO's core area, for what he calls the "Atlantic heartland," namely Middle Europe—the Federal Republic, the Netherlands, and Belgium. "I have already said, if I am not contradicted by unforeseen developments, that we can meet an aggression from the Warsaw Pact. Our deterrent is effective for this period. And when we make the effort, it will also be effective in the future." He sees the danger coming from another section of the political weather map. "In the next period, we will very probably be confronted with various situations that result from the Third World's own dynamic. What it will come to in this is how the Soviet Union attempts to use this dynamic." ...

"A syndrome of inevitability"

In order to make it clear what he was driving at, General Haig suggested, a brief overview of world politics would suffice: "In the past year the following things have occurred: the establishment of governments that are dependent on the Soviet Union in Afghanistan, in South Yemen, and in Ethiopia; the establishment of Soviet naval and air bases in Aden and Ethiopia, a growing increase in Soviet influence in South Africa, and the invasion in Cambodia and North Yemen by auxiliaries supported by the Soviet Union." The people of the Western world cannot be allowed to underestimate the consequences of illegal Soviet adventures in the Third World, which could lead to a threat against our raw material sources including energy. Furthermore, the Russians could conquer a series of military bases that directly threaten our economy's life lines. A "syndrome of inevitability" could arise that could bring those Third World nations that are friendly to us to allow those people whom they consider to be the winners to enter their country.

"Of course, there is no question that the activities of the Soviet Union beyond the borders of NATO lead to consequences that are disadvantageous for the security of the Alliance. And in addition to this the accompanying effects of these activities are further complicated by the fundamental change in the strategic atomic field. For almost thirty years the United States' strategic and nuclear superiority was the decisive factor in all local or regional crises. With the coming into being of a new strategic balance of power at the beginning of the 1970s this deciding factor is no longer taken as given, and the present regional military balance has become more important...."

'Eyeball-to-eyeball in ninety days'

Fletcher School of Diplomacy Professor Scott Thompson described in an interview made available to NSIPS London's crisis-scenario for putting Alexander Haig in the White House by 1980—or sooner. Thompson, a former Rhodes Scholar, is a member of Britain's International Institute of Strategic Studies and a close friend of Robert Moss and other British intelligence insiders, as well as of Haig.

I had all the Republican leaders from Massachusetts at my house Dec. 15 to hear Haig speak. This was the day before he addressed the Tufts (University) conference on "How the World is Blowing Up." Haig has the best handle on this of anyone I know ... Everyone was really impressed.

You know, I had Fritz Kraemer—the guy who made Kissinger what he is—at my house two months ago and he described the differences between Haig and Kissinger: "I know Henry better than Haig," Fritz said. "When Henry comes into a room, he feels very insecure, because he knows he's not one of the group. He's very uptight, and he puts on a big performance to prove himself and get accepted.

"Haig is entirely different. When Haig comes into a room, he knows he'll be respected by everyone there. He knows he's on the inside. He's very suave—a very 'with it' fellow."

Both Haig and I agree that he doesn't have a chance to get nominated in 1980 unless the national mood changes. There's a good chance of this happening. I believe there is a 90 percent possibility that we will become involved in an eyeball-to-eyeball confrontation with the Soviets. It's hard to imagine that this won't happen very soon.

I would have thought—and Haig agrees with me, though he won't say so publicly—that this could have happened any time in the last two years. Everyone in Europe knows that, with the shape NATO is in, the Russians could sweep through Europe to the Channel in a week. But the Soviets have been very shrewd: they've not responded in the way we expected. I think they're waiting first to get SALT and the 1980 elections through before making a major move.

Such a U.S.-USSR confrontation could come out of a Soviet occupation of northern Iran, or Soviet use of the Palestinians as a surrogate military force or—much more likely—a serious deterioration in Israel's security. The U.S. will naturally want to do something, to go to the brink when this happens. But we won't be able to. *We'll back down.*

Carter and Vance have internalized the idea that the U.S. is number two, and their mind-set is to beg the Soviet Union for concessions. ... They won't have the guts to do what is necessary...

What will happen then? Well, I think the country will start saying, 'We're tired of being pushed around by the Russians. Carter is a patsy. We need a man on a white horse to take over.' Carter will become a patriot then, just like Neville Chamberlain finally did. He'll realize that none of his present advisors are capable of handling the situation, and he'll bring Haig and like-minded guys into the Administration. He'll be just a figurehead while these men run the government. One of the things we'll have to figure out is how, as an honorable man, we can close down GM and begin producing cruise missiles around-the-clock without the Soviets knowing. We'll have to carry out preparations to recoup our losses vis-a-vis the Russians....

The "man on the White Horse" syndrome is Connally's scenario for getting elected, too. Connally is a tough guy, no doubt about it. He's the CPD's (Committee on the Present Danger —ed.) candidate. But I think he and Reagan will cancel one another out. He's also plagued by being an ex-Democrat and by the milk scandal. He'll probably end up as Haig's Secretary of State....

Connally is a hard-liner, but Haig is much more of a hard liner than people realize. A lot of people feared him in 1974 as a serious danger to constitutional government. There were a lot of knee-jerk conservatives

and right-wingers who thought he was going to run a coup when he became Acting President. He impresses people as a fascist ... Schlesinger was one of the people who misread Haig's intentions. People were wrong, though. Haig is just an extremely patriotic person....

Who's supporting Haig? Well, David Rockefeller, definitely. A lot of old Republican money on the Street (Wall Street—ed.) is behind him ... Ely Jacobs, for example. Heinz in Pennsylvania is very pro-Haig. Haig visited him when he was in Pennsylvania last month...But Haig doesn't have an organization yet, so a lot of people who probably will support him if his candidacy takes off aren't doing so yet.

Is Kissinger behind Haig? Hah! Kissinger is trying to be behind everybody's campaign. As soon as he hears of a new candidate, he goes running up to him offering his services. He really wants to get back in (the government—ed.). It's really pathetic. But Haig has no use for him, and neither does Connally.

I expect Haig to begin campaigning as soon as his resignation from NATO takes effect in June. He'll play an enormous role in the SALT debate. He already has, actually. Every time he gives a speech, he'll say he hasn't seen the SALT document yet, so he can't comment, but then he goes on to detail why it's such a rotten deal for the U.S.

One thing I suggest you do: Watch the SHAPE conference in Brussels May 8-9 carefully. Haig is inviting a whole bunch of non-NATO people, including myself, and it should be very interesting.

Schlesinger's plot to destroy the U.S. economy

1. The Nuclear Hoax

Why the odds in favor of sabotage at the Three Mile Island plant are .99999994.

2. The Oil Hoax

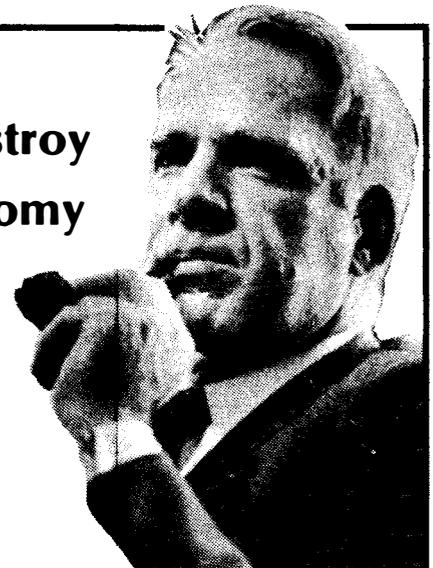
Why you'll pay through the nose for a shortage that doesn't exist.

3. Transportation Sabotage

Why the federal government broke up the teamster/industry contract negotiations.

4. Crisis Management

Why the Federal Emergency Management Agency was in place and functioning before the Three Mile Island accident.



Gerald Ford dumped Schlesinger for less!

Order your copy now for \$1.50 (postage paid) from Campaigner Publications, Inc., 304 West 58th St., New York, New York 10019. Bulk rates available.

Three Mile Island

A dry run for crisis management news control

No specialist who has studied the facts of the case could effectively argue with the conclusion that the nuclear crisis at Three Mile Island in Pennsylvania during March 28-April 2 was part sabotage, part hoax. The sequence of mechanical mishaps at the plant had a probability in the range of hundreds of thousands to one. Yet the Nuclear Regulatory Commission was declaring a state of emergency when none was warranted by the accident's consequences nor warranted by the NRC's own standards for an emergency.

The NRC, other federal officials, and the Governor of Pennsylvania apparently muzzled utility officials, and then spoke to the press in "doomsday" terms of "meltdown," "H-blasts," and "precautionary evacuations"—and continued to do so after the entire incident was over. The news media took care of the rest.

Executive Intelligence Review learned last week that the Federal Emergency Management Agency, set up to handle "national emergencies" and scheduled to begin functioning April 1, became operational on March 27—a full day before the "nuclear accident."

FEMA personnel, under the direction of the National Security Council and a White House Emergency Task Force, coordinated the emergency evacuation panic scenario; while the NSC's Jack Watson and NRC personnel managed the content and flow of news.

We have also learned that this agency and its functioning is based on a policy memorandum—PRM-32—drafted by Trilateral Commission strategist Sam Huntington which outlined a very specific scenario for crisis management reorganization of the U.S. government—a scenario which was tested during the Three Mile Island incident.

In the following grid, we counterpose the reports from the press and the NRC with the facts as presented by a team of experts from the Fusion Energy Foundation and the U.S. Labor Party at an April 6 joint press conference in New York.

—Vin Berg

What happened

March 28

What press and NRC said

By improbable coincidence, the main secondary feedwater flow system fails; the auxiliary (emergency) feedwater flow system fails; as primary cooling system heats up in consequence, the reactor immediately shuts down; pressure relief valve fails, sticking open, causing tank overflow and spillage onto containment floor.

Because of the improbable coincidence and "operator error" (sometime during first hour) the core twice becomes partially uncovered, causing a small amount of fission gas to be released into primary coolant.

Situation: *Within 45 seconds, reactor shut down. Within 3 hours, reactor core fully stabilized. Relief valve closed and primary and secondary cooling systems put into operation. All emergency core-cooling systems work perfectly, core meltdown never being a possibility.*

Nuclear Regulatory Commission press release outlines basic developments and announces that an emergency situation has been declared at site. Six NRC personnel already on-site; team being formed to monitor every action taken by Metropolitan Edison plant operators.

By official NRC standards defining an "emergency," no emergency situation could be said to exist, nor did one. The declaration's effect was to put plant under direct NRC supervision.

Radio news reports "worst accident in the history of commercial power."

What happened

What press and NRC said

March 29

During the night, small amount of fission gas is released into the atmosphere from the auxiliary building, through the gas storage system, and out the plant waste-gas stack, according to plan. Purpose was to prevent fission gas build-up in auxiliary building tanks, and in building atmosphere. Levels of emission were within normal release limits—a very low, 1 millirem/hour.

Situation: *Reactor remains stable and cool (250F) at pressure of 450 psi.*

New York Times reports: "Radiation Is Released in Accident at Nuclear Plant in Pennsylvania." "Above Normal Levels." "General Emergency Declared."

Baltimore Sun reports: "Radioactive Gases Escape From Pa. Plant."

An official NRC press release says "Radiation levels in the containment building remain high ... detectable levels continue to be released into atmosphere ... the source of the gas is the auxiliary building...."

March 30

Utility officials release gas from auxiliary building twice more, for 45-60 minute periods, at maximum levels of 25 Mrems (lower at a distance). Radiation dose rates, even on site, are far below hazardous (one dental X-ray equals 20 Mrems). Some waste water released into Susquehanna River, at radioactive level well within NRC regulation.

Gas bubbles detected within primary coolant system are carefully monitored as they collect at top of reactor vessel. Such noncondensable fission gases (plus hydrogen) are routinely taken out through pressurizer's free surface; the technique proceeds more slowly than normal, only because of the larger than usual amount of gas caused by the mishap.

Situation: *No problems are occurring in planned gas emissions or bubble dissipation. None were anticipated. Reactor remained stable at 280F and 1,000 psi. No radiation in any form has escaped from the plant, except according to plan.*

New York Post reports: "Nuke Leak Goes Out of Control!" "An uncontrolled release of radiation spewed from the Three Mile Island plant today, triggering some panic in the streets here, where people alerted by Civil Defense whistles, ran for cover." Accompanying articles' themes included: "Fall-out Vigil Begins Here" (Albany, N.Y.). "N.Y. Farmers Told to Keep Cattle Inside."

Pennsylvania Governor Richard Thornburgh orders all schools within a 5-mile radius closed; advises pregnant women and school children to evacuate; all persons within 10-mile radius to stay inside. The governor says: "These emissions were unexpected and they could not stop it." He said that he was considering evacuation of 950,000 people in 4 surrounding counties.

NRC officials say: "Detectable radiation has spread over 4 counties ... the accident was due to faulty nuclear safety systems."

March 31

Technicians release fission gas once more at even lower levels than previously (1.5 Mrem/hour). Gas bubble at top of reactor vessel estimated at 1,000 cubic feet (now believed to have been smaller). Gas bubble remains far above reactor core region, and cannot move down toward core because of the velocity of the upward coolant flow. While the bubble grows very slowly, the coolant flow is sweeping the gas through outlet nozzles, breaking it up into small bubbles, which are coming out of the pressurizer surface—according to normal mechanisms.

Situation: *Reactor remains stable. Gas bubble is rapidly dissipating. Bubble even at its largest never threatens reactor core, nor could it have because of upward coolant flow. There is no possibility of gas spreading downward to pose danger of core meltdown. If needed, emergency core cooling systems are fully operational. Meltdown is a technical impossibility.*

A senior NRC official states that a meltdown is a definite possibility. NRC Commissioner Denton says: "This is easily the most serious nuclear power accident in the program's history." Another NRC official says "We face the ultimate risk of a meltdown."

New York Daily News reports: "Nuclear Crisis!" "Pregnant women, kids flee." "Fear meltdown of Nuclear Core." "In a matter of minutes, the core can melt to form a glowing, radioactive ball weighing 100 tons or more ... melt through the thick reinforced structure ... deep into the ground.... Underground water would flash into steam ... break through the surface spreading radioactive contamination over a large area. Thus, the China Syndrome."

President Carter orders National Security Advisor Brzezinski to set up special communications system and special interagency team under NSC.

What happened

Technicians are "baffled"—over how the gas bubble has dissipated so quickly. The bubble has all but disappeared, by the mechanisms begun the previous day. This also *proves* how small the bubble was, in fact.

Further emissions of gas into the atmosphere are effected at little more than "background" levels. It is estimated that total dosages received by any off-site individual is 85 Mrems, little more than in a chest x-ray, in the course of the past four days.

Situation: *The incident is over. Reactor remains stable at 280F and cooling, at a pressure of 1,000 psi. The gas bubble, now gone, had never threatened either to provoke a meltdown or a hydrogen explosion, since there was no source or mechanism which could have fed oxygen into the reactor vessel. Had oxygen infiltrated, the amount of hydrogen present would have produced a "blast"—with the force of a hand-swung sledge hammer! That is, there was not even enough hydrogen to threaten an explosion!*

What press and NRC said

April 1

President Carter arrives at Three Mile site saying: "The reactor is stable, but I am afraid that in a few days, important decisions will have to be made on the bubble, and Governor Thornburgh may ask you and others in this area to take appropriate action to insure your safety."

New York Times reports: "Officials Say Nuclear Plant Is Cooler But Still in Crisis." *Washington Post* reports: "Risk of Explosion at A-Plant Reported Increasing." "Top Priority Is to Collapse Gas Bubble Safely."

NRC Commissioner Denton repeated "precautionary evacuation" theme. He states that the NRC and Metropolitan Edison have an "unequivocal understanding" that the NRC must approve all actions. Denton also contradicts Metropolitan Edison spokesman who reports fact that gas bubble has grown very small. Denton says gas bubble is still major threat. NRC Commissioners Denton and Hendrie both say they are considering a "precautionary evacuation" of residents within 20-mile radius.

April 2

All gas in the vessel and in the primary coolant system is now gone. Radioactive gas releases into the atmosphere have all but stopped. Reactor is now in a mode to be brought to cold shutdown. Officials study optional procedures for doing so.

Situation: *Reactor is held at 280F and 1,000 psi with one primary coolant loop and one steam generator secondary coolant loop operating. This is the condition that exists now (April 10, 1979).*

New York Times reports: "Precautionary Evacuation Plan Studied for 25-mile Radius." The *Washington Post* reports: "Reactor Core Is Cooling, But Gas Bubble Is Hazard."

Daily News reports: "Key Maneuvers Set at A-Plant." "May Evacuate 600,000 If Move Fails."

NRC Commissioner Denton is quoted as saying the hydrogen content in the reactor vessel has increased "from 1.7 to 2.4 percent. At about 4 percent we reach the danger level and at 8 percent the detonable level."

Soviets: Western press coverage antinuclear

The following is a brief excerpt of an article by Anatoly P. Aleksandrov, president of the Soviet Academy of Sciences and a nuclear physicist, which appeared in the April 10 issue of the Soviet daily Izvestia. His statement on the Three Mile Island accident included an attack on those Western countries threatening to use military force to obtain scarce oil supplies.

Coverage by the Western press of the accident at the nuclear reactor in Harrisburg, in which some basically minor unpleasant consequences were described in an extremely exaggerated manner, was an extension of the campaign against atomic power (the development of which) is the only way of avoiding an energy crisis.

Congressional Calendar

Senate debates health care

Sen. Edward Kennedy's much publicized national health care package awaits formal submission to the Senate, which most likely will occur by mid-April. It is now in the final drafting stages.

Meanwhile, a flood of major health care bills have already been submitted and are awaiting action in the Senate Finance and Human Resources Committees. Some, like the Carter Administration's own hospital cost containment bill, are designed as "first installments" on the service-cutting zero-technological-growth package pushed by Kennedy. Others, like the catastrophic illness bills submitted by Sen. Russell Long (D-La), head of the Finance Committee, and Sen. Robert Dole (R-Kansas) appear designed to extend health care benefits to Americans without fully imposing the Kennedy cost-cutting strait jacket, but make significant concessions to the "fiscal austerity" mentality nonetheless.

S. 570, the Administration's hospital cost containment bill, is a mechanism under which all hospitals that did not hold costs below a 9.7 percent rate of annual growth by Jan. 1, 1980 would be penalized by federal refusal to pay medicare and medicaid costs, by a 150 percent penalty payment on "overcharges," etc. (The annual inflation rate for the whole economy during the first quarter of 1979

was over 12 percent.) Hospitals in states where mandatory cost containment at similar levels is already in effect would be exempt.

S. 570 is scheduled for final markup in the Finance Committee April 10-11. Committee sources refused to predict it would emerge in its original form; Senator Talmadge, head of its health subcommittee, and the powerful Senator Long oppose it.

S. 505, a revision of Medicare-Medicaid law sponsored by Talmadge, is a grab bag, which, among other things, attempts to head off the political momentum of the Kennedy caravan through such "cost-containment" devices as a pilot program providing payments to nonprofit hospitals to cover "increased operating costs" associated with "the closing down or conversion of underutilized bed capacity." The bill estimates the figures at 10 percent of total available beds nationally.

S. 350-351, introduced by Long, would set up a federal insurance program under Social Security to insure medical expenses of more than \$2000 and hospital costs beyond 60 days. Employers would be subject to a 1 percent payroll tax to finance the program, or would purchase comparable private insurance, with the premiums subject to 50 percent tax credit.

A third bill offered by Long, S.

760, takes a slightly different approach by mandating all employers to provide catastrophic coverage, omitting the payroll tax, and providing tax credits to small employers and to other persons wishing to purchase such health coverage. The bill would also establish a federal medical assistance plan for low income people. Sen. Dole's bill, S. 748, is similar and would operate wholly through private insurance carriers, providing assistance to low-income families not covered by medicaid and expanding medicare and medicaid benefits.

Long and Dole have both made their desire obvious to strike a bipartisan deal around some version of these bills—taking the steam out of Ted Kennedy's prime issue by passing a major health insurance bill this year.

Hart calls for crisis control 'after Harrisburg'

Senator Gary Hart (D-Col) began surprise hearings April 10 in the nuclear regulatory subcommittee of the Senate Environment and Public Works Committee on the cause of the Three Mile Island incident. His hearings also covered what should be done with similar crises in the future. In a statement capturing the Senator's opposition to economic or technological growth, Hart declared that "This investigation will ask whether man can control his destiny in such times ... whether man can control high technology or whether high technology will control him. The question is, does the system work ... is federal regulation and control sufficient to warrant the further use of nuclear power?"

Hart is using his hearings to provide the impetus toward establishing a crisis management capability to deal with such crises in the future, a proposal that will allow complete coordination of energy programs, and be an important interface to the entire plan for militarized control over the U.S. economy. Hart, who explicitly called for such a capability at his hearings, is working closely with Senator Ted Kennedy, who last week demanded an independent agency to oversee the Nuclear Regulatory Commission's ability to control the nuclear industry. Hart held his hearings after pressuring more reluctant committee members that if the Environment Committee did not handle the issue, Senator Kennedy would.

Javits pushes decriminalization of marijuana

On March 15, Senator Javits introduced his yearly proposal to decriminalize marijuana, titled the Marijuana Control Act of 1979. The bill, which has been introduced into every session since the 92nd Congress, would remove all criminal prosecution for private use of one ounce or less of marijuana. Javits is finding out that there is little support for legalizing drugs and has gone through great pains to get the five co-sponsors for the bill. His office hopes that hearings on the bill, which is in Kennedy's Judiciary Committee, will be held this year and see that as an achievement.

However, according to one of his aides, Javits is using his bill to "provide the impetus to get something such as Kennedy's bill passed." Ted Kennedy intends to push for a version of decriminalization of marijuana use to be incorporated, as it was last year, into his revised criminal code legislation, and Javits's bill therefore is being used to persuade the Senate to support the "less drastic" proposals of Kennedy.

Effort to abolish Electoral College

Senator Birch Bayh (D-Ind) thought he had a deal with the Senate to have it move immediately on his proposal for a constitutional amendment to abolish the Electoral College without first holding hearings in Committee. Ted Kennedy's Senate Judiciary Committee had debated the issue last year and approved the measure. But Senate opposition to the bill has forced Bayh to hold hearings on it this week, and floor action on the measure has been delayed for at least three months. Timing of floor action is important to its opponents, who filibustered a similar proposal to death in 1970, and will do the same this session if it is raised at a time when that is possible.

—Donald Baier and
Barbara Dreyfuss

LaRouche campaign cracks censored

Candidate assails Carter war policies on television and in press ads

Citizens for LaRouche, the presidential campaign committee of U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., estimates that in the six weeks spanning mid-February to the end of March, it has reached approximately 10 million Americans as a result of an aggressive, paid media campaign which is without precedent in the recent history of so-called "third party" candidacies in the United States.

And, campaign officials believe, they have made significant steps toward cracking the national news media blanket of censorship that has consigned most independent candidacies in the postwar period to insignificance for lack of public recognition.

"Minor" candidates are usually given perfunctory, "group" appearances on the national television interview shows, such as "Face the Nation," while both broadcast and print media restrict news coverage to the minimum required to pay deference to the public (and legal) sense of "fairness." In fact, moves are underway to amend the "fairness" doctrine requiring television and radio broadcasters to give equal time to all candidates, so that the networks can concentrate their coverage on selected Democratic and Republican candidate candidates even more exclusively.

LaRouche faces an additional problem. An internationally recognized contributor to the formation of the European Monetary System and leading proponent of international industrial development policies, LaRouche is hated in the boardrooms of such firms as Lazard Freres, the investment banking firm which controls the *Washington Post* and NBC. And his proposals for detente with the Soviet Union, particularly in the Middle East, recently prompted an international slander campaign against the candidate from Cyrus Vance's State Department, which has strong influence at the *New York Times*. Although State Department official Tom Reston issued an apology over the Department's conduct in the affair, LaRouche's activities continue to get short shrift in the pages of the *Times*, which devotes numerous pages to articles slanted toward the views of such LaRouche opponents as Mr. George Ball.

Media censorship, therefore, was nothing new for LaRouche, who had been forced to seek a court order

in order to obtain paid media time on election eve in 1976 when, running for president on the Labor Party ticket, he delivered his famous one-half-hour broadcast warning that a Jimmy Carter presidency would lead to a thermonuclear showdown with the Soviet Union, and commit the United States to a policy of genocide against the Third World as advocated by Ball and others.

1980 problem acute

But the problems posed by media censorship attendant on his 1980 campaign became immediately acute when the media boycotted his announcement of his 1980 candidacy at a Jan. 15, 1979 press conference at Washington's Mayflower Hotel.

The blackout occurred at a critical moment: the national media, on the initiative of the Zionist lobby and Wall Street media and the New York foreign policy-making community were in the midst of launching a rigged "Haig versus Kennedy" presidential scenario designed to culminate with Haig in the White House in 1980. And, prodded by the same forces, the Carter Administration, together with China's Deng Xiaoping, was embarking on its deliberate confrontation policy against the Soviet Union—designed, among other things, to create the political conditions which would make a Haig candidacy popularly acceptable. Says Committee for LaRouche media consultant Allen Salisbury, "The race is going to be decided in the next six months."

The LaRouche campaign staff decided that—to break the blackout—it was necessary to go with a paid media drive. As a result, 18 months before the 1980 elections, Citizens for LaRouche has already spent \$50,000 on media before the contenders for the Democratic and Republican nominations have officially spent a nickel.

The message of the LaRouche drive was the danger of war resulting from Carter's confrontation push, and the results of the six-week-long media effort have not only gained wide recognition for LaRouche's warnings, but have, to a degree, drawn a dividing line between media committed to the Carter policy, and outlets which are not afraid to air LaRouche's voice of sanity.

U.S. media

The question of access

Having successfully seen their candidate use nationwide television on election eve, Nov. 1, 1976 the LaRouche supporters were eager to make a second television effort. Citizens for LaRouche Chairman Carol White wrote to the three major networks stating CFL's desire to purchase a half hour of prime time so that LaRouche could telecast a "Last-Minute call for Sanity." All three flatly refused, with one CBS official saying, "We won't sell you time and neither will NBC." To all appearances, the top three networks, which overwhelmingly control access to the American public, had conspired among themselves to deny LaRouche time. In fact, NBC's manager of Political Sales, Neil Turner, told the CFL staff: "You remember me, I'm the person who put you on in 1976 after you got the court order."

The networks' seemingly arbitrary decisions on selling time to candidates in reality reflect deliberate and willful censorship of the most carefully planned nature. The networks are so confident of their right to refuse time to candidates they do not deem desirable that CBS and NBC refused to sell time to Ronald Reagan, one month before the Republican Convention in 1976. Reagan was about to sue the national networks when ABC-TV offered time, sparing the networks public scrutiny on this issue.

In the LaRouche case this year, some networks went so far as to recommend that their affiliated stations (stations not owned by the networks, but subscribing to programs) refuse the LaRouche request to buy time. In some case, these refusals followed initially favorable reactions to the request. One advertising executive suggested that if such conduct by the networks could be proved, "Your legal staff should bring suit immediately." The national radio networks also refused to sell LaRouche time.

Using regional media

The Citizens for LaRouche decided that the impact of a national network telecast could be approximated by securing a number of spots on independent networks in major U.S. cities. Metromedia television, with stations in seven cities including New York, Washington, D.C., Houston, Cincinnati, Kansas City, Los Angeles and

Minneapolis agreed to air LaRouche's broadcast, also titled "Last-Minute Call for Sanity."

At the same time, network-affiliated and owned stations in other cities refused to sell time. The NBC-TV affiliate in Baltimore had initially indicated that it would sell time and then withdrew the offer under pressure from the network. Similarly, prospective time on the NBC outlet in Washington evaporated. In Detroit, the Labor Party then approached UHF station WGPR-TV, Channel 62, for the purchase of time. In other cities, CFL chose to use full or half page newspaper ads as the vehicle to bring their campaign to the public. A combination of both a television appearance and the newspaper ad were used by CFL in Detroit.

The campaign staff saw an advantage in the relatively short lead time involved in the appearance of the newspaper ads, which allowed them to place ads in the *Detroit News*, the *Chicago Tribune* and *St. Louis Globe-Democrat* all in the same week. Chicago, Detroit, St. Louis and Indianapolis were chosen because of the U.S. Labor Party's political strength as well as representing areas known for their populace's commitment to the American System and progress.

Even the use of major newspapers divided the media into camps, those refusing to cover any opposition to the war policy and those which permitted the coverage. The *Chicago Sun-Times* reneged on their earlier agreement to run the "Last-Minute Call for Sanity" after reading the ad. Owned by the Marshall Field chain, the refusal was egregious. It is general custom for newspapers to accept full-page political ads whose content does not agree with editorial policy per se. That point was underscored when the Katherine Graham-owned *Washington Post* called CFL to offer space for an ad, despite their well-known editorial opposition to LaRouche and his supporters.

Spinoff coverage

As a result of the CFL media effort, independent newspapers and radio stations have covered the LaRouche campaign on their own initiative. In addition to the spate of new coverage in independent press, a straightforward article even appeared in the March 12

The media covers LaRouche

The following grid is a compilation of news and other media coverage of the Lyndon LaRouche for President campaign, which, the candidate's supporters say, is partly the result of the impact of their paid media campaign, which has increased recognition of the newsworthiness of the LaRouche drive. (Note: in the table, CFL stands for Citizens for LaRouche, the LaRouche campaign committee.)

Date	Media	Location	Description	Audience/ Circulation
2/13/79	Seattle Post-Intelligencer	Seattle, Wash.	Article on LaRouche campaign	187,015
2/13/79	Seattle Times	Seattle, Wash.	Article on LaRouche campaign	245,614
2/23/79	Tri-Cities Herald	Richland, Washington	Article on LaRouche campaign	NA
2/24/79	St. Louis Globe-Democrat	St. Louis, Mo.	Interview with CFL Chairman	271,755
2/22/79	St. Louis Globe-Democrat	St. Louis, Mo.	Interview with LaRouche	271,755
2/20/79	KSXX-Radio	Salt Lake City	LaRouche interview	NA
2/27/79	WFAA-Radio	Dallas, Texas	LaRouche interview	NA
2/28/79	Macomb Daily News	Mt. Clemens, Michigan	Letter to editor	120,000 circ.
3/1/79	U. of Wash. Daily	Seattle, Washington	Letter to editor	30-40,000
3/1/79	Guide News	Port Chester, New York	Article on LaRouche campaign	5,000
3/2/79	KSXX-Radio	Salt Lake City	Interview	NA
3/2/79	Pittsburgh Post-Gazette	Pittsburgh	LaRouche letter to editor	190,812
3/79	Philadelphia Bulletin	Phila., Pa.	LaRouche letter to editor	516,872
3/79	Philadelphia Inquirer	Letter to Phila., Pa.	LaRouche letter to editor	413,200
3/79	Scranton Times	Scranton, Pa.	LaRouche letter to editor	NA
3/2/79	Paterson News	Paterson, N.J.	LaRouche letter to editor	NA
3/79	Plainfield Courier News	Plainfield, N.J.	Letter to editor	NA
3/79	Greenpoint Gazette	Brooklyn, New York	Op-ed	3-4,000
3/79	Black American	New York, New York	Op-ed	90,000
3/6/79	WCHS-Radio	Charleston, W. Va.	USLP interview	NA
3/6/79	WCAW-Radio	Charleston, W. Va.	CFL interview	NA
3/6/79	WOWK-Radio	Charleston, W. Va.	CFL interview	NA
3/79	WXYZ-Radio	Detroit, Michigan	LaRouche interview (4 hours)	200,000
3/79	Annapolis Evening Capital	Annapolis, Md.	LaRouche letter to editor	NA
3/79	Dundalk Eagle	Baltimore, Md.	LaRouche letter to editor	NA
3/79	Salisbury Daily Times	Salisbury, Md.	LaRouche letter to editor	NA
3/79	Hagerstown Herald Mail	Hagerstown, Md.	LaRouche letter to editor	NA
3/79	Cumberland Times News	Cumberland, Md.	LaRouche letter to editor	NA
3/79	Milwaukee Journal	Milwaukee, Wisc.	LaRouche op-ed	334,167
3/79	Milwaukee Sentinel	Milwaukee, Wisc.	LaRouche op-ed	161,310
3/79	Milwaukee Courier	Milwaukee, Wisc.	LaRouche op-ed	NA
3/79	Binghamton Evening News	Binghamton, N.Y.	LaRouche op-ed	NA
3/79	Rochester Daily Record	Rochester, N.Y.	LaRouche op-ed	NA
3/79	Batavia News	Batavia, N.Y.	LaRouche op-ed	NA
3/79	Roanoke Times	Roanoke, Va.	LaRouche letter to editor	NA
3/79	Newport News Journal	Newport News, Va.	LaRouche letter to editor	NA
3/79	Daily Progress	Charlottesville, Va.	LaRouche op-ed	NA
4/1/79	Sonntagpost & Milwaukee Deutsche Zeitung	Chicago, Ill., Milwaukee, Wisc.	LaRouche interview	NA

New York Times, the day after LaRouche appeared in a paid slot on New York's WNEW television.

In St. Louis the coverage in part reflected the concerns of leading industry and labor figures in that area. The conservative *St. Louis Globe-Democrat* twice covered LaRouche's warnings of war, which seems to coincide with the concerns of a grouping of former military officers in the region over U.S. strategic policy.

Coverage also appeared in Seattle, Pittsburgh, and New Jersey, in some cases, apparently prompted by honest individual reporters. In Macomb, Michigan, the *Daily News* is owned by the McGoff chain, which is independent of Zionist lobby interests that play a large role in censoring LaRouche.

Raising funds

The media campaign was also aimed at raising funds. Citizens for LaRouche report that at the end of March they had raised more than half of the required money to qualify for federal matching funds. Federal law dictates that a candidate must raise a minimum of \$100,000 by raising contributions of \$250.00 or less in 20 different states with a minimum of \$5,000 in each state to show broad based support. In 1976, LaRouche's campaign organization, Committee to Elect LaRouche, successfully reached the matching fund threshold, the only campaign other than Democrats and Republicans to do so.

Thus far, CFL officials say, they have raised more than \$70,000, most of which is eligible for matching. They have contributors in more than 30 states and have raised this amount within the first two months of the campaign. CFL officials are predicting that they will top the matching fund threshold by early summer.

However, CFL officials are quick to point out that, "To win an election you need to be prepared to spend \$20 million at a minimum. That's our goal."

LaRouche officials plan to spend at least \$10 million before September 1979. Ironically, this is long before both the major networks plan to sell time to the LaRouche campaign.

What's behind this strategy? According to CFL media spokesman Salisbury, "Our aim is not to create an image by bombarding people as honest, cheerful, trustworthy and obedient. David Garth and Jerry Rafshoon couldn't make it in the LaRouche campaign. We deal with content. We speak about breaking international situations—because we know about them. And we speak to the 70 percent of the American population which supports progress. We do this through statements about policy, how the world works and how we would move it to eliminate drugs, use their talents to degrees beyond their imagination to build cities, implement nuclear power and more.

"All you have to do is listen to LaRouche once to

see why he's the most qualified candidate. It's not a matter of style."

The conservative goal of nine to 10 million adults directly reached via the initial media drive was significant in itself. But beyond that, the impact on the "unchanging" political scenes in Washington and New York was more indicative of how the media effort thrust LaRouche into the political forefront.

Ratings on the New York WNEW-TV spot on March 12 were termed very good by a noted New York television critic. The three Nielson and Arbitron points indicated that more than 500,000 individuals viewed the broadcast, in addition to viewers of cable TV in four states.

In Detroit, station personnel at WGPR-TV were so enthused by the results of the two LaRouche broadcasts that they offered a thirteen week television series.

—Anita Gallagher

'A last-minute call for sanity'

The following is the text of an advertisement which was placed in several national newspapers by Citizens for LaRouche, the presidential campaign organization of Lyndon H. LaRouche. The copy illustrates LaRouche's approach—in-depth education around issues—as opposed to the popular "image-making" orientation favored by many political media advisors. In most papers, the ad appeared together with a photograph of the candidate, and a reproduction of a 1976 LaRouche campaign poster which warned: "Pulling the lever for Carter will trigger thermonuclear war." Ads which were coordinated with LaRouche television or radio broadcasts also contained the time and station carrying the broadcast message, and included a pitch for funds.

The present military invasion of Vietnam by Peking is directly modeled, as Peking's statements imply, on the formula used by Adolf Hitler and Josef Goebbels for the Nazi invasion of Poland in 1939.

Despite evasive "doublespeak" from the Carter Administration, this Chinese action has the full support of the British government and has occurred with de facto encouragement of the Carter Administration.

This latest atrocity, combined with the continuing insanity of the Israeli government and the Carter Administration's massive complicity in the destabilization of Iran, brings the world in fact to nuclear war. My own estimate that we are now close to the edge of World War III has been corroborated by responsible, high-level

sources in Western Europe and other locations.

So far, all efforts to elicit sanity from the Carter Administration have failed.

The British influence

It is well known that Mr. Carter is under massive, overreaching influence from the family of British Ambassador Peter Jay, and that British policy for the United States is enthusiastically supported by such influential figures as Zbigniew Brzezinski, James R. Schlesinger, Henry A. Kissinger, and Assistant Secretary of State Warren Christopher. Mr. Carter is fully under British influence and stubbornly refuses to heed warnings from France, the Federal Republic of Germany, Japan, the Vatican, and other responsible agencies which have attempted to persuade the Carter Administration to abandon its lunatic course.

Unless this is changed, we are now on a course that escalates directly and rapidly into World War III.

This convergence on the brink of thermonuclear war has occurred in the way I outlined in my half-hour nationwide television address of Nov. 1, 1976, as the 1976 presidential candidate of the U.S. Labor Party.

The danger of war has arisen not through conflicts within the industrialized nations, but as a result of the Carter Administration's commitment to the monetary policies of the British government, the International Monetary Fund, and the World Bank. The Carter Administration has, as I warned on Nov. 1, 1976, followed the British colonialist policy toward the developing sector, a policy of opposing high-technology and agricultural development, and demanding genocidal policies of combined austerity and labor-intensive servitude. It is the political consequence of this U.S. adoption of British colonialist policies, a policy of perpetuating enforced backwardness in developing nations, which is the dynamic bringing us to the brink of war.

Exemplary is the case of Kampuchea. General Alexander Haig, working in complicity with the British government and Peking, installed the Lon Nol regime in Cambodia. This complemented the successful combined efforts of London and Henry A. Kissinger to push the United States into an invasion of Cambodia during the spring of 1970. In the course of ensuing developments, a puppet of the Peking regime, Pol Pot, gained insurrectionary authority over Cambodia. The Pol Pot

LaRouche reaches America

Paid messages by Presidential candidate Lyndon H. LaRouche, Jr., chairman of the U.S. Labor Party, have reached an estimated audience of more than 3 million, based on circulation and audience data from the media which have carried LaRouche messages, and have spurred coverage of the campaign by numerous other media. Following is a grid of the LaRouche campaign's paid media effort to date.

Date	City	Media	Time/Size	Audience
Feb. 23	New York City	WMCA-Radio	8-8:30 pm	473,000
Feb. 27	Detroit	Detroit News	1/2 page	633,708
Feb. 28	Detroit	WGPR-TV/uhf	8-8:30 pm	50,000
March 1	Chicago	Chicago Tribune	1/2 page	762,810
March 3	St. Louis	St. Louis Globe Democrat	1/2 page	271,755
March 10	Indianapolis	Indianapolis Star	full pg.	215,000
March 11	N.Y.C.	WNEW-TV	1/2 hr.	500,000
March 12	Philadelphia	Telesystems Cable-TV	1/2 hr.	2,000
March 14	Philadelphia	Telesystems Cable-TV	1/2 hr.	—
March 15	Seattle	KXA-Radio	1/2 hr.	100,000
March 30	Upstate NY	Upstate New Yorker	full pg. Teamster/monthly*	40,000

regime then conducted the most massive case of genocide in modern history, murdering half the population of Cambodia.

Zero growth genocide

The Pol Pot regime's genocide was an implementation of the "zero-growth" doctrine associated with Mr. Aurelio Peccei's Club of Rome, and also with the World Wildlife Associations headed by Britain's Prince Philip and the Netherland's Prince Bernhard. Those organizations are the flagship organizations for the so-called environmentalist movement internationally. It is also relevant that the method used to effect genocide in Cambodia was essentially an intensified version of the worst features of the Mao Tse-tung "Cultural Revolution" of the 1960s in China itself.

The Pol Pot regime adopted a policy of ending the role of urban, industrialized development, and of forcing the entire population back toward barbarism to the most primitive labor-intensive forms of communal rural life. This pushing of the population from a relatively higher to relatively lower level of average technology means in every case a reduction of the size of the population which can be sustained by a given territory. So, although brutal murders exceeding the worst practices of the Nazi SS were an important part of the depopulation of Cambodia. It was the combination of Schachtian austerity measures and "zero-growth" policies which made the depopulation inevitable by one means or another.

The Carter Administration's support of the genocidal doctrines of "zero-technological growth," of enforced relative backwardness of former colonial nations, dovetails with the Carter Administration's adoption of the "geopolitical doctrine" associated historically with Lord Alfred Milner, the Webbs, Halford Mackinder, the Nazi Karl Haushofer and Georgetown University's Father Daniel Walsh. It is the combination of the British doctrine of "zero-technological growth" and the "geopolitical thrust" which has brought us to the brink of war.

Forceful action required

Since the Carter Administration plus the Kissinger forces of the Republican National Committee have both proven themselves impervious to rationality, the only chance for preventing the world from being locked into an irreversible course toward thermonuclear war is concerted, forceful political action.

First, all responsible governments and political forces must now publicly declare the Carter Adminis-

tration to be insane. No diplomatic or kindred political considerations must block public declaration of what all responsible forces know to be a simple matter of fact.

Second, a series of forceful, practical, and economic actions must be taken against the governments of Britain, Israel, and Peking, to discredit and isolate this Carter-London-Jerusalem-Peking axis. We must also aim by these means at popular action within China to oust the gang responsible for the Cambodian genocide and the invasion of Vietnam.

Third, we must accept the possibility that the Soviet Union might be forced to take effective action against the Peking regime, if the Peking regime persists in its present, criminal course.

It must be generally understood for this contingency that the Peking regime is prima facie a regime guilty of war crimes under the specifications of international law adopted at Nuremberg, and is also a regime which is complicit in crimes against humanity in connection with the genocide in Cambodia. No nation must aid Peking if Peking pushes matters to the point the Soviet Union can no longer withhold action.

Fourth, there must be general and efficient recognition of the fact that the impetus toward general thermonuclear war is located within the anti-European Monetary System policies of the London and Washington administrations, in the support for genocide policies of austerity and enforced backwardness upon the former colonial nations. That combination of neo-Schachtian austerity measures and "zero-technological growth" must be identified as the policy-outlook which leads to acts and conditions already identified in international law as crimes against humanity.

Pass judgment now!

In general, every form of concerted action possible must be taken now to politically humiliate those governments and political forces which are responsible for pushing the world to the brink of thermonuclear war. We know how humanity's future courts would judge the Carter Administration and Henry A. Kissinger—after such a war had been fought. By passing judgment now, we still have a chance to prevent war from occurring. Those who will not take such political actions invite radioactive destruction upon themselves—and perhaps upon us all.

All must act as if the very existence of nations depended upon such action at this moment. We dare not assume for a moment longer that there is any margin for delay in bringing the London-Carter-Peking lunatic thrust toward war to a halt.

'Dissidents': the union's side of

IBT official Lawrence McHenry says Camaratta would destroy the

Part II concludes our interview with Lawrence McHenry, member of the International Brotherhood of Teamsters (IBT), Local 299, which began in last week's issue of the Executive Intelligence Review (April 10-16, 1979). In the interview, Mr. McHenry has outlined the charges brought against Peter Camaratta, cochairman of the Teamsters for a Democratic Union, which have led to Camaratta's near expulsion from the union.

Mr. McHenry presented the charges in a five-and-a-half-hour long hearing March 19 that was held to consider whether Camaratta had violated the defined obligations of IBT membership. The results of those hearings are discussed below.

McHenry: member has certain rights as far as freedom of speech and assembly, but limited; in other words, the organization (and the law backs them up) has the right to enact reasonable rules prohibiting slanderous types of things by its members. That is exactly what Camaratta is doing. He has openly slandered people, officers, agents of the international, of the locals, of the various affiliates of the international, for one purpose: to mislead people, to destroy their confidence in their leadership, to create a situation where members will not accept a contract—no matter what contract is brought back—because of rebellion for the sake of rebellion and destruction. It is not constructive criticism.

The charges against Camaratta

Q: *What specific charges were brought against Camaratta?*

McHenry: That he violated Section 19 (1, 2, 3, 4, 5, 6, and 7) of the local union by-laws. As a matter of fact, he found fault with that. He said, "It just says section 19 (E) here. It doesn't say what part." I tried to explain to him, "Pete, my God! If there was any *particular* article we were referring to, we would have so specified. But the fact that we said section 19 (E)—Pete, believe me, you can take it to mean we meant in its entirety."

Section 19 (E) deals with the rights and obligations of local members.

Q: *When you brought these charges, what were you going after? Was it mainly his slander of President Fitzsimmons and other union officers?*

McHenry: Not only that. He is misleading the people as to their rights in his various publications. He was not only misleading. He was deliberately lying. He would prefer to just excerpt rather than to quote the law in its entirety for the purpose of misleading the people, for the purpose of instigating other people and furthering other people in following his same procedure: slandering and interfering with other people's rights, destroying the organization, or anything that they set out to do.

I kept trying to point out to him that there is a difference between criticism and slander and libel. Deliberately destroying people's character and their leadership ability, their relationships with the people they are working for. He is deliberately doing this. It is a violation of the by-laws. You know, you have the right to free speech. You have the right to criticism, as far as criticism is concerned.

Q: *A part of what you were presenting was the point that his allegiance was to the TDU, over and above the international union?*

McHenry: That is exactly right. Again, that is part of the by-laws, as far as his obligations go.

Q: *What part is that in violation of?*

McHenry: Section 19 (E) where it refers to the obligations. It says, "Each member shall faithfully carry out such duties and obligations" The obligations are clear. It says, "I further agree that if it should be hereafter discovered that I have made any misstatements as to my qualifications for membership, I will be debarred from all benefits provided by this union. I will be obedient to authority"—which he has

the story

union

not been—"I will be orderly in its meetings"—which he has not been—"respectful in words and actions"—which he has not been, because of what he prints attacking the character of people,... the officers and agents of the international union and its affiliates. It also says, "I will render full allegiance to this union and never consent to subordinate its interests to those of any other organization of which I am now or may hereafter become a member."

Q: *You are saying, then, that in Camaratta's case, the organization has a right to defend itself?*

McHenry: That is right. The law provides that. The act I just cited provides that. It says, "Every member of any labor organization shall have the right to assemble freely with other members and to express any views, arguments, or opinions ... his views upon candidates in the labor organization, or of any business properly before the labor organization's meeting, subject to the organization's established and reasonable rules pertaining to the conduct of meetings, provided that nothing herein shall be construed to impairing the right of the labor organization to adopt and enforce reasonable rules as to the responsibility of every member toward the organization as an institution and refraining from conduct that would interfere with its performance of its legal or contractual obligations."

Q: *What are you reading from?*

McHenry: The LMRDA—commonly referred to as Landrum-Griffin.

Q: *You brought witnesses from Local 299 who had been at various meetings?*

McHenry: I brought witnesses who had attended these various meetings where Camaratta had spoken. Two of the guys that were brought in have a long history of fighting for members' rights. It got to the point where it is not a question of whether you like an individual or not. The Teamsters Union, and what it stands for, is

very important to these two. They have been outspoken before when they felt that members' rights were being interfered with. And they felt this time that Camaratta and the TDU were infringing on members' rights and out to destroy the organization that they had fought all their lives for, and they were not going to stand for anybody, not Camaratta or anybody else, tearing this organization up.

Q: *How was the panel assembled to hear the charges?*

McHenry: We were told the panel had been polled. Now, three members of the Executive Board had excused themselves and had been replaced by other members of the local union. One, Bob Lins, the president, because he had to be in Washington for negotiations; Mr. Earl Grayhek, secretary-treasurer; and Raymond Banks, excused themselves. They felt that they could render a fair and impartial decision based on the evidence. However, they felt, too, that in the past it had been Camaratta's position to say they were biased, that they were prejudiced, so rather than have that issue brought up, they excused themselves.

Q: *And neither of the two people on the Executive Board who are associated with Concerned Teamsters, which ran a joint slate with Camaratta in the last election, excused themselves from the hearing?*

McHenry: No.

Q: *What was the Executive Board's decision?*

McHenry: What we asked for was expulsion and fine, and it is our understanding that the charges were sustained by a vote of four to sustain the charges, two against and one abstaining. The penalty that is applied has been probation, which is provided for in the by-laws and the constitution. They are entirely within their rights to apply this penalty. We don't agree with it, we don't yet know what the conditions of the probation are.

Teamsters face continued austerity fight

As of this writing, a tentative pact has been reached between International Brotherhood of Teamsters and the trucking industry for a new national master freight contract, ending a 10 day selective strike and industry-lockout. Some minor snags may remain, but sources close to the negotiations feel that the final package will be in excess of 30 percent and will be ratified by the IBT membership.

Teamster President Frank Fitzsimmons charges government interference in the negotiations caused and prolonged the strike. He says the Teamsters refused to be cowed by threats from inflation czar Alfred Khan to keep the contract within the Administration's 7 percent wage price guidelines.

Kahn holds a White House press briefing and declares that the contract falls within the Administration's "relaxed" guideline program. He says that the contract proves the program works since it held down the final package well below the Teamsters initial 50 percent offer and below the 1976 master freight package. Kahn reportedly sabotaged a proposed pact two weeks ago.

Some Teamsters worry about the future. The contract, they feel, will have trouble standing up under continued assault by Carter's austerity managers.

The Interstate Commerce Commission and the office of Sen. Edward Kennedy (D-Mass.) report that they will continue efforts to deregulate the trucking industry — a move that will destroy the basis for the master freight agreement and promote

nonunion trucking. "we don't give a damn what the new contract says," an ICC official states.

Energy Secretary James Schlesinger's plans to drastically hike domestic fuel costs will wreak havoc with the industry; some companies won't survive. Kennedy's people say that the higher energy costs will give them a chance to sell deregulation as more "energy efficient."

Carter Administration officials base their estimate for the cost of the proposed contract on a projected 8.5 percent rise in the Consumer Price Index. The CPI is currently rising at a rate of more than 15 percent annually.

Teamsters will vote on the pact by mail ballot over the next several weeks, while local issues are resolved.

Other strikes continue

Teamsters are expected back to work by this week, preventing the lockout and strike from having devastating impact on the economy. Two other Kahn-forced strikes in the transportation sector continue.

United Airlines and the International Association of Machinists (IAM) are so far apart on a new contract for the airlines machinists that they aren't even talking. The nation's largest freight carrier is shut down and plans to stay shut into the foreseeable future.

No progress is reported either between the operators of tug boats, tankers and barges in East Coast ports and the International Longshoreman's Association

(ILA). Freight traffic in the port of New York-Newark is slowed.

AFL-CIO to monitor industry price violations

AFL-CIO President George Meany, a critic of Administration efforts to curb inflation through a system of "voluntary" wage and price guidelines, announced plans this week to commit the Federation's over 12 million members to a grassroots effort to monitor price increases and report on potential industry violations of the President's anti-inflation program.

The grassroots effort, dubbed "Operation Price Watch," was kicked off at a rally of over 150 trade unionists yesterday which featured Administration chief inflation fighter Alfred E. Kahn.

The move to become the Administration's "eyes and ears," reminiscent of union participation in the wartime Board of Economic Warfare set up as an anti-inflation force in World War II, would assure, said Meany, a more equitable enforcement of the guidelines proposal. And it would represent a step closer to actual mandatory controls—a condition long favored by Meany.

Meany, in fact, renewed his call for a system of mandatory and comprehensive controls, saying anything less would be "ineffective." While feigning opposition to full controls, and affirming Administration commitment to the voluntary program, inflation fighter Kahn welcomed the AFL-CIO price watching initiative as a demonstration of support for the "voluntary" effort. This support, however, may be too little and too late to rein in "inflationary price and wage increases," Kahn hinted in his prepared remarks to the unionists, adding that it may be necessary for more caustic measures—like, perhaps, an induced recession or even a shift to mandatory controls.

FACTS BEHIND TERRORISM

Europe coordinating in effective counterterror drive

Highly coordinated and dramatic steps have been taken by the governments of Western Europe and the Middle East, to expose and dismantle the terrorist networks run by British and Israeli intelligence. The past week's roundup of over 30 Italian university-based "intellectuals" identified as the masterminds behind the Red Brigades represents an effort to use the political *method* by which international terrorism can be defeated.

Beginning April 5, Italian antiterrorist police units operating under the supervision of magistrate Pietro Calogero conducted a series of raids in Rome, Milan, and Padua, arresting leading members of the autonomi—the "aboveground" support organization for the Red Brigades. Among those arrested for conspiring to violently overthrow the state, was Professor Antonio Negri, a member of the Political Science faculty of the University of Padua. The university's political science and sociology departments have long been known as among the recruiting grounds and safehouses for the Red Brigades.

Negri has been charged with complicity in the kidnapping-murder of former Italian President Aldo Moro. The evidence against Negri indicates coordination on the case between Italian, French and West German governments. Analysis of tapes of the

ransom calls received by the Moro family positively established that one of the calls was made by Negri while he was staying in Paris.

More significantly, the Italian magistracy—following the lead set in the widely noticed European Labor Party dossier, "Chi ha ucciso Aldo Moro?" (Who Killed Aldo Moro?)—has announced that its investigation into terrorist operations is no longer proceeding from bombers and assassins, but is proceeding from the structure that recruits and protects the terrorists. Magistrate Calogero, in announcing the first 22 arrests, proclaimed that they are the first phase of a cleanup that would ultimately provide the Italian population with the full story of Aldo Moro's murder.

The Italian government has alluded to British-Israeli control over terrorist operations, which has been made explicit in recent statements by the governments of France, Turkey, and Iraq.

- French authorities have suggested that the Israelis were behind the April 6 bombing of an Empain-Schneider Group nuclear construction facility near Marseille, according to the April 7 *Washington Post*.

- Before dispatching the Turkish Chief of Staff to Baghdad for discussions with Iraqi counterparts on defeating the spreading destabilization of the region through British intelligence-run

regional autonomy and fundamentalist cults, Turkey's President Ecevit blasted "foreign intelligence services—some from allied nations"—for fostering Kurdish independence efforts and announced collaboration with particularly the governments of Iraq and Syria in dealing with this problem.

- The Iraqi government has recently arrested, tried, and executed a number of leaders of the Communist Party faction associated with British intelligence operative Robert Swann—charging these individuals with conspiracy to infiltrate the military and foster an overthrow of the Iraqi government.

Counterpart U.S. intelligence services have been silent and inactive in the face of recent environmentalist disruptions. One source reported this week that both CIA Director Turner and FBI Director Webster have been personally touring the country warning civic groups that their agencies are powerless to counter terrorist operations due to restrictions imposed on them by the Levi guidelines and by the release of "classified information" through the Freedom of Information Act.

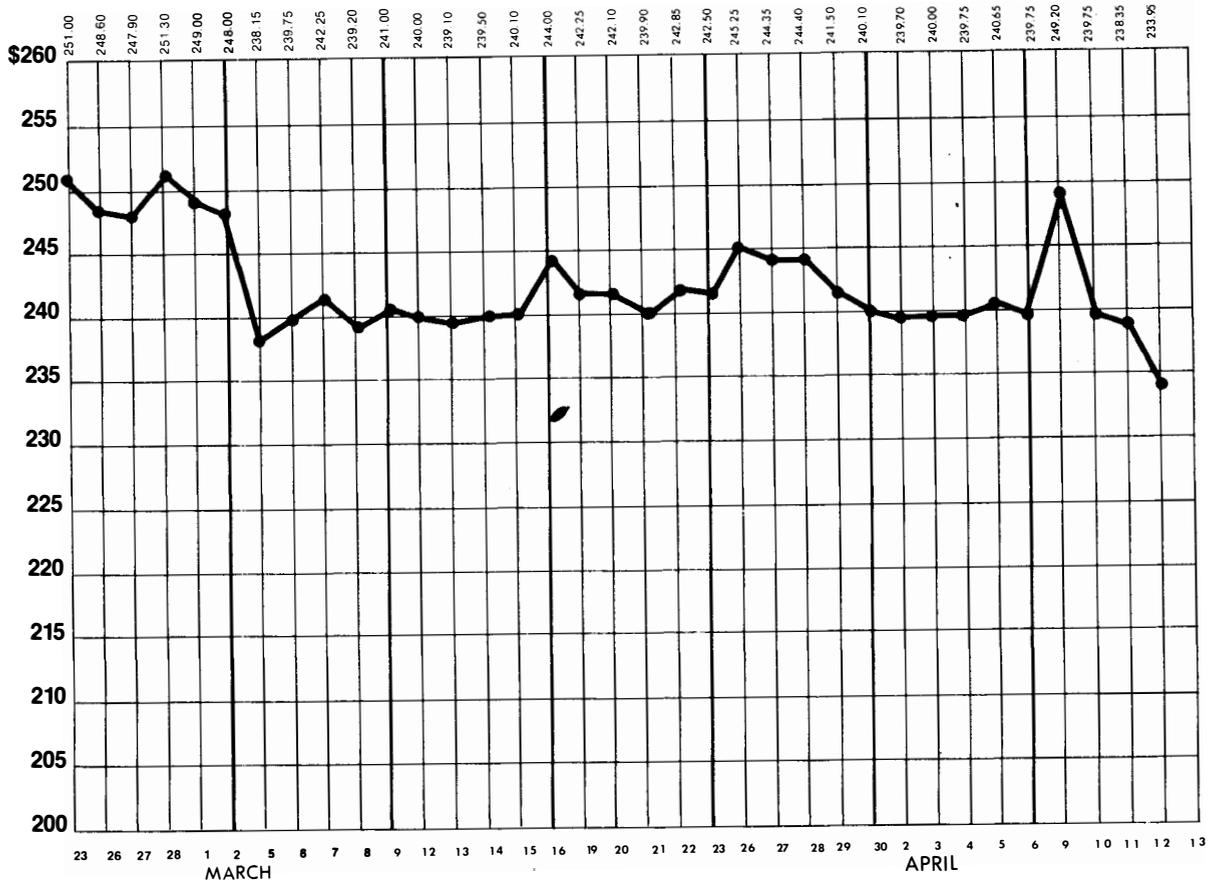
—Jeffrey Steinberg

WORLD TRADE REVIEW

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Argentina from Canada	4 more CANDU nuclear reactors sold to LTEE (EAEL) by the Canadian Atomic Energy Corp.	\$1.9 bn	NAv	IV
Singapore from W. Germany/France	Singapore Airlines has 8 Airbus A-300 B 4 (6 firm order; 2 options)	\$310 mn	NAv	II
USSR from France/ West Germany	Construction of a pipe factory in USSR by Creusot-Loire and Mannesmann Demag	\$248 mn approx	NAv	III
USSR from France	Technip will supply a vast gas-lift system for the giant Samotlor and Fyodorovsk oil fields in western Siberia, to be completed in 1982	\$198 mn	France and Britain	III
USSR from France	Tass buys Iris 80 computer from Honeywell Bull (53% French, 47% Honeywell) after Carter Administration delays license too long for Sperry Rand to win deal	\$86 mn	III	
Ireland from U.S.	Mostek Corporation (Texas) plans to build semi-conductor facility in Dublin suburb	\$84 mn	NAv	III
USSR from Japan	Soviet Machinery Import Co. is buying a tire manufacturing plant from Mitsubishi Heavy Industries and Maekawa Trading. This plant will be one of the largest in the world.	¥ 15 bn	NAv	III
USSR from U.S.	Tass purchases computer from Sperry Rand, following U.S. Commerce Dept. approval	\$6.8 mn	NAv	III
Iraq from Netherlands	Iraq has let contract for a 64.3 MMschfd hydrogen plant to Kinetics Technology International B.V.	NAv	NAv	III

[THIS PAGE IS INTENTIONALLY BLANK]

Gold London afternoon fixing



The Dollar In deutschemarks. New York closing

