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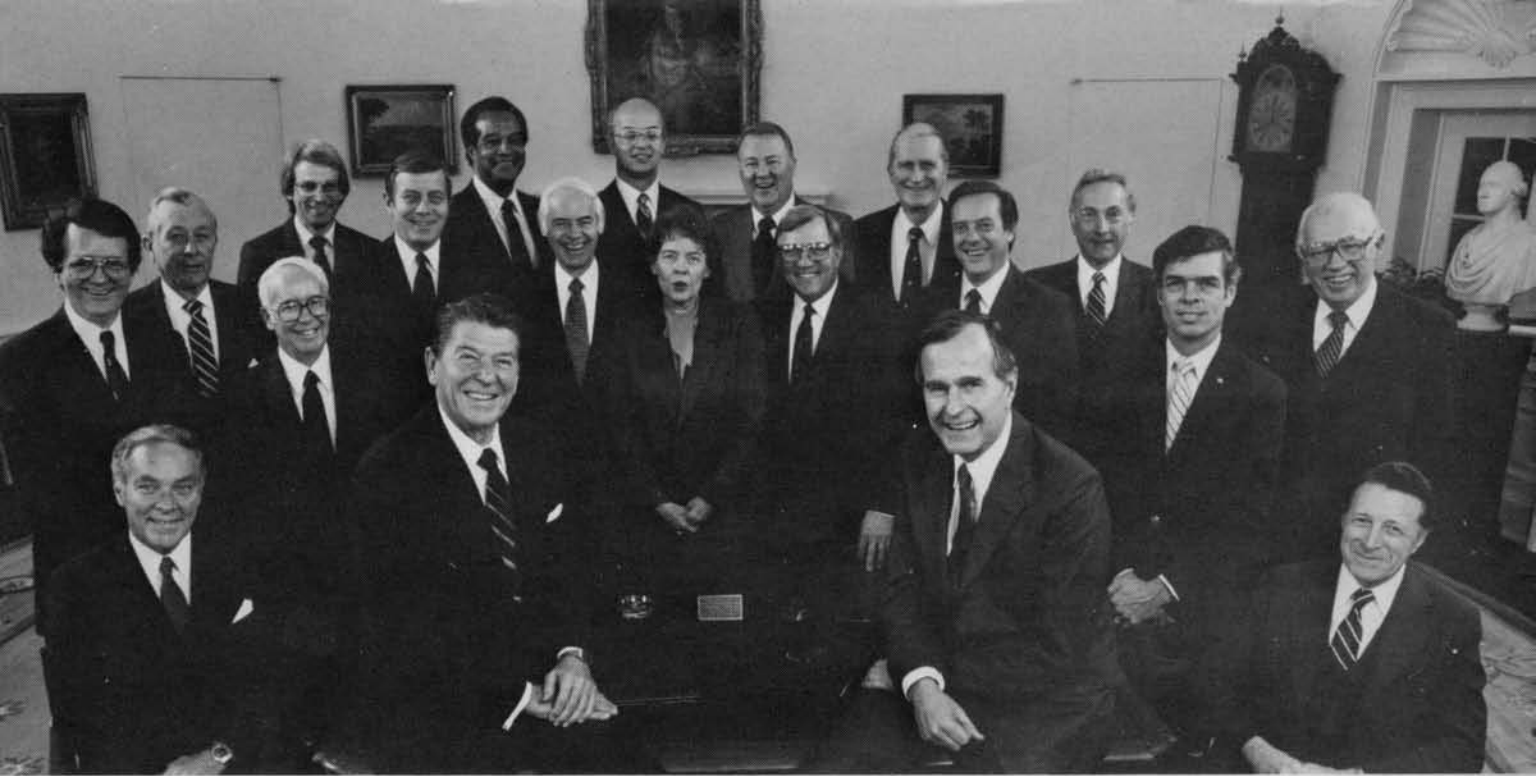
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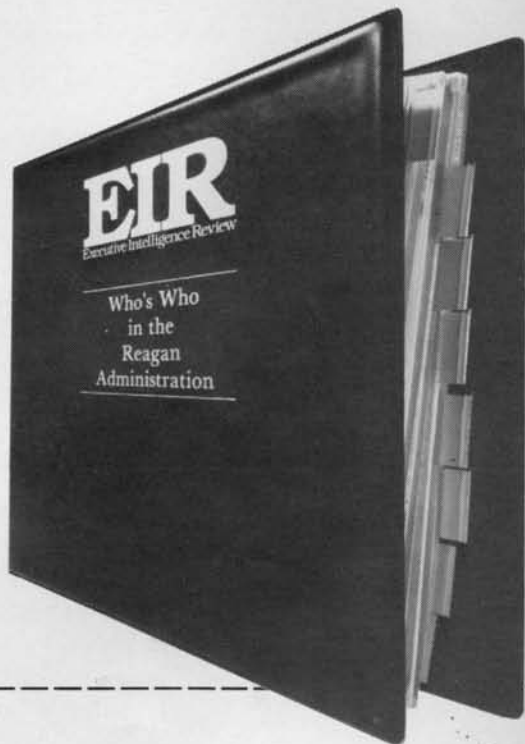
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EIR

From the Editor

It is a remarkable fact that, under the nose of the progrowth Reagan administration, U.S. institutions are being used as battering rams for a new postindustrial society. The U.S. Federal Reserve chairman leads the pack of central bankers who are restructuring international lending through public and private channels, and enforcing economic cutbacks in the advanced as well as underdeveloped sector. In State Department circles, the commitment to population reduction is such that, as Club of Rome founder Alexander King notes in this week's Special Report, "harder" versions of Global 2000 doctrine can be openly circulated there than in Western Europe.

The Special Report centers on an interview with King, in which he indicates the ways in which the Club of Rome has targeted nation-states and their commitment to progress. It is worth noting that King's OECD descends from the post-World War II Organization for European Economic Cooperation, which administered the Anglo-American Marshall Plan decision that for as long as possible the continent would not be allowed to regain 1939 levels of living standards and population growth. In our International coverage, you will see the supreme cynicism with which this policy faction intends to use the Israeli blitz against Iraq's nuclear research facility to impose technology controls globally.

Our National section contains exclusive intelligence on the coming phase of "Reagagate": muckraker Dan Moldea, a creature of the same foundations that are undercutting nuclear energy, lays out the "organized crime" scandals ahead.

This issue also contains two important public proposals. The European Labor Party outlines a "Grand Coalition" strategy for Helmut Schmidt, and the National Democratic Policy Committee sets forth the measures required to truly strengthen the U.S. dollar.



EIR Contents

Departments

46 Middle East Report

Begin's re-election bid:
an outrage.

47 Dateline Mexico

Behind the
Díaz Serrano ouster.

58 Focus on Labor

An eyewitness report.

60 Congressional Closeup

64 Energy Insider

NRC nominees can
end moratorium.

Economics

4 The U.S. Fed pursues the Brandt Report strategy

Global restructuring is
accelerated by the IBFs
decision. Credit flows (or
non-flows) to the Third
World are to be
"conditioned" on
population policy.

Documentation: Interviews
with Federal Reserve
Governor Henry Wallich
and Jacques Pollak
of the IMF.

8 Social Security going bankrupt?

Not necessarily, despite
Stockman's claims.

9 International Credit

The new loan
insurance scheme.

10 Banking

The Florida
deregulation story.

11 World Trade

12 Agriculture

Interest rates hound
U.S. farms.

13 Currency Rates

14 Business Briefs

Special Report

16 The inside story of the Club of Rome

Contributing Editor Nancy Spa to understanding and using the interview that follows.

18 Club of Rome founder Alexander King discusses his goals and operations

Including his cothinkers in the Soviet Union, his role in the May 1968 upsurges, the Club's promotion of "New Math," and his expectation that "the white race is finished."

International



President Reagan and President López Portillo arrive from Camp David at the White House. Stuart Lewis/NSIPS

30 Reagan and López Portillo create a new epoch in neighborly relations

34 The 'Big Lie' behind the Israeli hit on Baghdad's nuclear facility

37 Challenges facing the U.S. administration

Will Reagan allow Israel to massacre national sovereignty?

38 Warfare surfaces on 'nonproliferation'

Documentation: An interview with a senior Aspen Institute strategist.

41 Outlooks for the future of Iran

Part II of an interview with Hossein Rastegar of the Iran Liberation Army.

42 Two options confront Chancellor Schmidt

A European Labor Party statement.

48 International Intelligence

National

50 The new dangers in Haig's tricontinental diplomacy

The secretary of state is trying to convince the President that the Socialist International is a weapon against the U.S.S.R.

52 'No American patriot can tolerate Volcker'

A statement by the National Democratic Policy Committee on monetary and credit measures.

53 Denver DNC meeting foreshadows conflicts

The Democratic Party is still on the skids, but demands are increasing for a policy debate.

54 Dan Moldea spells out an alliance of the U.S. left and FBI against Reagan

An exclusive transcript of an Institute for Policy Studies session.

62 National News

The U.S. Fed pursues the Brandt Report strategy

by Kathy Burdman

During the month of June, the central bankers of the Bank for International Settlements initiated one of the largest restructurings of world financial markets in this century. Most immediate was the unanimous vote June 9 of the BIS's American branch, the Federal Reserve Board, to authorize U.S. banks to set up international banking facilities (IBFs) in major U.S. cities. Beginning Dec. 3, the U.S. banking system will become thoroughly integrated with the offshore Eurodollar market, which has long been out of the control of U.S. authorities, as IBFs are authorized to take reserve-free deposits like Eurodollars without any limits to the amount of speculative credit they may create, at any interest rate. To run IBFs, banks nationwide are planning to join the New York banks' giant CHIPS computer system, creating at once a national electronic funds transfer system which will vacuum deposits from across the country into the Eurodollar whirlpool.

This is only a first step. The declared intention of the BIS central bankers, as announced by Swiss National Bank President Fritz Leutwiler in Lausanne, Switzerland last week, is to remove economic policy from the hands of sovereign nation-states. Addressing the American Bankers Association annual international monetary conference, Leutwiler welcomed the withdrawal of the U.S. government from foreign-exchange market intervention, and urged European governments to follow. The central banks, he said, will henceforth be the coordinators of international monetary policy, and will use continued high interest rates to force a "structural adjustment" of

the world economy and its industrial base.

The BIS central banks are also initiating a host of new international credit mechanisms to take control over lending to the developing sector, Federal Reserve Governor Henry Wallich said this week, including a major new insurance fund for LDC loans, run by the central banks and Bank for International Settlements directly, which would enforce conditionalities on sovereign governments.

In an emergency press release from Europe, *EIR* founder Lyndon H. LaRouche, Jr. characterized the BIS announcements, especially that of Leutwiler, as "tantamount to an act of war" against the U.S., a new "Pearl Harbor." LaRouche outlined emergency measures the Reagan administration should take to re-assert its control over the monetary system, starting with immediate remonetization of U.S. gold reserves (see National).

The staid gentlemen of the BIS have also exposed the fact that they are working directly with the Brandt Commission of the Socialist International to enforce these supranational structures. Federal Reserve Governor Wallich, in an interview this week, freely stated that his insurance scheme is identical with the one in the Brandt Commission's 1979 report (see below).

The BIS, with this program, is working toward the identical goal of the rabidly environmentalist Brandt Commission—the enforced reduction of large parts of the population of the developing sector. "Banks and central banks would seek to refuse insurance to countries with too rapid population growth" under the Wallich

plan, a Chase Manhattan spokesman said this week.

The ostensible impetus for the BIS moves is the seriously illiquid state of developing sector debt, which has become an unbearable burden to a dozen or more nations especially because of the BIS-enforced high interest-rates regime. An estimated \$20 billion in debt service payments has been added to the \$90-\$100 billion LDC current account deficit for this year by the sheer mass of new debt service due to higher interest rates on debt being refinanced.

In a speech to the Atlantic Council board of directors this week in Washington, former Council president Frank Southard predicted some \$15 billion in new loans needed by the LDCs would be unavailable from private lenders, unwilling to extend themselves further in the deteriorating interest-rate conditions.

A wide-ranging international financial restructuring will be required to deal with the debt situation, Federal Reserve Governor Henry Wallich told the Bankers Association for Foreign Trade in Boca Raton, Florida this week. "A good number of countries are borrowing amounts that cannot be continued far into the future without leading to debt burdens which appear unsustainable from historical experience," he said.

Debt trap

To create new mechanisms for credit flows without increasing bank exposure, Wallich called for a new international insurance fund. Insurance, he said, could be coupled with cofinancing by commercial banks in consortia with the IMF and World Bank, brokering of loans, and the use of pass-through techniques such as those used to market mortgages in the United States to secondary buyers.

The Eurocurrency Standing Committee of the BIS in Basel, Switzerland is now making plans for such a new insurance fund, a Federal Reserve source said this week, by which most new lending to the Third World would have to be guaranteed. The idea is to set the fund up outside the control of national governments, which means avoiding even the IMF. Instead, central banks may set up a new pool under an "independent treaty," or at the BIS.

Former International Monetary Fund Executive Director Johannes Witteveen, addressing the Lausanne conference, also promoted the idea of an "International Credit Guarantee Fund," jointly established by central banks and commercial banks to promote "sound investments." Under the Witteveen plan, Western governments would kick in an initial fund, to be managed by the central banks, and gradually the fund would be built up by premium payments. Witteveen proposes countries be insured and pay premiums, while Wallich prefers the insurance of banks.

Either way, under the plan all new private loans to

LDCs would be subject to even stricter "conditionalities" than those presently applied by the IMF.

Who runs Global 2000?

Behind the financial justifications for the BIS restructuring program lies a more fundamental economic motive. The BIS central bankers, who operate on behalf of the old European oligarchical families, have as their first motive the deliberate reduction of the populations of the Third World, and of the advanced industrial sector. Britain's Prince Philip and Prince Bernhard of the Netherlands, who head the World Wildlife Fund population-control movement, first made the decision to reduce world population. After the fact, the BIS bankers were instructed to see to it that Third World debt, which could otherwise have been dealt with through new credits and lower interest rates, was *not* refinancable, thus calling in the new financial order to impose drastic reductions in available credit.

Already high interest rates are causing a restructuring of the Third World economies which will lead rapidly to population reduction, Dutch central bank representative to the IMF Jacques Pollak said this week. He predicted that soon countries like Mexico and Brazil, which had been growing rapidly, would be forced into large devaluations which would deliberately cut their imports of food and energy.

Mexico in particular was targeted for austerity. "There is great concern about the Mexican peso," said one central bank source this week, "because the fall in oil prices is hurting their development plan. That plus high interest rates will soon be driving their current account into deficit, and then they will be forced into devaluations and import cuts."

Even a major oil exporter like Nigeria could soon be seen as "overpopulated," said Sharif Ghaleb of Chase Manhattan Bank, once its financial resources no longer match the rate of

According to Martin Oppenheimer, financial analyst at the Futures Group which runs the State Department's RAPID population-control program, it is especially the fast-growth countries like Mexico, Nigeria, and Brazil which are about to be assessed as "high-risk" by bankers and by the proposed BIS insurance fund unless they act to cut back their populations. Oppenheimer said that these countries, which have had the fastest rate of growth until now, "could be plunged into political instability when growth rates fall from 4 percent to 1 percent per year.

For the advanced industrial countries, the BIS interest-rate policy alone is estimated by Holland's Jacques Pollak to be sufficient to force a major rationalization of heavy industry, which will be forcibly denied credit. The BIS projects that this will force Western nations into *sub-zero* population growth within a few years.

The Fed and the IMF discuss their attacks

From a mid-June interview with Federal Reserve Board Governor Henry Wallich, provided to EIR.

Q: Chancellor Schmidt of West Germany may call for rate reduction at the Ottawa summit. Then what?

A: If he brings it up, which we hope he will not, we will have to answer that there is one basic fact. Tight money is our policy, and will continue to be our policy. We are not going to change it.

Q: I understand the proposal you have publicized by the Bank for International Settlements for a new insurance fund to guarantee Third World loans is also found in the Brandt Commission's report. Is the BIS working with the Brandt Commission?

A: We have some acquaintance with them, yes. We're reading their proposals, of which, you are correct, this is one, and considering them very carefully. We're pursuing those we consider viable.

There are various proposals in the wind. Wilfred Guth of the Deutsche Bank has one for the insurance of the liquidity of banks. Former IMF director Johannes Witteveen has one for the insurance of loans to individual developing countries.

Personally, I lean in the direction of the insurance of bank lenders, rather than insuring loans to country borrowers. If countries insured, then the fund would have to be located at the IMF or the World Bank, which are in the business of evaluating individual Third World countries and their prospects, and who have the information assembled. But the IMF is not attractive to some governments at present.

Q: Do you mean that insuring banks could be done by the central banks or BIS without the IMF?

A: Possibly. What is important is that the fund must be done on an international basis. The problem is to assemble a sufficiently large initial fund so as to give credibility to such a scheme. The private banks will contribute through paying premiums, but there would have to be a fund to start off which would have initial capital. Central

banks do not have capital to give. National treasuries would have to make the contributions.

Q: But would the governments administer the fund?

A: It is more likely that the central banks would have to administer the fund, and that they would set up a new agency to manage it.

Q: What would be the criterion of insurance?

A: Banks, private banks, do not now induce conditionalities and that is one of the problems. We could tie conditions to the insurance which would limit the lending they could do to certain countries unless the countries were meeting conditions.

It is not necessary that countries make net debt repayments, but they must reduce borrowing, reduce imports, and export more. This can be induced if banks are cautious in their lending and encouraged by the regulatory authorities to ask these countries to make structural changes.

The model could be something like the World Bank's new "structural adjustment loan," which is earmarked specifically to be used to stimulate the substitution of new domestic industries for imports. For example, domestic energy such as coal or other local energy can be developed, and oil imports cut.

In general, oil and food imports must be reduced, and domestic subsidies to their prices must be removed. And certain countries will have to allow their exchange rates to depreciate.

From a recent interview, provided to EIR, with Jacques Pollak, Dutch central bank representative to the International Monetary Fund.

Q: Swiss central bank chief Fritz Leutwiler made a forceful case this week for central bank control over international monetary policy. Why did he back Chairman Volcker so strongly?

A: Central banks have to stick together against governments. They know Volcker is beleaguered in Washington by the Reagan administration, and central bankers will always support their own policy first. Governments may complain about high interest rates, but they will get little result. . . . West German Chancellor Schmidt is trying to have interest rates discussed at Ottawa, and the Bank of England doesn't think they should be. [Bank of England Governor Gordon] Richardson has stated that Schmidt should not complain at the Ottawa Summit, and if he does, he won't get anywhere.

The central banks agree that the economies all have to be cooled off. They want inflation knocked down as a first priority, that's their foremost worry.

They want a structural adjustment of industry. High rates will help force countries to give up on industries

which cannot prosper in the long run in high-wage economies, such as textile, auto, and steel. These are better produced in the developing countries. Central bankers want to see a shrinkage in auto and other similar areas, and a reduction of production.

They also want a reduction of wages in the U.S. and Germany. Interest rates will force wages down by cutting consumption, which reduces market size for older industries. Then the U.S. and Germany must choose between protectionism, and allowing cheaper goods produced in countries with cheaper wages to come in.

Q: Federal Reserve Governor Henry Wallich has proposed a new international insurance fund to allow Third World debt to be refinanced. Would the central banks like to see this done for the Third World?

A: Yes, but Governor Wallich's proposal is not doing well. Governments would have to put the money into the new scheme, and this they are very reluctant to do.

Q: What does the central bank intention to continue high interest rates mean for the developing sector?

A: First of all, the new mood of free-market economics means that international agencies will be doing less financing for the LDCs, as governments led by the U.S. pull back on support for them. This means the LDCs will be forced more into the private markets, but there, high interest rates will force more pressure for them to make economic adjustments reducing consumption patterns.

For example, increasingly these countries will have to undergo currency devaluations, because high interest rates are forcing their balance of payments out of line. It costs more to borrow and more to import. Many of these countries are sitting around with currencies valued at 10 pesos to the dollar which should be at 20 pesos to the dollar, and increasingly private bankers are going to realize that the continuation of high interest rates means that these countries' conditions will deteriorate. So the bank will begin to ask them to devalue if they want new loans.

This will help cut down their oil consumption, because the dollar price of oil will rise. But more is needed. Increasingly private bankers and central bankers will be asking these countries to stop their subsidies, which are very expensive, to their domestic markets to keep oil prices cheap inside the country. Many of these countries are still charging half the world price level and should double their oil prices.

Q: You mean a great deal of adjustment is being forced by high rates, even without any new insurance conditions?

A: Yes. The central banks intend to keep insurance rates high, and as long as they do this, the market by itself will do a good deal of the work for us.

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Social Security going bankrupt?

by Leif Johnson

Office of Management and Budget Director David Stockman has managed to convince just about everybody in Washington, from conservatives to liberals, and business to senior citizens organizations, that the Social Security System is going bankrupt. He has even set a target date, Nov. 3, 1982, when the whole system, including a \$35 billion reserve, will collapse.

Even those groups, like the National Council on the Aging and the American Association of Retired People, who most roundly criticized Stockman's proposed cuts of May 12 are now offering even larger ones, including an end to the cost-of-living escalator and elimination of spouse's benefits. As it is, Social Security provides only a modest average income of slightly over \$4,000 a year to nearly 36 million Americans.

But the Social Security Fund is *not* on the verge of bankruptcy. If Congress wants to guarantee the promised (and paid for) incomes of retired citizens without raising the Social Security tax, it should pay for the very small deficits in the next two years out of general revenues. According to Social Security Administration estimates made in April, the total deficit from 1980 through 1982 would be \$17.4 billion. That three-year deficit is only about half the increased interest payments on the public debt that the federal government must pay this year alone, thanks to the Federal Reserve's usurious interest rates. Lowering interest rates by 5 percentage points, for example, would save the federal government \$50 billion.

In 1977, in the last revision of the Social Security laws, Congress had assumed a long-term inflation rate of 5 percent and a long-term unemployment rate of 5 percent. Thus, the Social Security tax rate and the taxable-income base set by Congress would produce minor deficits in 1978 and 1979, but would yield surpluses in subsequent years.

Then Federal Reserve Board Chairman Paul Volcker wrecked all those assumptions when, on Oct. 6, 1979, he set forth a monetary policy that raised the prime interest rate to 20 percent, boosted inflation to 14 percent, and cut credit that put 1.5 million people out of work, many permanently. Virtually the entire increase

in the 1980 labor force wound up in the unemployment statistics.

Unemployed workers don't pay Social Security taxes; and they have no employer to pay taxes for them. The total loss from two years of Volcker policies, assuming that the present unemployment level holds through 1981, will cost the Social Security Fund \$5.7 billion.

On top of all this, the increase in the rate of inflation has forced Social Security to pay substantially larger benefits just to maintain the purchasing power of retired citizens' existing allotments. This means that Social Security must pay out an additional \$17.8 billion by the end of 1981. With the loss of tax revenues due to the increased unemployment, the Social Security System is out \$23.5 billion.

Compare this \$23.5 billion lost through Volcker's policies through the end of 1981 with the Social Security System's estimated \$17.4 billion deficit through the end of 1982. Even had the economy remained in its poor 1979 condition, the Social Security System would have actually been able to build up its reserve through this period. Thus, it is clear that the current deficits in the Social Security System are a direct result of the Fed's policies. And obviously, if the economy is ruined, no long-term fund—be it Social Security, pension, or any other investment—can maintain its solvency.

A useless eaters policy

Given that, in Stockman's and Volcker's view, restoring to the United States a policy of economic growth is out of the question, then Social Security benefits are to be axed. Perhaps our elderly citizens are useless eaters, since they are that part of the workforce that is "used up," that will never work again. According to this view, these citizens will continue to be a drain on national resources until they die. If they die sooner, they will be less of a drain. Cutting their Social Security benefits will reduce the amount of heating oil they can buy, reduce medical outlays, and eventually reduce food consumption. This view bears a remarkable similarity to Hitler's useless eaters programs, and conforms to the Global 2000 population-reduction doctrine currently being infiltrated into Washington policy-making circles.

In the climate of crisis management, the U.S. Senate two weeks ago voted by an amazing 96 to 0 to make Social Security cuts that would "not be precipitous or unfair and . . . were not necessary to preserve the financial health of the Social Security Fund." In Volcker's and Stockman's economic world of permanent unemployment and permanent inflation, the Senate would vote to cut Social Security every time there is a "crisis" that must be met; if present economic trends continue, Social Security will end up as a small fraction of its current benefit.

The new loan insurance scheme

Private lenders to the Third World will help impose on debtors a new level of controls.

Chase Manhattan Bank's Sharif Ghaleb, Middle East director for the bank's Information Services Department, believes that new plans for introducing an international insurance facility for new bank loans, as well as debt rollovers, to the Third World will give the banks increased power to impose even more severe "conditionalities" than those of the International Monetary Fund.

The proposed insurance facilities, which the New York banks are saying will increase credit availability for the Third World would, says Ghaleb, "have its own risk analysis group, which would assess the political risk in each Third World country and assign higher insurance premiums on that basis. Commercial banks, naturally, would like to get access to the IMF's confidential data on these countries, and so the fund would have to be located at the IMF or another institution such as the BIS which could get access to these data."

The risk-analysis unit would then decide which Third World country qualifies for a loan. "In terms of financial impact on the recipient," Ghaleb confirmed, "it would be just like an IMF loan. Currently, private banks do not have the ability to enforce conditionalities on countries. With the new insurance fund, the borrowers would have to meet conditions established by the fund and the private banks."

Ghaleb's plans conform to a movement among banks geared to assessing "political risk." The leading insurance companies in the U.S., led by Chubb and AIG, stress that by taking into consideration such "intangibles" as political stability and population levels, which were not previously a strictly calculable element in loan terms, the new insurance facility can make insurance premiums "linkable" to risk considerations.

"Domestic interest rates are being subsidized, and are lower than the world level, in most of the Third World. This is tremendously inefficient and must be stopped," Ghaleb asserts. Those countries that persist in subsidizing their interest rates will have their insurance premiums raised under the newly proposed insurance fund. Thus, Ghaleb states, most of the subsidy programs in the Third World could be stopped. Ghaleb singles out currency exchange rates and subsidies of basic commodities such as food and oil as "problem subsidies" he wants eliminated.

"Most of these countries keep their exchange rates artificially high, which means they import too much. . . . Most of these countries," Ghaleb continued, "have very expensive subsidies for domestic energy prices and food. They consume too much food and still have not adjusted to the 1979 oil shock, because whereas the world oil price is \$30 a barrel, their

energy price is half that amount."

Ultimately, however, the use of risk by the insurance fund will determine the economic policy of those nations whose borrowings are insured. The U.S. government's Overseas Private Insurance Corporation (OPIC) is contemplating expanding its bilateral insurance deal with the People's Republic of China, and intends to "double or triple our insurance of non-oil Third World nations' oil and gas development," an OPIC spokesman said June 10.

Ghaleb said that Third World energy policies could be changed by the right insurance policies imposed on their loans. "Egypt flares gas, which it could burn. Nigeria uses too much oil, which it could export. It can use wood-based methods instead."

Finally, Ghaleb stated that through the proper application of risk-analysis, Third World nations could have their populations forcibly reduced. "The IMF's loans are too short term, 2 or 3 years, to take population policy into account. But with conditionality on commercial bank loans, which can run 10 and 20 years, this will become an even more important factor," Ghaleb said. "Banks and central banks would refuse insurance or raise the premiums to countries with too rapid population growth. In most of these countries, domestic agriculture is too inefficient . . . and at a point past which projected overpopulation means too high risk to the lender. . . . Using World Bank data on demographics," Ghaleb said, "we could decide which countries need to implement what could be considered adequate population policies in order to get the credit they want."

The Florida deregulation story

The Billygate crew and Latin American dirty money dealers are up to their ears in flight capital inflows.

The same bank holding companies that led the statewide campaign for deregulation of Florida's banking system are also at the top of the list of Florida banks handling illegal flight capital out of Latin America.

Moreover, the aggressive lobbying for deregulation took place in behalf of Caribbean dirty money operatives who were brought to public light last year in the famous influence-peddling scandal known as "Billygate," involving Jimmy Carter's brother.

The push for Florida dereg goes back to 1976. Several billions of dollars annually began pouring into the state from oil-rich Venezuela. As one leading British banker based in New York put it recently, "The Venezuelans singlehandedly rescued Florida real estate" at that time, buying whole boulevards of condominiums.

It was also in 1976 that Colombia had a bumper marijuana crop, tripling its illegal drug revenues. Colombia ranks second after Venezuela in private investments in Florida.

Two bank holding companies in particular, Florida National Banks of Florida and Southeast Banking Corporation, were at the center of the flight capital transfers pouring into the state. Both banks were strong backers of the lobbying campaign for dereg.

Last year, Southeast officially handled \$850 million in Latin and

Central American deposits. Southeast earlier this year was also the largest backer, with a \$250,000 loan, to the founding of the Miami international insurance exchange, which aims to be a haven for southern flight capital.

The connection between these events and Billygate is as follows: The major shareholder in Florida National is Edward K. Ball, director of Charter Oil Company, the oil-refining firm which put Billy Carter in touch with the Libyans. Charter directors Ball and Raymond K. Mason have been under pressure since 1974 from the Federal Reserve Bank to divest a 24 percent controlling interest in Florida National Banks, due to a conflict of interest which abrogates state law. Ball has been stubbornly fighting the suit, apparently waiting until the alteration of state law under dereg would guarantee that control of the bank would pass into friendly hands linked to the Latin American flight capital network.

Ball seems to have found his man. Ricardo Cisneros Rendiles, head of a prominent Venezuelan business group, has been involved in a series of profit-taking bank stock investments which paved the way for a succession to Ball's control.

In the mid-1970s, Cisneros bought a modest holding in Tennessee Valley Banks; about 1978, he sold them off, and purchased 5 percent of Florida National Banks. In

1980, Cisneros sold his holding again, clearing a \$5 million profit, using these funds to set up his own merchant trading bank.

As Cisneros exited, a second Latin American consortium headed by Chilean financier Guillermo Carrey, in alliance with another Venezuelan group, sent an application to the Securities and Exchange Commission to acquire a 24 percent controlling interest over Florida National Banks. Decision on the application is still pending.

The financial stakes in controlling Florida banking capital are mammoth.

As noted above, Southeast officially handled \$850 million in Latin American deposits last year. Since a couple of dozen Florida-based banks handle Latin American flight capital, no less than \$10 billion—and probably \$20 billion—in flight capital is passing through Florida annually.

This is corroborated by Venezuelan press accounts of the extraordinary volume of daily dollar purchases passing through the Venezuelan central bank since January. Each day \$90 million in dollar purchases is being made by Venezuelan business interests—or \$20 billion annually. While Venezuela has traditionally had a high volume of dollar purchases, about one-fourth of this is sheer flight capital.

Coupled with rising Colombian flight capital—the largest drug group there, the Michelsens, bought their own Miami bank four years ago—and a surge in flight funds from politically troubled Central America, it is clear that banking deregulation has paved the way for a \$20 billion annual pass-through of flight capital funds in Florida banking.

World Trade

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$2.6 bn.	Syria/U.S.S.R.	Syria and Soviets signed 1981-85 pact that will raise trade by 150% over 1976-80 levels. Soviets will supply machinery, rolled metals, chemicals, and wood. Syria will supply cotton, textiles, cosmetics, and oil.	Recent Soviet exports have focused on military equipment and advisers.
\$359 mn.	Colombia from World Bank	World Bank is loaning \$359 mn. of \$1.3 bn. cost of Guavio dam and power station. This, the largest World Bank loan to a Latin American country, is at 9.6% for 17 years. Other financing: \$375 mn. Colombian agencies; \$469 mn. private bank co-financing and supplier credits; \$100 mn. IADB.	1,000 Mw project intended to ease Bogotá blackouts by 1988; see article in this issue of <i>EIR</i> .
\$335 mn.	Malaysia from Japan	Govt.-owned sponge iron plant will be built by Nippon Steel, Daido, and Mitsubishi Heavy Industries. Will produce 600,000 tons per day.	Structural steel will be imported from Japan.
\$85 mn.	Mexico from U.S.A.	Dravo Corp. has won contract to build iron ore pelletizer plant and related handling facilities for the Las Truchas steel complex. Will begin second phase of the state-owned company.	Eximbank helping to finance.
\$110 mn.	Trinidad from Italy	State-owned ENI subsidiary Snamprogetti will build 1,620 ton per day urea plant for Trinidad and Tobago.	
\$60 mn.	India from U.S.A.	Air India has signed for 4 Boeing 737's.	
	West Germany from U.S.A.	Berliner Kindl brewery will brew American beer under license from Anheuser-Busch.	Will try to sell it in West Berlin.
\$50 mn.	Pakistan from U.S.A.	Pakistan will import 90,000 tons of vegetable oil financed by PL-480 program in which local currency from sale of oil is used to finance labor-intensive projects to increase Pakistani oilseed production.	House Agric. Committee has ended requirement that PL-480 go in U.S. flagships to cut budget.
\$53 mn.	Iraq from Japan	Furukawa Electric will build telephone networks near Baghdad.	
\$46 mn.	Turkey from World Bank	The IFC-branch of the World Bank has pulled together a wide variety of investors to build a 20,000 tpy glassworks. IFC loaning \$11 mn.	Will increase Turkey's output by 80%.
\$50 mn.	Jordan from China	China Aero-Technology will build 1,523-unit apartment housing project in Jordan, employing mainland Chinese workers.	China seeks foreign jobs for workers idled by collapsed growth plans.
	Cuba from France	Alsthom-Atlantique will build 330 Mw thermal electric station at Matanzas.	Letter of intent signed.
UPDATE			
\$1 bn.	Saudi Arabia from Britain	British Aerospace is hoping King Khaled's visit will clear path for renewing service contract on aging British Lightning interceptor jets and Strikemaster trainers used by Saudi air force. Contracts, since 1966, cover maintenance and training. 1982-85 contract would cost \$300-\$400 mn. per year.	British hope Saudis will hold aged British planes to avoid reliance solely on American jets.

Interest rates hound U.S. farms

Producers looked to 1981 for relief from last year's inflation and credit crunch. It hasn't come.

The U.S. Department of Agriculture has reduced its earlier projections for both net farm income and farm exports in 1981. Prompting the readjustments is the continued pressure of usurious interest rates, which for the second year in a row have slapped farm producers with soaring production costs, dampened foreign trade potential, and seriously undercut the commodity markets.

At the beginning of the year the USDA projected 1981 net farm income within the \$27 to \$32 billion range—a slight recovery from the \$22 billion low of 1980, and a sharp 30 percent drop from 1979 net income levels. But, as of the first quarter of 1981 net farm income was running at an annual rate of \$18 billion, nearly 20 percent below last year's low! Even if—and it's a big *if* at this point—prices pick up in the last half of the year, last year's losses will hardly be recouped.

Similarly, the USDA has scaled down their projections for 1981 farm exports, for the second time since the beginning of the year. Several months ago the USDA adjusted export projections down \$1 billion to \$47 billion, attributing the drop to the effect of continued high interest rates in depressing world economic activity and undercutting export demand as well as the unexpectedly good crop turnout in the Southern Hemisphere.

Last week, the USDA again re-

duced their projection by a billion dollars. \$46 billion worth of exports is still a record, but the trend is discouraging. With another bumper wheat crop now in sight—the 1981 winter wheat harvest is estimated at a record 2.08 billion bushels, up 10 percent from last year—and a bumper corn and feedgrain crop entirely possible, the market pressures will be all on the downside in coming months.

As we reported several weeks ago, tight credit and high rates are hurting the livestock industry even more directly. At least 20,000 ranchers and feedlot operators have gone out of business in the past year.

Last year farm producers had to slash capital investment in an effort to stay afloat under the terrific financial pressure of high rates and soaring production costs—farm equipment sales dropped by 15 percent, and layoffs spread throughout the farm machinery manufacturing sector. Many producers didn't make it. Since March 1980 more than 100,000 have gone out of business. Those who survived looked to 1981 for relief.

Now, according to the latest monthly report of the Farm and Industrial Equipment Institute, sales of major farm machinery for the first four months of 1981 were running *behind* 1980—when sales plunged more than 30 percent in the first quarter! The report prompted

a survey by the Institute, which found that farm equipment manufacturers now believe that machinery sales will rise only 5 to 8 percent over last year—in spite of “pent-up demand.” Manufacturers have virtually written off 1981 and have targeted 1982 for a possible turnaround in the dismal situation. The only conditions under which any improvement can be hoped for in 1981, manufacturers freely admit, is if interest rates come down significantly by harvest-time.

These concerns are reflected in credit and banking surveys of the farm belt, where, although rural banks are flush with funds, the high rates have suppressed loan demand. Surveys in the Ninth and Tenth Federal Reserve districts, around Minneapolis and Kansas City, respectively, found that more than half the regional bankers anticipated that more of their producer borrowers would have more serious loan repayment problems this year than last, and expressed concern about the farm income picture.

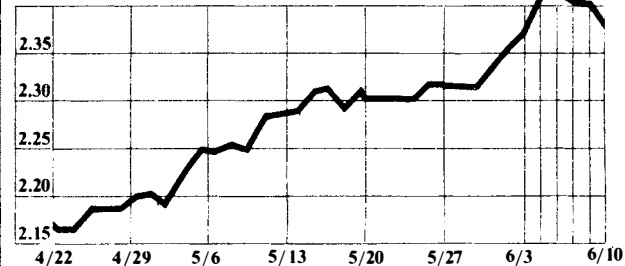
Initiatives have been taken in various parts of the country to prevent the wave of bankruptcies the continued high rates threaten.

In Colorado, for instance, the state legislature has just passed a bill mandating the Colorado Agricultural Development Authority to issue tax-exempt bonds to raise money to provide below-market-rate financing for Colorado farmers purchasing farmland and machinery. “When agriculture is currently earning only 5 percent on their investment, they need this type of legislation,” State Sen. Ray Power (R), a prime sponsor of the measure said. “I think this bill can help hold down food prices and help keep farmers in business.”

Currency Rates

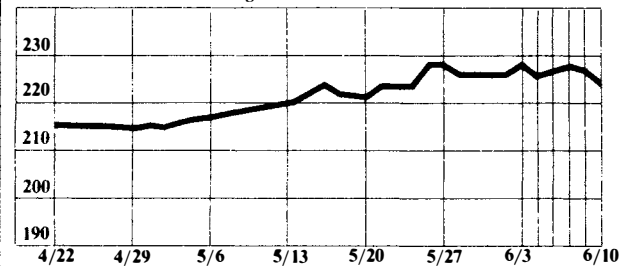
The dollar in deutschemarks

New York late afternoon fixing



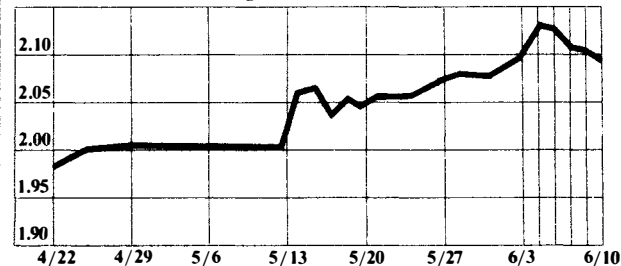
The dollar in yen

New York late afternoon fixing



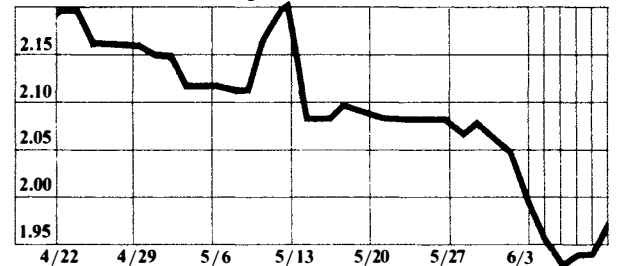
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



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*The Rape of Coronna,
Domenico Vaccaro, 18th century Neapolitan*

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Business Briefs

Credit Policy

Japan-German summit: how to lower U.S. rates

Joint action to pressure the United States to lower interest rates is the main agenda of the June 10-11 Bonn summit between Japan's prime minister, Zenko Suzuki, and West German Chancellor Helmut Schmidt, say Japanese sources.

Kyodo News Service reports that at a Tokyo meeting June 9 prior to Suzuki's departure for Bonn, such joint action was agreed upon during a meeting between Japanese Economic Planning Agency Director Toshio Komoto and West German Economics Minister Otto Lambsdorff. Both Komoto and Lambsdorff complained that astronomical U.S. interest rates were causing currency turmoil and obstructing economic recovery in both their countries.

Komoto and Lambsdorff will also represent their respective countries at the June 15-16 Organization for Economic Cooperation and Development (OECD) meeting in Paris, and will begin their joint appeal there.

Suzuki, on a 13-day tour of Europe prior to the seven-nation Ottawa, Canada summit in July, is expected to reach agreement with Schmidt on a joint presentation of the anti-Volcker line there.

Banking

Don't panic!

Former Council of Economic Advisers Chairman Alan Greenspan this week issued a report on the nation's savings and loan industry which attempts to create a crisis atmosphere around the S&Ls, declaring the industry bankrupt to the tune of a book loss of \$70 billion on total mortgages now held, due to rising interest rates and falling mortgage values.

While *EIR* was the first to warn of the danger to the S&L industry, we don't believe in panic mongering. Mr. Greenspan, according to Washington insiders,

has, in any case, an ulterior motive. He seeks to create a crisis atmosphere in which to force through Federal Reserve Chairman Paul Volcker's "emergency" legislation providing for forced mergers of beleaguered S&Ls into out-of-state commercial banks and S&L giants.

Townsend-Greenspan Inc., in one of its latest consulting reports, predicts that even if interest rates recede to April 1981 levels of 18 percent, total pretax losses of the S&Ls will still rise, from \$900 million in the first quarter to \$1.9 billion in the fourth quarter of 1981. Total losses in 1981, they write, could go to \$5.5 billion, and to \$7 billion in 1982.

If—as the Fed has already announced—money-market rates rise even further this year and next, thrifts' losses "would escalate to truly horrendous proportions," Mr. Greenspan stated.

Citing the absurd hypothetical case in which the thrift institutions all had to liquidate their \$600 billion in assets, mostly home mortgages, at today's market values, he then calculates the thrifts would have a \$100 billion book loss.

This, he concludes, would bring S&L industry net worth (capital) down from \$31 billion to negative \$70 billion. Thus, the Treasury could never afford to bail out the S&Ls, Greenspan states.

Foreign Exchange

Fall of French franc would scuttle EMS

The imminent collapse of the French franc will collapse the European Monetary System, according to longstanding enemies of the EMS. F. Lisle Widman, Jimmy Carter's deputy assistant secretary of the Treasury wrote in the *Journal of Commerce* June 11 that "the European Monetary System is joining the assemblage of international institutional failures . . . the grand design is dead."

The failure, according to Widman, came because the national economies could not sustain fixed monetary rates and "only by ruthless use of interest-rate policy have they been able to keep the

exchange rates within the EMS band." Thus, if Mitterrand raises the minimum wage, increases public sector employment and nationalizes, the franc will fall.

Mitterrand has increased the minimum wage 10 percent, family benefits by 25 percent, pensions by 50 percent, and created 54,000 public works jobs.

The *Wall Street Journal* also gloats that the "embarrassed reaction to the Israeli attack on the French-supplied reactor in Iraq" might cause Arab depositors "to start selling francs in a big way."

Now that the EMS is gone, says Widman, "it may be hard to save the Common Market itself."

Tax Policy

Confrontation looms for the President

President Reagan's decision to reject the tax compromise offered by House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.) seems to have gotten him into a confrontation with Congress he can ill afford.

The President was set up for this by the extremist Mont Pelerin supply-siders in his administration, led by Donald Regan and David Stockman, who hope a tax fight will provide a cover under which their ally Fed Chairman Paul Volcker can continue to raise interest rates at will.

House Ways and Means Democrats this week attacked the administration's three-year tax plans as the bill was introduced into the House for markup by Rep. Barber Conable (R-N.Y.) and conservative Democrat Kent Hance from Texas. Liberal Democrats called the President's business proposals a "subsidy," not simply a writeoff, and charged it would give insufficient tax breaks to poor and middle-income families.

The confrontation was heightened by Treasury Secretary Donald Regan, in a Chamber of Commerce appearance, where he attacked the Rostenkowski Democrats strongly as having "wavered and waffled" on the bill. "Sometimes I think what they're trying to do is to delay

in order not to have a tax cut in 1981.”

Regan rejected out of hand a new compromise offered by House Majority Leader Jim Wright (D-Tex.) June 10. Wright told the press that the Democratic leadership was ready to go all the way with the three-year tax cut the administration has demanded, rather than the Democrats' two-year compromise formulation, if the Treasury will agree to a "trigger" for the third year of cuts which would make year three dependent on a good economic performance during the first two years of the President's program.

Public Policy

EIR's David Goldman tours Mexico

David Goldman, economics editor of *Executive Intelligence Review*, has just completed a 10-day visit to Mexico, where he discussed how the high interest rates of Federal Reserve Board Chairman Paul Volcker in the United States will have "catastrophic" consequences for Mexico and the rest of the world.

Goldman, in addition to numerous speaking engagements including a seminar sponsored by *EIR*, interviewed on Mexico's Channel 13 television. Goldman's June 9 conference was covered by five major Mexican dailies, including *El Heraldo* of Mexico City. *El Heraldo* reported Goldman's warning that "if U.S. authorities decide to continue Paul Volcker's policies of raising interest rates, the consequences for Mexico will be catastrophic." The paper noted the economist's charge that no country in the world had ever successfully shown that high interest rates halt inflation.

On the popular Channel 13 news show, Goldman was asked to comment on Mexico's recent decision to reduce oil prices. Goldman responded that oil pricing was a "sovereign decision" to be handled by the Mexican government, but added that the worldwide decline in oil consumption had undoubtedly influenced the decision.

International Credit

Nigeria targeted for population control

Nigeria has become the first heavily populated oil-producing country to run into debt-financing troubles because of the adverse effects of the current high interest rates imposed by the Bank for International Settlements on world credit markets.

Although an oil producer, Nigeria is reported to be heavily drawing down its foreign currency reserve to pay for food and machinery, due to rising interest rates and the collapsing world oil price, bankers said this week. Nigeria's reserves have collapsed by 50 percent to only \$5 billion, and the country is forecast to have a \$3 billion deficit by 1983.

Lloyds Bank in London reported this week that Nigeria's recent efforts to borrow in London have been met by bankers who demand higher interest rates and tough loan terms. Relative to its newly diminishing income, Nigeria is now seen as "overpopulated" by bankers, a Chase Manhattan official said this week.

Marshal Carter of the U.S. State Department even predicted a "destabilizing effect on political conditions" due to population pressures colliding with a reduced budget. Nigeria and other countries "have painted themselves into a corner, especially those with democratic governments, if they cannot live up to their development plans," she said.

James Greene, chairman of American Express International Banking predicted this week that Mexico, Indonesia, Malaysia, Ecuador, and other countries would soon have to reduce population growth or face similar credit problems. "Population in these countries is growing at a very substantial rate, and the population has been fed with the illusion of progress. Suddenly they will be faced with rapid unemployment and other burdens which will mean social unrest of a very explosive sort.

"Either they will have to wind down their borrowing or face this problem," Greene stated.

Briefly

● **ASSISTANT SECRETARY** of State Robert Hormats told *EIR* that the Haig State Department is now promoting an end to food subsidies in the LDCs, with sharply increasing food prices and reduced consumption. Hormats admitted "a number of developing countries have a starvation problem," but said foreign aid could help this, neglecting to mention foreign aid has also been reduced.

● **FRENCH** Foreign Minister Claude Cheysson has called for a "new fund" to channel private financing into the Third World modeled on the Brandt Commission's insurance fund program. "The World Bank and the International Monetary Fund do not work," he said in Washington.

● **THE FEDERAL RESERVE** has been robbed of \$1.55 million by two Brazilian embezzlers in the first recorded case of EFT fraud against a central bank. Vera Lucia Campos, a Fedwire employee, is charged in U.S. federal court with depositing the federal funds in the National Bank of Virginia. The money is alleged to have then been transferred to the Swiss Bank Corporation and Union Bank of Switzerland.

● **HEALTH AND HUMAN** Services Secretary Richard S. Schweiker's May 12 estimate of a \$33,600 Social Security tax saving over the lifetime of a worker who enters the labor force in the next year has been confirmed by the Social Security Administration. Schweiker said that the \$33,600 would be a 10 percent saving in that average worker's taxes, implying therefore a tax load of \$300,000 which would be matched by the employer for a total of \$600,000. The trick is the assumption by the actuaries of over 9 percent inflation for the 1980s; 8.0 percent in the 1990s, and just under 6 percent through 2027. Can Volcker last *that* long?

The inside story of the Club of Rome

by Nancy Spannaus, Contributing Editor

In his speech before 120 diplomats and government officials in Washington, D.C. this last week, *EIR* founder Lyndon H. LaRouche, Jr. identified the major policymaking institutions of the advanced sector as the real problem leading the world toward World War III. No one could exemplify this judgement more clearly than Alexander King, cofounder of the Club of Rome, as he described the origins and workings of that institution to *EIR* in Paris last month.

King's Club of Rome is not a power in its own right. Many in the United States and developing sector would hardly recognize its name. Yet the institutional connections of this elite group, which began with a mere four individuals in 1968, make it one of the central coordinating bodies for the worldwide depopulation policy which ranges from mass sterilizations, to right- and left-wing terrorism, to fomenting of Salvador-like civil wars. It is the policies formulated in the Club of Rome, on behalf of the "black noble" families of Venice and Great Britain, which are then transmitted through leading institutions such as NATO, the OECD, and governments of nations like Canada.

Policy-makers

Despite his care to present a respectable image, Mr. King's interview as a whole lays bare the central policy commitments that motivate the Club of Rome and its assets. His first statement is rather mild: "The Club of Rome originated in a feeling that growth for growth's sake was not good enough." The first clear extension of this policy is in the area of education, King says, beginning with linking the educational curricula with their "economic impact." Again, the sentiment appears vague, until our correspondent draws out King's acknowledgement that he and his group could be considered the intellectual "fathers of the événements," i.e. the May 1968 student anarchist uprisings in France.

Gradually the policy profile becomes clearer. "Many of us felt that the nation-states of especially Western Europe were not looking at the long

term, but were bound up with short-term electoral cycles, and far too traditional." The meaning of that is directly linked to the views of the Council on Foreign Relations, whose member Lloyd Cutler, then personal counsel to President Carter, wrote an article on future governments last year. Governments will increasingly be absorbed with the business of managing scarcity, Cutler said, and therefore must be cut off from the demands of the constituencies. King extends the argument to cutting off the nation-state as an institution. Thus the concentration of the Club, as King admits, was on the development of systems analysis in such a context that at the founding meeting, "economic growth was never even mentioned."

True, King protests that the Club has been slandered with the characterization "zero growth." But the cause of his objection is clearly public relations oriented. King is interested in promoting zero growth through the rubric of the "technetronic society," as envisioned by such madmen as Zbigniew Brzezinski and the late H. G. Wells. How does this cohere with the so-called concern for the "humanization" of science reflected in the educational reforms and King's discussion of the policy review by the Nobel Foundation in 1968? Merely that an increasingly small group of technocrats will run the increasingly smaller core of industry, manipulate the overall population through the "information" society, and leave the bulk of the world's population without access to the tool of technological development.

Eventually King is brought to admit the consequences of his technetronic dream. That is not only the reduction of the world's population, but a reduction in such a way that the "white races" are preserved.

Penetrating institutions

King's description provides the reader with a remarkably clear image of how the Club of Rome functions to shape the policy directions of leading institutions. The Club of Rome is not at all interested in wielding power as such—that makes it too direct a target of opposition. It prefers to act "as a catalyst," leaving the appearance that the student rebellions, destabilizations, and economic retrenchment programs it is fostering are "just popping up spontaneously."

The Club's institutional connections go in two directions—the institutions from which it was spawned, and the institutions through which it operated to formulate global depopulation policy.

Its progenitor institutions are the direct creatures of the international oligarchy that wishes to preserve the world as its own private "game preserve." The notable and identifiable element of this oligarchy he mentions are: 1) The Agnelli Foundation—a creature of the Venetian nobility; 2) the Nobel Foundation—a creature of the Swedish nobility; 3) Royal Dutch Shell—a crea-

ture of the Dutch nobility; 4) Nestlé's Corporation—a creature of the Swiss and old Austro-Hungarian nobility; and 5) the OECD itself, the NATO policy-setter—effectively functioning as an arm of the intelligence branch of the British royal household.

On the underside of the Club of Rome are the institutions of influence and implementation, ranging from academic centers to the nest of Mussolini's secret police and terrorist controllers exposed in Italy within the Propaganda Due Masonic Lodge.

King himself does not want to concentrate on the political end of these institutions. It was quite by accident we were well received by the Austrian government, he demurs. But King's modesty aside, the accompanying list of Club members makes clear that the Club controls not only heads of state like Pierre Trudeau, but leading members of the Socialist International, banking circles, and other power positions throughout the advanced and developing sectors.

The so-called academic institutions are quite revealing. Key among them are IFIAS, the International Federation of Institutes of Advanced Studies, and IIASA, the International Institute for Applied Systems Analysis. These groupings, both technically oriented, are key penetrators of explicitly anti-Club of Rome governments and institutions, including especially the Soviet Union. Acting as impartial experts, their members are ruining dozens of nations, controlling international institutions like the United Nations, IMF, and World Bank, and perverting the best of scientific minds looking for a solution to underdevelopment.

King provides all the evidence linking the Club to the P-2 fascists and their collaborators in Argentina, Libya, and the KGB. The link is the Adela, or Association for Development of Latin America, which is part of the financial network called Inter-Alpha that supports the left and right terror activities of P-2. Argentina, where King and Rockefeller picked up Club cofounder Aurelio Peccei, is the well-known home for fascists who find Italy too hot for the continuation of their secret police and dirty money activities.

Careful evaluation of King's interview should give heads of government and the pro-growth, anti-world government leaders of the Reagan administration all the evidence they need to understand how the Club of Rome functions as the head of the Global 2000, genocidal hydra now leading the world toward hideous depression and World War III.

Perhaps this fact will not be ignored by individuals being lured into the upcoming Club of Rome annual meeting in Caracas, Venezuela, or at the upcoming OECD meeting in Paris, or the June 13 Palme Commission meeting in Moscow. Destroying the capabilities of the head is the most efficient way to cripple the oligarchical monster.

Club of Rome founder Alexander King discusses his goals and operations

The following interview with Dr. Alexander King, founder of the Club of Rome, was conducted May 26 in Paris by EIR's Laurent Murawiec and Dino di Paoli.

EIR: When the United States launched the Space Shuttle, there was a groundswell of public support for science, technology and related matters. In your mind, Dr. King, does this imply a backlash against the kind of influence on public opinion represented by, for example, the 1966 report by Anatol Rapoport of the Tavistock Institute? He analyzed the effects of science and technology on American society in light of the NASA moon-shot effort, and reported too much respect for science among the population, recommending a counter-effort.

King: Well, public opinion is a very labile thing; it changes very easily. Since 1968, there has been a gradual demystification of science, and an increasing resistance to new technology. This, of course, is the sort of thing that goes up and down. Science occasionally has some big breakthroughs, like the first man on the Moon, and then it becomes popular. But then, the pendulum swings the other way.

The Space Shuttle is typical. At the moment, people are relatively pleased with that kind of thing. But something else will happen, and public opinion will go the other way. . . .

EIR: I mentioned Rapoport's report because it seems to have had an enormous impact on future thinking about science and technology. After the report, NASA started to be scaled back, for example. Much work later done resulted from its conclusions, that there was an excess of science in society.

King: I doubt if that report *as such* has had as much influence as you say. Nonetheless, it was a very good report, the culmination of a movement of thought occurring in many places at the same time. Many people had the same doubts about science and technology that Rapoport expressed.

EIR: Could you give us some picture of how this idea arose—as you put it, in many places at the same time?

King: I think this is something that has happened over and over again since the beginning of Man's history. Sometimes, the same thing has been invented in three or four different places simultaneously. It happens because people are working in the same direction in many places, and all the background, all the environmental preparations have been made—it just comes out like that. It is very common, and I think we will see more of this. It also happens in public opinion. In 1968, when we had the student troubles here in France, it happened simultaneously everywhere else. And the anti-pollution lobbies, the conservationists coming out and influencing governments for the first time—all this happened simultaneously in many places.

In fact, some governments have been working on this for nearly a hundred years. The public had not reacted. But then, new inventions, and new ideas often make their appearance in history with movements which are sometimes very complicated, but which manifest themselves in many places at the same time. That is standard.

EIR: In other words, for the idea we are discussing here, you mean to indicate that, for example, Aurelio Peccei was off working on his own; you were working on your own, and so forth?

King: Yes, I have been here in Paris for about 20 years. I was a director-general of the OECD and then general secretary. Even then, a Danish economist, Thorkil Kristensen, and I talked over this many times.

The Club of Rome originated in a feeling that growth for growth's sake was not good enough. None of us in the Club of Rome have ever been against economic growth. We have been identified with zero-growth, true, but we have never been for it. Anecdotally, I can tell you about that.

In the period when this was happening, Thorkil Kristensen wrote a paper for the Council of Ministers of

the OECD on the problems of contemporary society. The ministers discussed it—before the *événements* [student and labor strikes of May 1968 in Paris—ed.]. What was discussed was the question of educational unrest, the question of the need for deep educational reform to make young people much more atuned to what was happening, much more in tune with societal realities. The discussions raised the question of environmental destruction, the question of alienation of the individual, rejection of authority and many other things of that kind. They all came up at the same time.

Kristensen and I felt that governments, although willing to debate these things, were not capable of acting quickly enough or responsively enough to these changes. The bureaucracies of governments, even more than the ministers, are post facto mechanisms. They only react after events, and do not foresee them. They are not prepared for them.

It was at that time that Kristensen and I got in touch with Aurelio Peccei. The Club of Rome was actually born inside the OECD, around such concerns.

EIR: Did the OECD do any work on this educational question prior to the Paris *événements*?

King: Yes, quite a lot. We were very interested in educa-

Alexander King: a subverter of science

Dr. Alexander King, CBE (Commander of the British Empire) and CMG (Commander of the Order of St. Michael and St. George), has taught chemistry at the Imperial College, London and headed the British Scientific Mission in Washington from 1943 to 1947. Beginning in 1968, he was director general for the Scientific Affairs Section of the Organization for Economic Cooperation and Development (OECD), an apparatus considered a subordinate feature of NATO, but actually its policy controller.

Dr. King also heads the International Federation of Institutes for Advanced Studies, the coordinating body for seven such institutes, with membership heavily overlapping the Club of Rome. The International Federation of Institutes for Advanced Studies is based in Stockholm, Sweden and Paris, France and has close ties to the Tavistock Institute, the Sussex-based flagship institution of British intelligence's psychological warfare division.

tional programs. We invented the whole question of curriculum reform, trying to teach mathematics and chemistry, etc. in new ways. We were the only body that began to look at education in terms of its economic impact. We were very much criticized for this. The ministries of education were all culturally based. Education was something that passed down the riches of posterity to new generations, in their view. To tie education to the economic wagon seemed terrible. But they exaggerated and misconstrued our purpose, as always.

What we were trying to do was to examine the educational system in relation to the economy—it is a very big relationship. You have to look at education in terms of the needs of the future economy and the kinds of jobs that are going to be required. What kind of training is required, intellectually as well as in the ordinary sense of socialization.

EIR: Were you involved in the project to transform the way mathematics is taught, the so-called New Math?

King: Yes, yes, yes. We pioneered it, very much so! At that time, under Kristensen, the OECD was a very innovative place. I was in charge of science and technology, and education, and we had our internal policies. Our policy was roughly that we should be at least five years ahead of the thinking of the nation-states; second, however, we should never *appear* to be more than two years ahead. Otherwise, we would be killed!

Our policy was to look at everything that is new, at speculative matters, matters of uncertainty. We had many failures, but then again, when we were successful, and the nation-states would get interested, we had completed our catalytic role. We would drop those activities and begin new ones. It was a very mobile and very interesting approach.

When we started the curriculum reform, a number of people, particularly in America, at MIT, were very interested. We found a number of French mathematics teachers terribly interested. We also found people in Germany and the United Kingdom, too.

After about three years, we had national commissions for curriculum reform on various subjects in all member-nations. At that point, we decided we had done enough of that, and we dropped it. The ministers [of the member-nations] thought we were crazy! The thing was successful, so why were we stopping it? But we had catalyzed it, and that is all we intended. By the time we finished, there was an economic section in the ministries of education in every nation-state in the OECD.

EIR: Who headed the economic section in France?

King: Ah, well, France was not very keen on this. . . . The primary work was done in the United States. . . . We were in on all kinds of colloquia connected to this. A number of Frenchmen were very keen on this. . . . Ber-

trand de Jouvenel [head of the International Association of Futuribles, many of whose members are now ministers in the Mitterrand government—ed.] is a very good friend of mine, but he was not very much involved, although extremely sympathetic.

The main proposals for methods and techniques came from groups at Princeton and Ohio State University, and their members became our advisers for three years. Then, through the Mediterranean Regional Project, we worked in six OECD Mediterranean nations—Greece, Turkey, Italy, Yugoslavia, Spain, Portugal—putting through educational reform plans in all of them. So, we started lots of things, lots of things, long before the May 1968 *événements*.

EIR: So in a certain way, you might be considered the fathers of the *événements*? I mean, of course, the intellectual fathers.

King: Yes, We were very sympathetic to many features of the *événements*.

EIR: I would guess that General de Gaulle was not very sympathetic toward you?

King: Yes, well, France was not one of our great supporters at that time.



McGeorge Bundy

The Ford Foundation helped us a great deal at OECD. We started a center for education innovation, outside the purview of the normal budget, financed half by the Ford Foundation and half by industrial enterprises, especially Royal Dutch Shell.

We were particularly helped by the British minister of education at that time, Tony Crosland, one of the very bright and innovative people in the Labour Party—a big loss that he died.

The beginning of the Club of Rome enters here. Many of us felt that the nation-states of especially Western Europe were not looking at the long term, but were bound up with short-term electoral cycles, and far too traditional. So, I was looking around for something to do. I had never heard of Aurelio Peccei. Peccei came to the fore in a very strange way.

Peccei came by way of David Rockefeller and his group, Adela [Association for the Development of Latin America]. It was a consortium of financial people trying to do something about industrial development in Latin America. It was headquartered in Argentina. Gianni Agnelli, the head of Fiat, was very much a part of it. Of course, at that time, Peccei was president of Olivetti. Agnelli had put him in there. You know how the Italian industrial mafia works.

Aurelio—well, it was like this: the Adela people were planning their first meeting between U.S. industrialists and financiers and their Latin American counterparts. It was held in Buenos Aires. They wanted a keynote speech which would be forward-looking, long-term—not the “Year 2000” stuff, but a 10-year perspective, perhaps. They wanted it delivered in fluent Spanish, but preferably not by a Yankee. Peccei, having been president of Fiat Latin America for a long time, speaks fluent Spanish. He gave the speech.

It was a very intelligent speech—a very good speech indeed.



David Rockefeller

Actually, I only saw the speech later. As far as I could tell, the United States government knew about it. David Rockefeller, perhaps, let the Department of State have a copy of it. The English-language version was placed on sight-tables at the United Nations, particularly at Unesco, and the U.N. Committee on the Application of Science and Technology to Development (Unacast). This

was all back in 1967 or 1968.

Dzhermen Gvishiani: a mole in the U.S.S.R.

The Club of Rome has a ready-made influence in the Soviet Union in the person of Dzhermen Gvishiani, the son-in-law of the late Premier Aleksei Kosygin. Gvishiani, from Soviet Georgia, is deputy chairman of the U.S.S.R. State Committee on Science and Technology, and codirector with McGeorge Bundy of the International Institute for Applied Systems Analysis (IIASA) in Vienna.

Gvishiani is a trade negotiator for the Soviet Union with the West. He is also a de facto founding member of the Club of Rome, who has brought to the Soviet Union such Club members as top people from the inner councils at the Organization for Economic Cooperation and Development.

“It is a naive . . . and in some cases a reactionary attitude,” announced Gvishiani in a recent article, “to believe that the only goal of developing countries is the attainment of a level at which they will be able to reproduce the entire social order, with its technological progress and the nature of mass consumption, that is dominant in developed capitalist countries.”

Strangely enough, it was a Russian, the Russian delegate at Unacast, Dzhermen Gvishiani, who was one of the first to respond. He picked up the speech, put it in his briefcase, and read it on the way back to Moscow. He decided he wanted to get in touch with this man, Peccei. Peccei has some of this in his autobiography, but he did not give the name of the man—Dzhermen Gvishiani. Gvishiani found Peccei's views tremendously interesting.

EIR: Is this when Gvishiani's International Institute for Applied Systems Analysis was founded?

King: It is all connected. Gvishiani wanted to get in touch with Peccei, but he had never heard of him, and this speech he had was merely signed, "Aurelio Peccei, Military Academy, Buenos Aires, November 1967." So, Gvishiani wrote to his American colleague at Unacast, who sent him a couple of copies of the speech. He asked him to "find out for me who this Peccei is."

The American, quite well known now, was Carroll Wilson, the professor at MIT who authored the recent coal report—he's quite a person, I can tell you. But Wilson, too, had no idea who this Peccei was. He passed Gvishiani's request along to me. But I, too, had never heard of Peccei.



Gianni Agnelli

I made inquiries at the embassy here in Paris, and I asked some colleagues and found out. I wrote to Peccei, put him in touch with Gvishiani, and I happened to say to him: "By the way, I read a copy of your speech at Buenos Aires, and I found it extremely good. Maybe you will be in Paris some time. Let's have lunch together and discuss things." A week later, the telephone rang: "This is Aurelio Peccei. I'm in Paris, can we have lunch together?" It went very well.

About 10 days later I was in Rome, and we had dinner together. We had three or four meetings, and decided to do something about the world.

We were thinking about it then almost entirely from a Western European standpoint. We decided to call a meeting of prominent Western Europeans, about 20 people. Peccei persuaded the Agnelli Foundation to pay for it. The meeting took place at the Accademia dei Lincei in Rome. I lent one of my consultants at OCED, Erik Jantsch, a rather well-known person who died this year. He did a background paper. We sat down and looked for a number of people to invite.

From France, for instance, we invited Bertrand de Jouvenel, Pierre Masse, and the planning commissioner at that time, Saint-Geours, was in attendance, and so was François Bloch-Laine, who then headed Crédit Lyon-

nais. It was people like that, and corresponding people from other countries.



Bertrand de Jouvenel

The meeting was held in Rome. We discussed how Europe could look at the future, prepare for future things. Economic growth was never even mentioned.

The meeting, in truth, was an abject failure. Everybody was against it. With the Vietnam War going on, people were very anti-American. The French behaved like Frenchmen. De Jouvenel, whom I like and have known for many years, along with some of his colleagues, argued on semantics all the time. They argued that the word "systems" had no meaning in French, the way it has been used in America, so everything was nonsense. We found out that you could not have the Rand Corporation and the Vienna Opera House on the same continent.

I argued, stupidly, that one could not envision a continent in the future without the two of them. The meeting almost broke out in disorder.

That night at dinner—at Peccei's house—about six of us closed ranks and decided to carry on. A small study group, mainly for our own education, was formed and decided that the function that was most important and should be the central theme of the group was what we called global *problématique*—namely, the interconnection of problems, the very important things that were happening in this or that field and which had an impact on one another that was unnoticed; government policies represented the sum total, but did not represent an integration of sectoral policies. Given rapid change, that isn't good enough.

We took a global point of view. At this point, two of our colleagues left us at least temporarily. One of them was Saint-Geours, who thought it was far too ambitious. He thought we should study a city, Frankfurt or Florence, its environment, its totality. But to look at it from a global point of view he thought crazy. The other person who walked out was Max Kohnstamm, who was Jean Monnet's shadow; he was a good friend of all of us. Five or six years later, he wrote a very honest and touching letter, saying how wrong he had been at that meeting, and how much he regretted it.

We met for a number of times, mainly in Geneva, because it was halfway between Paris and Rome, and the people concerned were Peccei and myself, Jantsch, and a consultant of mine, Hugo Thiemann, who later left. He was head of the Battelle Institute. There were no Russians, only Western Europeans at the beginning. It was extended about a year later, in 1970, when we had an American, Hassan Osbekan, of Turkish origin. He was

extraordinarily, unusually brilliant, a genius type. He worked with us on what he called a projection of mankind. He put out a very big and very interesting project, which in the end we rejected because we did not think the methodology existed to do it. At any rate, Osbekan and Jantsch gave a seminar at the European Summer University at Alpbach in the Tyrol, and Peccei and I went to support them.

This was a very important turning point for the Club of Rome. Several Americans were there who became extremely interested. Eduard Pestel was also there. The Americans were the president of the American Association for the Advancement of Science, and also Paul Weiss, the physiologist. At dinner that night, we sat at the same table with Josef Klaus, then chancellor of Austria, from the Black Party.

We had a very interesting conversation, and he said: "The things that you are doing are raising enormous interest among my colleagues. Why don't three or four of you come down to Vienna next month and spend a day with my cabinet?" We did, and the people there were rather interested. Peccei went, along with myself, Thiemann, and also Thorkil Kristensen who had just retired from the OECD. He became an official member of the Club of Rome.

By the way, Dzhermen Gvishiani was in Austria at that time, in connection with the negotiations around the International Institute for Applied Systems Analysis. Gvishiani came to our meeting.



Pierre Trudeau

We didn't have any political people, no government office holders as members at that time. But this meeting put into our heads the idea of talking to political people. The following year, Peccei and I together or separately saw at least 26 prime ministers and presidents.

You know, the one who gave us the most support was Canada's Pierre Trudeau. We had an extraordinarily interesting meeting in Ottawa.

EIR: How did Pompidou react?

King: He didn't, hardly at all. Giscard did, but only later on, and very considerably, at the 1973 Unesco sessions. Edgar Faure was interested. And after Sicco Mansholt sent them his letter, the French got very interested, but of course, for their own reasons. Mansholt had never read anything from the Club of Rome, not even *Limits to Growth*.

It was a very interesting situation. Take the *Limits to Growth* report. We were at first very unhappy that there was so much discussion of it, because the discussion was based on all the wrong ideas. We didn't have those ideas. No one was apparently able to distinguish between a

report to the Club of Rome and a report by the Club of Rome. We had actually never discussed *zero-growth* as a club when the report appeared. Therefore, to be labeled as proponents of zero-growth very much annoyed us.

We had a very important meeting that year [1971] in France, near Paris, and we agreed very much that the Club of Rome would never try to seek a consensus agreement. The job was catalytic, to start debates. So, many people in the Club disliked the *Limits to Growth*. I personally think it was the best that could be done at the time. It had its faults, but it would have been difficult to better them.

The report did three things: It spotlighted the interconnectedness of problems. If you look at pollution alone, or population growth alone, or economic growth alone, everything seems fine; but if you look at the interconnections, the effect one has on the others, it is different. Second, it started a debate, which echoed all over the world. Third, it started lots of new study. So, we were fully justified in issuing the report, in spite of the errors contained.

The main thing for us, and for Dennis Meadows [*Limits to Growth* co-author], too, was not to make prophecies. It was a Cassandra type of thing. "This is likely to happen if things continued as they are," with the idea that policies could change to prove the forecasts

Who are the members of the Club of Rome?

The Club of Rome, which describes itself as totally structureless except for an 8-man executive committee led by Aurelio Peccei and Alexander King, is limited to 100 members. Those 100 members, however, wield considerable power in major nations, both East and West, and in an assortment of multinational institutions. The following are among those on the Club of Rome's current membership roster.

Bertrand de Jouvenel, president, International Association of Futuribles, Paris, France.

Umberto Colombo, president, National Committee for Nuclear Energy, Rome, Italy.

Arne Engström, director-general, National Food Administration, Sweden.

Thor Heyerdahl, anthropologist, Rome, Italy.

T. Adeoye Lambo, deputy director-general, World Health Organization, Geneva, Switzerland.

Ervin Laszlo, special fellow, United Nations Institute for Training and Research, New York, U.S.A.

M. Robert Lattès, counsel to the board of direc-

wrong. It's different from prophesying, "This is going to happen."

EIR: Was there concern with the "American model," as in Jean-Jacques Servan-Schreiber's *Le Défi Américain* [*The American Challenge*]? The book heralded the world's imminent entry into a "technetronic era."

King: Well, that actually goes back a few years. We worked on that in the OECD. We did a large series of studies which we called "The Technological Gap" between America and Europe. We knew it wasn't a technology gap, but that was the way we were introducing the idea.



Servan-Schreiber

Servan-Schreiber's *The American Challenge* was based on stolen data of ours! He never acknowledged it. All our data was in that book. He even lifted direct quotes—without quotation marks—straight from our working papers.

We had a ministerial meeting with science and economic dignitaries to discuss our work on this. A very exciting meeting occurred,

and at the end of it my work inside the OECD was nearly

killed. The Americans and British didn't like it.

This was the time of the de Gaulle veto against British entry into the Common Market. . . .

The American industrialists approached the American government and complained that our discussions were teaching their competitors, these foreigners in Europe, all about their methods, so that the discussions were against the interests of the United States. They demanded they be stopped, and they were. Two years later, however, the Americans came back. Their dollar got into trouble. So they tried to get it all started again.

Meanwhile, we had probably the best team of young people that could be had anywhere in the world working on this technetronic model. It had to be disbanded for those two years. This shows how policies of nation-states go back and forth. You can't tie something like the Club of Rome to short-term policies.

EIR: Why were no Americans involved in the Club of Rome at the beginning?

King: They joined very soon after the founding. We wanted it to be small and compact. We had no money. We all paid our own way to all the meetings. We felt it was more convenient that the Europeans should begin by having discussions among themselves. And later, by all means, it could be opened to others. . . .

tors, Paribas Bank, Paris, France.

Dr. Aklilu Lemma, principal scientific coordinator, U.N. Conference on Science and Technology for Development, New York, U.S.A.

Sol M. Linowitz, former president, Xerox Corp.; attorney, Washington, D.C.

Elizabeth Mann-Borghese, professor of political science, Dalhousie University, Halifax, Nova Scotia; founder, Aspen Institute for Humanistic Studies, Aspen, Colorado, U.S.A.

D. José Antonio Mayobre, Central Bank of Venezuela, Caracas, Venezuela.

Saburo Okita, foreign minister, Japan.

Jozef Pajestka, Planning Commission, Poland.

Clairborne Pell, Senate of the United States, Rhode Island.

Eduard Pestel, minister for arts and sciences, State of Lower Saxony, West Germany.

Edgar Pisani, European Community commissioner for relations to developing sector, France.

Ilya Prigogine, professor of science, Free University of Brussels, Belgium.

Kazimierz Secomski, vice-president of the Council of Ministers, Poland.

Dr. Soedjatmoko, National Development Planning Agency, Indonesia.

Thorvald Stoltenberg, secretary of state, Foreign Ministry, Norway.

Dan Tolkowsky, managing director, Discount Bank Investment Co., Ltd., Tel Aviv, Israel.

Victor L. Urquidi, president, College of Mexico.

Carroll L. Wilson, director, World Coal Study, Massachusetts Institute of Technology, U.S.A.

Ibrahim Helmi Abdel Rahman, adviser to the prime minister, Cairo, Egypt.

Yoshishige Ashihara, chairman, Board of Directors, Kansai Electric Power Co., Japan.

Jeremy Bray, member of parliament, House of Commons, Great Britain.

Felipe Herrera, president, Spanish Bank-Chile, Santiago, Chile.

Professor Abdus Salam, director, International Center for Theoretical Physics, Trieste, Italy.

Professor Roberto Vacca, author, *The Coming Dark Age*, Rome, Italy.

Thorkil Kristensen, former aide to the director-general for scientific affairs, OECD, Brussels, Belgium.

Maurice Guernier, author, *The Last Chance for the Third World* (1968), Paris, France.

Jean Saint-Geours, vice-president, International Association of Futuribles, Paris, France.

EIR: Didn't you say that David Rockefeller was sponsoring it all?

King: Uh, well, Adela was.

EIR: In terms of ideas, Adela, Rockefeller and others shared them, didn't they?

King: The ideas were coming up here and there and everywhere. Not in a conspiratorial way, but just incidentally. . . .

EIR: Did you and other "founding fathers" have discussions with the European Society for Culture in Venice?

King: Yes, in the sense that we had a few meetings there at odd times. They weren't Club of Rome meetings as such, though. We did have a lot to do with the European Cultural Foundation of Amsterdam. Prince Bernhard set it up. We also had discussions with Denis de Rougemont and his European Movement people in Geneva.

One other little thing that happened at that time was the creation of the institution that I am now chairman of, the International Federation of Institutes of Advanced Studies.

You see, things were just popping up spontaneously.

In the same year, 1968, the Nobel Foundation in Stockholm suddenly decided that science was going all wrong. They decided that science was losing its touch with humanity, not just by way of specialization, but in terms of the whole scientific attitude. This takes us back to what we raised at the beginning.



Margaret Mead

The president of the Nobel Foundation was Arne Tiselius, who was a biochemist, and himself a 1948 prize winner [Tiselius is a close associate of Sweden's former premier, Olof Palme—ed.]. Tiselius called a Nobel symposium in Stockholm, where about 20 Nobel laureates and about 20 generalists like myself got together to discuss the problem with science. There were a couple of bankers.

Arthur Koestler was there. We even had the poet laureate W. H. Auden. He recited a poem.

Actually it was a very exciting meeting. Margaret Mead were there. A big part was played by the late Jacques Monod, who was then chairman of the Institut Pasteur in France. Harrison Brown, the American scientist, was one of the leaders, and summed things up by saying, "We have three options for the future: either the big bang, nuclear annihilation, in which case, mankind won't have any other problems; more likely, by taking a number of small, wise steps, we will gradually pull ourselves out of this mess; or even more likely, we will let things drift into a situation where everything will gradually get worse."

After this symposium, the Nobel Foundation got in touch with the Rockefeller Foundation. Together they created my International Federation of Institutes of Advanced Studies to look at long-term world problems in a multidisciplinary way. In practice, the federation is the scientific arm of the Club of Rome. In formal terms, of course, there is no connection whatsoever, but the central people—30 members who are directors of these institutes; plus 7 noninstitutional members of which I am one along with Peccei, Pestel, Okita from Japan, Victor Urquidi from Mexico—are all Club of Rome. This wasn't planned either. It just happened because they were the people who were interested. So the International Federation and everything it does is very close to the Club of Rome, but rather quietly.

EIR: What you mentioned earlier about Dzhermen Gvishiani is most interesting. Recent developments seem to indicate that he is out of favor in the Soviet Union. There is a powerful economic growth faction in the Soviet Union, especially judging by the last party congress in February. And when the head of the State Committee for Science and Technology died, Gvishiani, although second in command, was passed over. A man from Novosibirsk was appointed to head the committee. And then, the strong science stand at the party congress seemed quite unaffected by the ideas Gvishiani wanted to inject.

King: Well, yes and no. Your interpretation may not be correct. The science and technology section of Brezhnev's February speech was written by Gvishiani. I know this, because I happened to be in Moscow when he was writing it.

Gvishiani was politically vulnerable because of his father-in-law, Kosygin. Kosygin was somehow out of favor in the last year or two. When he was lying in state, however, just before he was buried, Gvishiani was there as a member of the family, and as the newspapers noted [the *International Herald Tribune*] Brezhnev and the Politburo came to pay their respects, stayed there with Gvishiani and shook his hand. They spoke to him for a rather long time. This had obvious political significance. After that, he became a full member of the Academy of Sciences. He has his Institute for Systems Studies in Moscow. I think it is a lousy institute. But he is all right with the present regime.

When his boss was sacked a year ago, it was because Brezhnev and company were realizing that industrial innovation was just not occurring. In fact, there had been no major domestic industrial innovations in the Soviet Union for the last 20 years! It all came from the multinationals. It's my own judgment, and I think quite true, that Gvishiani had been, through his father-in-law, warning the Kremlin that this was the situation for some years. And he has not been listened to. When the thing finally broke, the fact that he had been doing this was

very much in his favor—I mean for his survival—when the other man, Kirillin, was sacked for various things. One was that he was a very close friend of Sakharov. Second, he had been neglecting industrial innovation, or rather, he had been accepting the situation; he had been complacent, not giving warning signals. Under the circumstances, with Kosygin slightly out of favor, Gvishiani in favor, the obvious thing to do was to keep Gvishiani in his position and put in another figurehead who would be acceptable to the scientists.

EIR: Is that also the case at policy-level? What of plasma physics, laser research, fusion research? Do not military concerns tend to be an overriding motivation for the Russian leadership?

King: It is an overriding motivation, but one thing they don't realize is that it is acting against their economy, to an extent that it endangers the military. To the extent that they concentrate on the types of technologies you mentioned, there has been far less effort on many things that are essential to the economy. That is one of the causes for the lack of innovation. They want to do both, but they are also very anxious to look at the question of the feedback of the military on industry. Unlike in the United States spinoffs have been practically nonexistent. There is practically no feedback from microelectronics. As a consequence, the Soviet Union is not in the first league in microelectronics. They are 10 to 12 years behind.

That's the reason for all this difficulty with the International Institute for Applied Systems Analysis [IIASA]. IIASA is linked to all these international data banks. The United States has its lines into all these, so it is an extremely good place for the Russians to be.

I must tell you also why I was in Moscow for this occasion. It is relevant for what we have just been talking about. At my International Federation, we had an approach from the Soviet Union about a year ago to join with them in East-West studies: why innovation takes place in some countries and not in others. This was couched in extraordinary sociological terms which no one could understand—we had our own translation made from the original Russian document—and what they were really trying to say was: what is the influence of the national environment, national political ideology, and institutional behavior on success or failure in innovation?

So we arranged a preliminary meeting in Moscow on this in February; there was no one from France there. We had Dr. Pavitt from Sussex University in England, who is a former assistant of mine at OECD. Everyone at the Social Policy Research Unit [SPRU] at Sussex is a former member of my section at OECD.

I brought in Oshima from Tokyo, who is very good, and the Russians brought in a couple of Hungarians, and

also people from Uzbekistan, and strangely enough from Estonia. One interesting thing was that the Russians who came from outside Moscow were bitterest in their criticism of Moscow. The Estonians particularly took an attitude which might have been a German attitude. And the Hungarians were unmercifully criticizing the theoretical approach of the Russians, and advocating methods that might be called American.

It is very strange because the Russians from Gvishiani's own institute, in their approach to technological innovation, make all kinds of mathematical-theoretical models which, to our mind, have absolutely no meaning whatsoever.

This meeting turned out to be very successful. It is now going to lead to a series of four or five interesting seminars on this subject, namely, what is the influence of the general national environment on successful innovation. The second of these is going to be in Tokyo and will be on what the differences are between Japanese success, less obvious American success, and Russian nonsuccess in terms of cultural background.

EIR: A lot of people have been working on this subject recently at Stanford University and at Georgetown University, especially in terms of reassessing Christianity. The Archbishop of Canterbury, Robert Runcie, was pushing such things when he was on tour in the United States last month.

King: Again, the whole question is raised by the microprocessor development I am interested in at the moment. The whole question of the work ethic comes up, and the Buddhist attitude and the Hindu attitude toward it, as well as the Protestant Puritan versus the Catholic. This is very much under discussion at the moment. There is going to be a series of events around the innovation issue in various countries. The Americans have a reason now for being interested, not just the Russians or West Europeans.

EIR: I have noticed that there is a fairly sharp differentiation between some work done in Western Europe, like the OECD's Interfutures project, and some American work like *Global 2000* and its *Global Future* addendum. Interfutures says: "Don't worry about population growth, in any case you can't do much about it." *Global 2000* and *Global Future* take an alarmist view of the problem, scream very loud, and say: "Act immediately." This is what the Population Crisis Committee/Draper Fund has been insisting on. Isn't this sharp differentiation fraught with dangers of divergence of strategies on the part of the two continents?

King: Yes. I think there are reasons for these differences. First of all, I know Professor Lesourne who headed Interfutures, and have seen the document. *Global 2000* was written by one person, with lots of advice—I was one

of the advisers actually. It was given a very rough treatment by many departments in the United States but nevertheless it came through uncensored pretty well. The Lesourne document was scrutinized by the ambassadors of 22 nation-states in the OECD, all of whom were pussyfooting, so it comes out relatively mild and non-alarming. The nation-states don't want to sound alarmist. That's the reason for the difference.

EIR: Let me insist that Lesourne's other documents are by and large congruent with the Interfutures perspective, in counterposition to *Global 2000*. Is the difference cosmetic, so that the same product can be sold to different audiences with different backgrounds?

King: First of all, there are a great deal of differences, transatlantic ones and within Europe. For example, when

the *Limits to Growth* came out, the first year it sold 26,000 in the United Kingdom, 400,000 in the Netherlands, 400,000 in Germany, and about half a million in the United States. So within the European countries, you have tremendous differences. For the French, particularly, who take a rather quiet intellectual view of the whole thing, it fits in with their whole way of thinking—but I don't think it's a transatlantic difference. America is a big country, which makes it stick out. The same things are going on in Japan.

EIR: Reading *Cent Pages Pour l'Avenir* [*One Hundred Pages for the Future* by Aurelio Peccei] and the proposals of Mr. Peccei, there is emphasis on the shift in values, particularly by the youth against material progress. But looking at the Soviet Union in military terms, this raises

The Club of Rome to hold Venezuela session

The Club of Rome is holding its annual conference this year in Caracas, Venezuela on June 16-19. Titled "Alternatives for Humankind: The Mission of Latin America," the event is being cosponsored by the government of Venezuela and has been in planning for over two years. This year's annual Club of Rome conference is the first held in a Third World country.

The 11 conference panels will cover topics ranging from "Food and Hunger" to "Microelectronics and Society."

Featured Club of Rome speakers include: the Club's president, Aurelio Peccei; Alexander King; Eduard Pestel, Lower Saxony minister for arts and sciences, West Germany; Jacques Fréymond, director of the Swiss University Institute for Higher International Studies; Ervin Laszlo of the United Nations Institute for Training and Research; Victor Urquidi, president of the Colegio de México; I. H. Abdel Rahman, adviser to the prime minister of Egypt; Jozef Bogнар, president of the Institute for World Economics of the Hungarian Academy of Science; Ricardo Diez-Hochleitner, director of the General Mediterranean Foundation, Spain; Eleonora Masini, secretary-general of the World Future Studies Federation, Italy; and others.

Major political figures have been tapped to speak at the conference, among them two presidents, and five former presidents, all of Third World countries.

They are: Presidents Luis Herrera Campins of Venezuela and Rodrigo Carazo of Costa Rica; and former Presidents Rafael Caldera and Carlos Andrés Pérez of Venezuela; Luis Echeverría of Mexico; Eduardo Frei of Chile; and Leopold Senghor of Senegal. Other speakers include some of the most notorious of the world's terrorists and their controllers, such as Venezuelan congressman Teodoro Petkoff—at one time Venezuela's most wanted terrorist, who worked in the terrorist apparatus associated with Régis Debray.

Venezuela was chosen as the location for the conference for special reasons. Since Luis Herrera Campins became president of Venezuela two years ago (with the help of the Italian P-2 Freemasonic lodge), Venezuela has become a laboratory for the policies of the Club of Rome. The results, which will be reviewed during the conference, have been a major economic collapse, hyperinflation, social unrest, and the gradual destruction of the labor force. Cosponsoring the conference, in fact, is Venezuela's "Ministry for the Development of Human Intelligence," headed by Luis Alberto Machado, a close friend of Peccei, and Harvard's race theorist Richard Herrnstein. Since 1979, when Herrera created this ministry, the only one in the world, thousands of Venezuelan schoolchildren have been used as guinea pigs in the teaching of artificial intelligence. There are many institutions involved in testing their programs, such as Scotland's Edinburgh University and Tel Aviv University, but one of the most important is Aurelio Peccei's "Forum Humanum," whose explicit purpose is the training of environmentalist shock troops. A main purpose of the conference will be to review some 18 different programs that "teach how to think" for implementation in the rest of the world.

the question: is it not absolutely indispensable to enforce converging shifts in cultural values in the Soviet youth to make sure that we don't get into trouble militarily with them?

King: You are absolutely right. And there are big shifts there. I have many ways of knowing it. My daughter has been in the Soviet Union for three-and-a-half years, and I have crowds of friends. I have talked recently with lots of the younger research people, and things are bubbling there. . . . [The shift in values] is not anti-Marxist, but it is a demand, as the Czechs did, for more freedom, freedom to talk, freedom to discuss, freedom to travel. And it's absolutely healthy, because freedom to change. . . .

EIR: In the short term, however, is there not a risk? How can we in the short term maintain some technological improvement on the military side, while lowering scientific progress generally?

King: It's all a matter of balance. I had an American colleague from Columbia University in this room last week. He is an expert on this type of thing—Seymour Melman. He has been the chief person writing about the spillover from military to the civilian economy, and he is very worried that the Reagan changes will go to such an extent that the innovative capacity of the economy will not be able to support it. There is an equilibrium between the two. The Russians have gone far too far to the military side with emphasis on technology. Perhaps in the past we have placed too much emphasis on economic growth as such, without looking at the military side. It is a matter of getting the right balance. But I don't think that it is a question of demystifying science as such, and making progress ineffective, but trying to diversify, trying to get quality-of-life aspects into it. The two things are not necessarily incompatible at all.

EIR: If we look at the Soviet scientific curriculum, as did the University of Chicago Wirszup report, the differences in science curricula seem to pose a national security risk for the United States. There is demoralization, disaffection for science in the youth, a tendency toward the "quality of life." How do you see an educational approach compatible with both a postindustrial society and short-term military requirements?

King: The pendulum is swinging here too. The demoralization is past its maximum by a long way. The number of people enlisting in sociology in the United States is going down rapidly. This is largely due to unemployment. People realize that they have to look at subjects that have some future. Most OECD countries, including the United States, see a swing back toward science.

EIR: What kind of science?

King: Mainly science as it is conventionally taught, not

controlled, because that is not appropriate for military purposes. But this is not a policy matter, it is a matter for bad tactics and strategy. And bad educational systems. I don't think it's a purposeful thing.

EIR: You mean it's just the invisible hand motioning the pendulum?

King: Yes. I am not too worried about the place of science. There are lots of enthusiastic people. Ten years ago, the situation was very bad indeed, and now, particularly in the newer things like electronics, there is tremendous interest.

EIR: In the debate that opposed H. G. Wells to Bertrand Russell in the *Coefficients*, Russell claimed there was too much of everything, especially technology, where Wells insisted that you had to have great priests in control, but in control of something. Are we not witnessing a policy debate at the highest level of the same kind?

King: These things are very fundamental. This is a debate that will go on under completely different guises many, many centuries hence, if we survive.

EIR: Could one say that this debate is presently going on inside the Club of Rome?

King: Not very much. The Club of Rome's members take a very sober view of things, much less radical than what would be indicated from say, *Limits to Growth* and so on. We're looking for equilibrium too! But we think that many, many things should be questioned. I think very strongly that there are two major things. First, we will have to look at the interactions problem much more seriously than now, and second we have got to find mechanisms with governments, to look ahead a little bit more, because we are getting into a situation of crisis-government, and governments are pasting newspapers over the cracks as they appear, and hoping they won't show. Every six months, they appear again. They are not looking at more fundamental things.

I think that the Club of Rome has taken a fundamental point of view; we recently held a series of meetings in the Club in Spain, in Brazil, in South Korea, for instance, where we sent half a dozen people to spend a week debating with the local people. Very often, as it was in Rio, there is a roundtable of about 8 of us, and about 15 Brazilians. But there were about 200 Brazilian decision-makers as an audience behind. So we had both the intimacy of the small group and influence on a larger group. We were mainly arguing, look clearly at problems and formulations; find mechanisms for looking at the interactions between them; and take longer-term approaches. I personally feel very strongly that, apart from the Russian business, the nuclear threat, that the world population problem is the biggest—even there, there is nothing one can do about it in the direct sense to alter



The May 1968 events in France, primed by the Club of Rome networks.

things before the end of the century. But there are many things you can do to make people more aware. In the International Federation we are doing something with Unesco on this.

I'm also deeply involved in the United Nations Department on Population in New York, as chairman of a panel of advisers on their long-term programs looking at the question of the "carrying capacity" of the nation-states, not in a Malthusian way, but in a dynamic way, where good policies can increase their "carrying capacity." Bad policies, as in many African countries, eating up their resource base, will limit them. In order that countries may have methods of knowing what their situation really is, there are many things one can do, but you have got to take these things seriously, to get the remedial things started.

EIR: That is what the RAPID program of the State Department Office of Population Affairs is doing, as you have been informed, I am sure.

King: Yes. You see, the ignorance on this is terrific. I remember just a couple of years ago we were having a talk with Leopold Senghor, the [former] president of Senegal, and he said, "My country is vastly underpopulated. In Belgium you have 74 persons to the square kilometer, here we have 2½," without realizing in a distinctive way that the nature of his country is utterly different. Almost all of the country is desert, it does not support people. This kind of crude thing comes up even on the part of people who should know better. But through Unesco we are starting a number of studies on what the carrying capacity could be in many countries, like Kenya, setting an optimum at what the various

options are, where they lead to, and how much latitude you have.

In a second phase this could give data for persuading the people that it is in their own interest to have fewer children. It is in their own interest.

EIR: Do you reject the "hard-line" policy, in the sense that we apply a "let them die" policy to the Third World if we cannot give them the necessary inputs of food and so on?

King: In places like Bangladesh and Africa there will be a big crisis. But I am not a person of extremes. I think that nature will do a great deal. But the extent of the tragedies is going to be enormous. I have seen forecasts for Bangladesh from their own demographers of possibilities of as many as 12 million people dying in a year. Twelve million! Remember, in the Bangladesh war, despite all the military casualties, all the cholera casualties, all the people who died of malnutrition, and so on, the loss of population was made up in three weeks by the natural process. So the extent of this can be enormous.

Apart from that, there will be a backlash in many other ways. Take the question of the Mexicans in the United States already, how many millions we don't know. Years ago in Bangkok, I was talking with people from some ASEAN [Association of Southeast Asian Nations] countries. Attitudes were very interesting. Among other things, they were saying, "In the sixties, we flirted with the Russians; now we know the nature of the beast, and we realize it is an imperialism worse than anything we have known." But they were saying that we are just at the beginning of the new tide of great migrations, there will be millions of people on the move to the

West, a lot of them will be shot down, lots of them will die of starvation, but lots of them will get through. Now, contrast that with Herman Kahn's approach, that there is no need to be afraid of lots of little black people landing with canoes in Florida. I think that inevitably there will be terrible tragedies. We are past the time when that could be stopped. . . .

EIR: Should one then trust that the Four Horsemen will settle all of our problems, or should we supplement them with our own solutions?

King: That's my point of view: supplement them. Because when the Four Horsemen solve some problem, it generally leads to another sort of problem which you don't like either. The aftermath of this will be pretty bad. There will be all these troubles of invasions, migrations. Look at the number of foreigners already. The United Kingdom is no longer a white country! The whole of Europe is changing. And even at the present rate, the white race is finished. Uh, in a sense. But I don't agree with Michel Debré that the French should have many more children, for example.

EIR: There was an interesting statement by Prof. Luigi DeMarchi in Italy on reducing the population of his country, and of France, that the white population should shrink [see *EIR* June 2, 1981].

King: I think in many ways we are overpopulated anyway, but in the best of all possible worlds, there will be rather fewer people everywhere. It is unrealistic to expect to go back. And, of course, it is one of the big preoccupations of the people in the Kremlin at the moment. The birth rate there is one of the lowest in the world.

EIR: Concerning the energy problem, how do you see fusion power?

King: I hope it will be an alternative. It is still impractical. Scientifically it is okay, the problem still is the engineering. No one has the slightest idea of how to get energy at the temperature of the sun to a usable form at the level of superheated steam, except through nuclear methods which tend to have all the disadvantages of fission: the hybrid approaches. I hope fusion comes. I don't think it will come in time. The solution inevitably is coal. More polluting than fission, oh, yes. We can't help that. It's a rather desperate situation we will be in in the middle nineties. There will be an energy shortfall, so I personally would have more fission for the present period. While I am not at all pronuclear in the general sense, I think we have been terribly wild about it. The chance of societal breakdowns, economic breakdowns, of energy lag by the end of the century are so great that it would justify a good deal more fission for a short time, until we can get the other things going.

In coal, the situation is very bad, especially with the

carbon monoxide problem. I have gone to several meetings on this recently. I think it is a very serious problem, particularly serious for the United States, where almost all the best wheat land and corn land is endangered. It won't happen for about 40 to 50 years to a really serious extent, but to some extent before that, in some parts of the Soviet Union, it will also be very dangerous, though Siberia will be marvelously situated for improvements. . . . However, we are in this situation, until we get fusion, and/or economic methods of solar energy—plus a bit of geophysical, a bigger mix of possibilities. In the meantime, we must use as much coal as we can—then we have got to go for more fission rather than less, in spite of all the resistance to it.

'There will be all these troubles of invasions, migrations. Look at the number of foreigners already. The United Kingdom is no longer a white country! The whole of Europe is changing. And even at the present rate, the white race is finished. . . .

EIR: That would place you at odds with IIASA's World Energy Report, which advocates solar.

King: I and most of my colleagues don't think that there is any possibility of solar in the near future on a sufficient scale. Of course, it can be improved, but it's very capital-intensive still; I think that report is a very bad report, personally. I know the authors very well, too, of course.

EIR: Mitterrand is surrounded by advisers from "Futuribles," people highly sympathetic to the Club of Rome. In Paris over the past few days, I got the impression that he is no socialist at all, and that what he is keen on defending is the traditional, Imperial, geopolitical interests of France.

King: Yes, just as Giscard was. Mitterrand is a social democrat.

EIR: But that means things in terms of choices of technologies, industries, etc.

King: I should not be surprised at all if things settled down after a year, and we see a coalition government of the center and the Socialists, with the Gaullists and Communists out of the picture.

Reagan and López Portillo create a new epoch in neighborly relations

by Dennis Small, Latin America Editor

After extensive discussions of the “philosophy and theory of economic development” with President Ronald Reagan, Mexican President José López Portillo left Washington June 9 “profoundly satisfied” with the results of his historic two-day summit meeting with his American counterpart. In the words of President Reagan himself, the two heads of state reached “a basic agreement on the need to strengthen the economies of the lesser developed nations to bring about social and economic development of their peoples.”

This agreement-in-principle ushers in an entirely new era in the often tense relations between the two neighboring republics. It opens the door to achieving tremendous mutual economic benefits in trade and investment. But above all, it sets an example of what relations can be between the developed “North” and the developing “South” as a whole.

Both heads of state repeatedly emphasized that U.S.-Mexico relations were a microcosm of broader North-South ties—each recognizing that their cooperative steps forward could serve as a model for the world.

The Israeli air raid against Iraq’s nuclear facilities, which occurred even as Reagan and López Portillo were meeting, served to underline the urgency of their task, as well as the Mexican President’s fundamental argument: “Peace Means Development.”

Despite their growing personal friendship, the two Presidents had entered the discussions warily on June 8. Both were painfully aware that U.S.-Mexico relations under President Carter had almost reached the snapping

point—due principally to Carter’s constant attempt to sabotage Mexico’s industrial plans.

The tension could be felt already in the López Portillo speech of greeting to Reagan, in which he called for the two neighbors to solve problems based on “the rule of reason,” but also found it necessary to warn: “When we do not agree, then we will talk things over without arrogance. Arrogance is a dangerous deviation of those who are in a weaker position. The other very dangerous aspect is submission.”

Scarcely 36 hours later, López Portillo’s satisfaction was palpable in his departing toast to his host Ronald Reagan: “I have spoken in this same place three times before. . . . I have always spoken frankly, [but] the relationship, for some reason or another, had always been a tense one. . . . For the first time now I have felt totally relaxed.”

The Mexican president’s “relaxation” was in large measure due to the excellent personal relationship he has developed with Reagan, and the strong backing this has provided him during the current crucial presidential succession period in Mexico. The strategy of the Socialist International is to destabilize López Portillo and weaken his personal power within Mexico, and in this way force on him their own choice for his successor.

But the effective full endorsement received from President Reagan enormously strengthens the Mexican head of state at home, and unties his hands to better deal with his Socialist International and other enemies who oppose his policy of rapid industrial growth.



Stuart Lewis/NSIPS

President Reagan welcomes President López Portillo.

As *EIR* predicted, economics would have to be at the center of any successful summit.

López Portillo's opening remarks to Reagan in their very first round of meetings consisted of a lengthy explanation of Mexico's ambitious industrial development strategy, designed to make Mexico a fully modernized nation by the year 2000. Most significantly, López Portillo gave "special emphasis"—in the words of a senior White House official—to the benefits the United States would receive from expanded Mexican-U.S. trade fueled by this industrial boom.

Although no concrete bilateral accord for economic cooperation was inked at the summit—such as the "oil for technology" agreement proposed by Democratic Party leader Lyndon H. LaRouche—the focus on joint economic development permeated every issue taken up in the entire two days of talks.

A review of these issues best summarizes the overall progress achieved in relations between the two nations.

Caribbean Basin: Media on both sides of the border who had hoped to sabotage the summit obsessively reiterated in the days before the meeting that fundamental differences over Central America, and El Salvador in particular, would keep the two Presidents apart, and make any agreements impossible. Nothing of the sort happened.

According to press accounts, President Reagan agreed with his Mexican guest that economic development was indeed "the best way to ensure the region's future stability."

The two leaders agreed in principle to establish a joint effort to aid the development of the Caribbean Basin nations. Although Secretary of State Alexander Haig had earlier proposed to give a heavy military content to such a pact, the Mexicans placed three conditions on the Caribbean Basin plan which totally undermines Haig's provocative approach—conditions which were accepted by the American side.

According to Mexican Foreign Minister Jorge Castañeda, they are: 1) "the plan should not contain any military facet"; 2) it should focus on "aiding the people and economies of the area," and not on ideological issues such as "fighting communism"; and 3) "no country should be excluded in principle from receiving help."

Although the Haig approach thus received a decisive setback at the Camp David summit, the secretary of state was named cochairman, with his counterpart Castañeda, of a new bilateral commission entrusted with followup work on the Caribbean Basin and other proposals. Trouble can be expected from this direction in the future.

Immigration: According to a senior administration official, U.S. Attorney General William French Smith presented the Mexican delegation with the range of options that the Reagan administration is currently considering on the thorny issue of immigration and undocumented Mexican workers in the United States. Most significantly, Smith distinguished his report from the Hesburgh Commission report of the Carter admin-

Reagan's farewell remarks to President Lopez Portillo

The following remarks were made by President Reagan on June 9, 1981 in bidding farewell to Mexican President José López Portillo. They constitute a useful summary of the outlook and accomplishments of the summit.

The talks that we have had were frank. They were valuable and they led to a closer relationship between our two countries. . . . I am very proud personally to say that we have a warm and a closer personal relationship between the two of us. . . . [We have] a basic agreement on the need to strengthen the economies of the lesser developed nations to bring about the social and economic development of their peoples. . . . We will be exchanging ideas on how best to bring about such development. . . .

We decided to form a bilateral foreign secretary's commission to assure integrated handling of matters of common concern. It will be cochaired by Secretary Haig and Secretary Castañeda. It will submit a report by Dec. 31, 1981. . . .

We also decided to set up immediately a special cabinet-level trade committee to recommend how to go about dealing with outstanding bilateral trade questions. The committee will be cochaired by the United States and Mexican secretaries of commerce and the United States trade representative. . . . The committee will begin work as soon as possible.

We also agreed to address outstanding fisheries problems on a similar urgent basis.

An important agreement providing for a supply of substantial quantities of United States grain to Mexico during 1982 was signed by Secretary Block for the U.S. and Secretary De la Vega for Mexico.

Attorney General Smith briefed the Mexican delegation in detail on the various options we are now considering to deal with the undocumented migrant problem. I assured the president that the U.S. would take Mexico's interests fully into consideration . . . as well as the interests and rights of the individual migrants themselves.

President López Portillo formally invited me to participate at a meeting of heads of government . . . at Cancún in October, and I happily accepted that invitation. I look forward to the informal discussion of North-South questions which would occur at that meeting. . . .

It is a sad moment now. We had a fine, warm, lovely and productive meeting.

istration, which is based on zero economic and population growth.

It is likely that Reagan will adopt a pilot "guest worker" program for about 50,000 Mexicans per year, combined with provisions for amnesty for those currently in the United States illegally.

Although the Mexican delegation did not express its views on the matter, the crucial question of bilateral consultation was emphasized by President Reagan.

North-South: President Reagan announced that he had accepted López Portillo's invitation to attend the October 1981 meeting of heads of state in Cancún, Mexico, that will take up issues of North-South relations. An informal agreement was also reached that Cuba's Fidel Castro would not be invited to attend—a precondition apparently set by President Reagan. The U.S. presence at the Cancún meeting gives added weight to the deliberations, and makes progress on resolving the problem of Third World economic development a distinct possibility.

Oil and trade: The highly sensitive subject of Mexican oil sales to the United States was reportedly not even raised for discussion, despite the uncertainty felt in some U.S. circles as a result of the firing of Pemex head Jorge Díaz Serrano on the eve of the summit (see p. 47). There was, however, extensive discussion about bilateral trade relations in general, between the cabinet members accompanying the two Presidents, and a specific accord was signed for the purchase by Mexico of about \$2 billion in U.S. grain during 1982.

A second committee was set up to continue studying the trade question, under the cochairmanship of the secretaries of commerce of the two countries, and of U.S. Special Trade Representative William Brock.

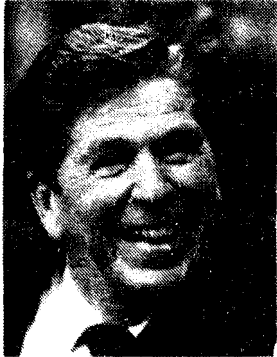
It would be up to this committee to look at further steps for mutual trade expansion, including the oil-for-technology approach. Reagan noted in his final remarks that a current fishing dispute between the United States and Mexico would also be discussed in the committee.

North American accord: This is the notion of a special link between Mexico, Canada, and the United States that Reagan proposed during his 1980 campaign. Despite denials from high administration officials just before the talks that such an accord would involve steps to merge the economies in a "common market"—something Mexico has sharply opposed—the "accord" idea has Mexico very jittery.

The American side in the talks touched on this sore topic by suggesting a "trilateral meeting" of the three heads of state. Though in a courtesy move López Portillo did not rule it out, Foreign Minister Castañeda reported that the Mexican leader wanted it to be clear that the meeting should have "an agenda that would not state expectations in such a way that they could not be fulfilled."

Two presidents salute each other

President Reagan's welcoming speech:



On behalf of the American people, I extend a cordial welcome to President José López Portillo. But I also want to extend my personal greetings, with the affection and respect that I feel for him. . . .

The relationship we have built as individuals is indicative of a new dimension that we are bringing to the friendship between our two countries. . . .

In a world full of neighbors that resort to violence, neighbors that have lost sight of their shared values and mutual interests, the good will between Mexico and the United States is a flower whose beauty we here appreciate and protect. . . .

It is our duty . . . to ensure that we continue being friends. I welcome you today, Mr. President, with the promise that this government will sincerely and stubbornly make sure to maintain relations between our two nations that are based on mutual respect and cooperation; and that the decisions which affect both sides of the border will be taken only after very close consultation between our two governments.

Our very proximity represents an opportunity for us to show the world how two nations, by talking to each other as equals, as partners, as friends, can solve their problems and deepen their mutual respect. . . .

Mr. President: You are a scholar, a man of art, and a political leader of a proud and independent nation. There are many items of importance on our agenda. I look forward to a far-reaching exchange of views that will cement the ties between us. The personal friendship that we are forging must be matched by the close relationship between our two peoples.

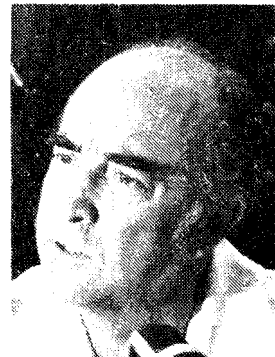
President Reagan's toast:

At our first meeting you gave me a splendid example of your own artistry—drawings of horses, etched on glass, drawn by you, that are now proudly displayed behind my desk. . . .

It would be difficult to match the gift that arrived at our ranch before my inauguration . . . a magnificent horse, your personal mount. Now that was more than friendship, you took me into your family. . . .

The art of politics is sometimes frustrating. There are other times of confidence and optimism, and your visit has been such a time.

President López Portillo's speech of greetings:



It is a great pleasure to be here in the capital of your country . . . and to see you now totally recovered from the attack of absurd violence you suffered. I am pleased at your great capacity of recovery, and I see in your health and your fortitude a symbol of the health and fortitude of your nation.

Few countries in the world have as many matters to discuss as do Mexico and the United States. We are not only neighbors, but we also represent two worlds. . . . We represent the relationship between the developing world and the world that has already been developed. . . .

I come here now, sir, as a friend without any prejudice to talk over these matters with you, and to prove with my coming that there can be friendship among friends and that this friendship can have as its main pillar and basis the rule of reason. . . .

When we do not agree, then we will talk things over without arrogance. Arrogance is a dangerous deviation of those who are in a weaker position. The other very dangerous aspect is submission. We will select the road of respect and the rule of reason, without any submission and without any arrogance. . . .

I feel, Mr. President, your goodwill and your friendship. I feel your honesty and your decency. I will make every effort to reciprocate the courtesies you have extended to me.

President López Portillo's toast:

I must confess that I am moved. . . . I have spoken before a gathering in this same place three times before, and I have never been as moved as I feel today. . . . I have always spoken frankly. . . . The relationship, for some reason or other, has always been a tense one. . . . For the first time now I have felt totally relaxed. . . . A President of the United States has used with me that very generous phrase, "my home is your home. . . ."

The most important thing of all is respect. To give without respect is usually offensive. . . . The first expression that we learned as children is one that was said by [19th-century Mexican President] Benito Juárez. He said that respect for the rights of others is peace.

Ours is the most significant relationship between the North and the South. . . . I believe that in Cancún, we shall have the ability to say that it is possible.

The 'Big Lie' behind the Israeli hit on Baghdad's nuclear facility

by Robert Dreyfuss, Middle East Editor

In carrying out an unprovoked air raid against the Iraqi nuclear research facilities on June 7, the Israeli government of Prime Minister Menachem Begin claimed to have acted for the urgent self-defense of Israel.

That rationale is a complete lie. Moreover, the attack on Iraq represents a severe strategic miscalculation by Begin and his international allies. In fact, the Iraqi reactor presented not the slightest threat to Israeli security, despite Begin's extravagant declaration that he has "saved Israel from a holocaust." In addition, Begin's attack on Iraq, in contravention of international law, will not aid Begin's much-proclaimed intention to exclude the Soviet Union from the Middle East, but will facilitate the growth of Moscow's influence in the Arab world.

From Begin's own standpoint, the air raid was calculated as a jingoistic vote-getting move in the battle against challenger Shimon Peres of the Labour Party in the June 30 national elections. Peres blasted Begin's cynical opportunism the day after the raid, saying, "We must tell the people what we feel, that the action was an election stunt. The reactor in Iraq did not yet pose a risk that required action at such an early stage."

Peres' statement was little noticed in the hoopla after the attack; it exposes Begin's defenders overseas—including many gullible U.S. congressmen—as mere electioneers for Begin, *not* defenders of the Israeli state.

As viewed by Begin's supporters, the real purpose behind the Israeli attack was to further destabilize the Middle East in alliance with the regime of Ayatollah Khomeini, disrupt oil supplies to the West, and, more broadly, set back the prospects for developing nuclear energy-based industrialization anywhere in the Third World.

But the decision to unleash the Israeli air force created a deeper and further-reaching crisis in the Middle East and around the world than its authors may have intended. In the aftermath of the June 7 attack, a fundamental alteration has occurred in the way the Arabs, the Europeans, the Soviets, and the Reagan administration will view international relations. The consequences are highly unpredictable.

Perhaps most significant is the fact that Begin has violated the basic principle governing world affairs: the

inviolable sovereignty of the nation-state. To accomplish that, Begin relied on two outright falsehoods:

First, Begin lied that the Iraqi reactor was designed to "create atomic bombs" and that the "existence of Israel was at stake." In reality, the Iraqi reactor was a small research facility designed primarily to train Iraqi scientists and prepare the expansion of the Iraqi industrial nuclear program. It was not intended to produce bombs, and the nuclear fuel was under tight French controls and inspection.

Iraq is also a signatory to the Non-Proliferation Treaty, and international teams of inspectors had recently visited Baghdad to guarantee against military uses of the reactor. Israel has refused to sign the treaty and possesses several nuclear bombs, according to the CIA.

Menachem Begin's alliance with the Iranian regime

Iraq's Osirak nuclear research reactor which Israeli F-16s bombed June 7 was the centerpiece of a bold economic development plan for the entire Arab world.

Last year, Baghdad presented a plan to the Arab League for a multimillion-dollar development program intended to make the Arab world an economic superpower by the year 2000. Only through such a plan, argued Iraqi President Saddam Hussein, could the Arab nations hope to ensure their sovereignty, and reach a just settlement of the Middle East crisis.

Iraq intends to utilize nuclear energy to desalinate seawater. "The transformation of this region will have important climatic and agricultural repercussions and will serve as a model for analogous experiences in other parts of the Arab world, which have the largest deserts in the world," the Iraqi news agency reported last year.

In addition, Miles Copeland, an ex-CIA official with Middle East connections, has said that American authorities were fully briefed by French intelligence at every stage during the construction of the Iraqi facility, and thus had full knowledge of its actual capabilities.

Second, the Iraqi attack exposes as a lie Begin's claim that Israel acts as a force to prevent the involvement of the Soviet Union in the Middle East. Israel's intention was to feed a radicalization of the Arab world. Begin is known to believe that by assisting Arab extremists like Libya's Colonel Qaddafi, he is building Israel's role as America's only friend in the region.

In recent months, Begin has established a secret alliance with the Soviet KGB intelligence service, by mutually agreeing with KGB-controlled Syria to divide war-torn Lebanon between its two neighbors. That accord was desired not only by the KGB but also by Secretary of State Alexander Haig, whose Cold War talk masked his commitment to a Yalta-style division of the Middle East into U.S. and U.S.S.R. spheres of influence. Both the Israeli government and the U.S.S.R. join with British banks and oil companies in seeking the destabilization of Saudi Arabia, and they are counting on Prince Abdullah, commander of the Saudi National Guard, to serve their mutual interests. Abdullah, who is widely known to have London connections, has recently been praised in the Soviet press.

Nuclear-powered desalination for mass irrigation projects is the foundation of a plan which Iraq and the government of French President Giscard d'Estaing created for renewing the ancient valley between the Tigris and Euphrates Rivers, known as the Fertile Crescent. Since 1974 Iraq has engaged in a land reclamation project which was projected to yield sufficient food by 1990 to feed the entire Arabian peninsula. President Hussein has stressed that Iraq's agricultural potential is "permanent oil," since it will yield economic benefits after its oil reserves are depleted.

The Iraqi nuclear program was a vehicle for training a generation of Arab scientists who could spread nuclear technology throughout the Arab world. In 1975, Iraq signed a nuclear cooperation accord with France to build a center for nuclear research. This center, which was about to become operational this year, housed the Osirak reactor.

The Iraqi research center's principal function was to train 600 engineers and technicians a year. Just before the defeat of President Giscard in the May French elections, Iraq and France were involved in negotiating for the construction of a much bigger reactor of 600 megawatts.

Documentation

Responses to the Israeli blitzkrieg

Government of Iraq: "It has been known to us from the beginning that many parties, local and international, were and still are behind the eagerness of the backward and suspect Iranian regime to stir up the dispute with, conduct aggression against, and begin the war against Iraq.

"They have been behind the continuation of this war for several months because of their political and military support and backing for Iran, including information, technical consultations, and direct and indirect military intelligence, in order to achieve their evil objectives against Iraq. The main party was the Zionist entity, which understands completely that a literate, developed, and capable Iraq is a decisive factor in determining the results of the Arab conflict against it, today and tomorrow.

"The Zionist entity understands that one of the most decisive factors in determining the future of the conflict the Arab nation is waging against it, is the continued presence of the technical and scientific gap between it and the Arab nation. Therefore, it is trying by all means to keep this gap within limits which will not enable the Arab nation to achieve victory over it in the conflict.

"Based on this strategic objective, the Zionist enemy participated on more than one occasion, directly and indirectly, with Iran against Iraq. This included supplying Iran with military equipment and spare parts. Zionist enemy planes also raided Iraq in the first days of the war, thus exploiting the war circumstances against Iran, in collusion with the suspect regime in Iran. The raids were aimed in particular at the Iraqi nuclear installations.

"The men who have been able, through their loyalty to their people and nation, their faith in their cause, and their minds and efforts, to bring Iraq's nuclear potential up to the standard which created this amount of rancor and blatant aggression by the Zionist and Persian enemies, make us confident that they are also capable of continuing this trend no matter what our enemies try, and no matter what these enemies can achieve in their attempts to do direct or indirect harm."

France's reaction: The Quai d'Orsay stated, "Any

attack on the territory of a foreign state is a violation of law and is therefore condemnable. The initiative of the Israeli government is a grave act which the French government deems to be unacceptable. In addition, this bombing increases the tension which affects the whole region.... M. Chaussepied, a French technician, found his death during this bombing."

French Foreign Minister Claude Cheysson: Cheysson called the bombing a "grave" and "unacceptable" act. Agence France Presse news agency reported that the French government will not antagonize Israel, however, and continues to consider Israeli a "friend."

French Prime Minister Pierre Mauroy called the raid on Iraq, "an unacceptable and very grave act that complicates a very explosive situation." Despite this official expression of regret, French President François Mitterrand does not intend to cancel an upcoming trip to Israel, while Mauroy is sending out signals that France will not help Iraq rebuild the reactor. According to the *Washington Post*; "Mauroy said the French would study any Iraqi request to rebuild the nuclear center, but that a decision would be made in light of the French Socialist government's determination to gradually take France out of the 'international arms sales business and to avoid nuclear proliferation.'"

King Hussein of Jordan: "Those who do not support Iraq would in effect be supporting Israel. Supporting Iran means supporting the Zionist enemy."

Prime Minister Mudar Badran of Jordan: Badran accused Iran of assisting Israel in the attack. The Israeli jets, charged Badran, flew "with Iran's knowledge, coordination, and cooperation."

Information Minister Mohammed Abdo Yamani of Saudi Arabia: The attack on Iraq's nuclear reactor, charged Yamani, was the "peak of international terrorism practiced by Israel."

Foreign Minister Kamal Hassan Ali of Egypt: Israel's raid on Iraq was "irresponsible and unjustified" and "could lead to a dangerous escalation of tension in the area."

TASS, the official Soviet press agency: "Israel's arrogant aggression against the sovereign Arab state of Iraq was made not without Washington's sanction. Moreover, it is obvious that this latest act of international piracy has been backed by the present American administration. American television commentators later hinted that contrary to the official version put out by the State Department, Washington was informed of Israel's preparation for this gangster action. The leadership of the American administration knew of the plan for a sudden attack by the Israeli air force on Iraq. ABC television's diplomatic correspondent points out that the question of the setting up of a nuclear center in Iraq has long been riling the United States. Washington has more than once

notified France and Italy of its opposition to this construction and has called for its cessation. American intelligence services drew the conclusion that Israel was planning the destruction of the complex and that a blow would be struck against it.

"The facts show that Tel Aviv did not stop at anything in carrying out this action. Israeli pilots intruded into the airspace of Jordan and twice that of Saudi Arabia. CBS correspondent draws attention to the fact that the American AWACs, which had been bought by Saudi Arabia for its anti-aircraft defense, could not pick up the Israeli planes. The explanation is that the crews of the AWACs are exclusively American.

"All the statements made by the Department of State condemning the Israeli raid are obviously designed to delude the world's public opinion regarding the true stand of the U.S. administration, as well as to soften the anti-American reaction of the Arab League. Washington's hypocritical stand is conclusive evidence that the current U.S. administration supports and encourages the pirates of international terrorism, and piracy which Israel has made state policy."

U.S. Government Statement No. 2, cleared by President Reagan and Secretary of State Haig: "The United States Government condemns the reported Israeli air strike on the Iraq nuclear facility, the unprecedented character of which cannot but seriously add to the already tense situation in the area.

"Available evidence suggests U.S.-provided equipment was employed in possible violation of the applicable agreement under which it was sold to Israel, and a report to this effect is being prepared for submission to the United States Congress in accordance with the relevant United States statute."

U.S. Senator Howard Baker (R-Tenn.): "It has extraordinary implications. It was totally unexpected. It will certainly make Ambassador Habib's mission more difficult. It's a serious matter and a cause for great concern."

U.S. Senator Alphonse D'Amato (R-N.Y.): In a press statement issued June 9, Senator D'Amato called the Israeli bombing of an Iraqi atomic reactor "courageous. . . . If this is what Israel felt she had to do to safeguard her national security, we are in no position to second guess her. . . . Israel is in a position of extreme vulnerability . . . there is no margin for error. . . . A preemptive strike can be a very effective weapon to prevent wider conflict. We might even term this a rather effective method of antinuclear proliferation."

Representative Richard Ottinger (D-N.Y.): An aide to the Representative told an interviewer that the bombing may have been Israel's message to the Soviet Union and Saudi Arabia that Israel will not let Soviet-Arab relations "get away with nuclear proliferation."

Challenges facing the U.S. administration

A power struggle has erupted in Washington over the Reagan administration's policy following its response to Israel's June 7 bombing of Iraq's nuclear research center near Baghdad. The outcome of the struggle, which will help determine the future of U.S. interests in the Middle East, depends largely on the personal intervention of President Reagan.

Unless Reagan takes it upon himself to hold Israeli Prime Minister Begin to account for the latter's perilous flaunting of international law, and affirms U.S. commitment to cooperation with the moderate Arab states of Saudi Arabia, Iraq, and Jordan, it is likely that the United States will be entrapped in a joint British intelligence-KGB scenario (in which Begin is a mere pawn) to radicalize the countries of the Middle East.

Begin's election-eve raid on Baghdad may not only ensconce him in power for another term; it also threatens to dramatically increase Soviet and British influence in the region as a result of suspicion in the Arab world that Washington was behind the Israeli strike.

The British in particular are doing their utmost to cultivate these suspicions in order to hasten a rupture between Washington and the Arabs, and prevent Reagan from consolidating relations with the Arab moderates. According to one source, "The Begin government feared the relationship developing between the United States and the Iraqi-Saudi axis in the period since Reagan was sworn into office." The fear, he said, peaked with the AWACS deal with the Saudis. "The Israelis were determined to break up the axis before it was solidified."

Immediately following Israel's attack on Iraq, the British press began churning out the line that the United States was to blame for the Israeli raid. It is "the lack of U.S. policy toward the Middle East," charged the *Financial Times*, that has given Begin "free rein" to escalate the crisis, establishing a new "dangerous precedent" in world politics. Similarly, in a front-page piece entitled "Arab Fury at U.S.," the London *Times* says that the Arab countries are united in their view that the Americans bear primary responsibility for the air strike. "Saudi Arabia in particular is incensed," the *Times* notes.

Britain's efforts to ingratiate itself with the Saudis were to coincide with the arrival in London of Saudi

Arabia's King Khaled for an official state visit. The highest echelon of the British oligarchy turned out to greet the king. Most explicit in her wooing of the Saudis was Prime Minister Thatcher, who, in a grandstand speech to parliament, attacked Israel's action as a "grave breach of international law," and stated that her government "totally and utterly" condemned it.

Despite the eager efforts by Britain and others to urge radical action upon the Arabs, the Arab world has actually shown considerable calmness in its reaction to the Israeli attack.

In the wake of the Israeli hit, the eyes of the world are on Reagan. While it is altogether unlikely that a full-fledged arms cutoff to Israel can be pushed through the U.S. Congress, there are other actions Reagan can take to bring Israel into line, such as slowing down weapons deliveries, refusing to pick up Israel's trade deficit, or treating Israeli intelligence reports as "raw" data rather than reliable, "hard" evaluations, which is the current procedure.

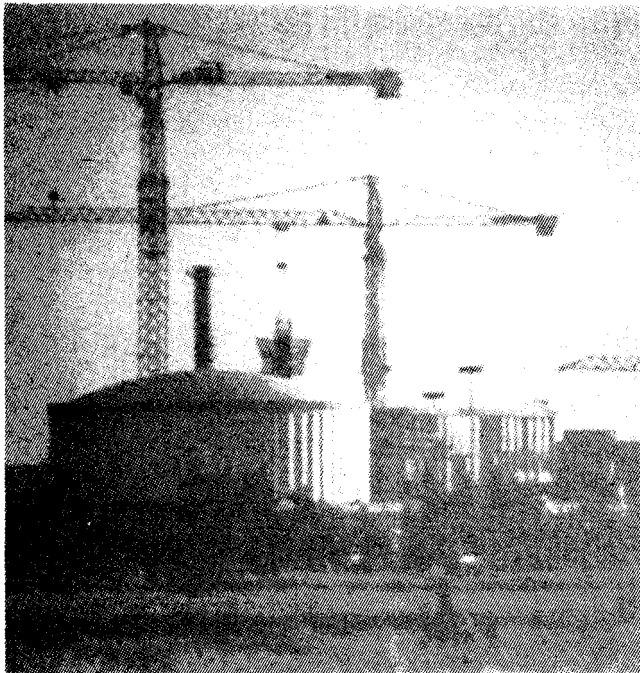
Three days following the raid, the Department of Defense announced that four F-16 jets scheduled for delivery to Israel June 11 would not be shipped out that day. However, when asked to confirm this, Haig's State Department initially refused, indicating the degree to which the administration is divided on how to handle the situation. In the end, delivery of the four F-16s was temporarily suspended—a largely symbolic move that by itself does not mean much, but could serve as a stepping stone in a Reagan operation to rein in, and possibly dump, Begin.

One high-level Washington source, queried about possible divisions in the administration, noted, "The first statement by the State Department expressed only 'deep concern' about the raid, while the next statement, issued two hours later, expressed 'condemnation.' You might possibly want to look for an intervention by the President in the second statement."

Several intelligence insiders have privately pointed to Secretary of State Haig and National Security Adviser Richard Allen for giving the green light to Begin. According to one source, Allen has been deliberately feeding Reagan misinformation over the past months, and may now try to blunt Reagan's response to the crisis. Another source predicted that "Haig may find himself increasingly circumscribed by Reagan and will lose a lot of ground to [presidential counselor] Ed Meese," and to Secretary of Defense Caspar Weinberger. Weinberger and his deputy Frank Carlucci have reportedly been pushing Reagan to be tough with Begin, and are at odds with Haig, whose June 10 letter to congressional leaders Rep. Tip O'Neill and Sen. Charles Percy was noticeably mild and failed to condemn Israel.

Warfare surfaces on 'nonproliferation'

by Judith Wyer



Israel's attack on Iraq's nuclear facility June 7 has benefited a global oligarchy bent on gaining control of nuclear technology and limiting the development of the emerging nations. The media around the world greeted the Israeli terrorist assault with the same refrain, that the raid proves the necessity of enforcing nonproliferation, since the raid sets a precedent for future attacks by rival developing states with nuclear facilities.

The argument originates with such groupings as the Aspen Institute, the Club of Rome, and the Brandt Commission. For this elite, nonproliferation means ending future nuclear development within the Third World and placing stringent controls on an industrial state's use of nuclear technology. Perhaps the news media's despicable silence on the issue of Iraq's sovereignty reflects the fact that these oligarchical forces openly promote the creation of supranational governing bodies to replace sovereign nations' rightful control over the use and transferral of nuclear technology.

This was demonstrated by a senior official at the Aspen Institute, who responded to the Israeli attack by calling for a new global "Baruch plan" to regulate all

nuclear technology and "surrender national sovereignty of nations." (See interview below.) Such a posture effectively dooms the developing states in the long run to a fixed-resources arena of economic growth.

The Osirak reactor

The destruction of the Iraqi reactor was aimed at undercutting the potential of the wealthiest sector of the developing world, the oil-rich Arab states, for unbounded economic growth. Last year Iraqi President Saddam Hussein, in discussing the Iraqi nuclear program's importance for Arab-wide development, warned that "the Zionists and their supporters used to work on the assumption that the Arabs were backward people . . . but the Arab nations are on the verge of a new age. . . . They will successfully use atomic energy for industry."

Baghdad has repeatedly denied Israel's allegations that they were developing the capability to make bombs.

Such facts have been widely ignored. Instead, a gallery of nonproliferation and disarmament advocates have been carted before television cameras to argue that a number of developing states, including Brazil, Pakistan, and Egypt, are on the verge of building the bomb. These same circles are leveling similar attacks at the industrial states such as France and Italy, which have extended a transfer of nuclear technology to the developing sector.

The actual purpose of the Osirak facility

An alliance of Israeli and Khomeiniite Iranian intelligence agencies has been working since 1979 to overthrow the government of Iraqi President Saddam Hussein and undermine the most promising developing country in the Arab world. The June 7 assault on the Iraqi nuclear research facility is the focus of a broader collaboration between the Begin government and backward Iranian mullahs aimed against Arab economic development and modernization.

The conspiracy against Iraq's nuclear program began in 1979 when Khomeini's secret police, the Savama, and the Israeli Mossad joined forces against the West European suppliers of nuclear technology to Iraq.

At that time, a mysterious terrorist bombing in France destroyed a partially assembled nuclear plant slated for shipment to Iraq, provoking a public outcry in Paris that the Mossad was responsible.

The bombed Osirak nuclear construction site in Iraq.

Admiral Eugene LaRoque, the head of the Washington-based Center for Defense Information, jubilantly welcomed the Israeli raid, because it strengthens "global disarmament and limiting national sovereignty through control of technology." The linkage between nonproliferation and disarmament stressed by LaRoque and the Aspen official is part of an evil maneuver involving a commission headed by the Socialist International's Olof Palme to draw the Soviet Union into an agreement to limit technological growth (see *EIR*, June 16). Not coincidentally, the Aspen spokesman named former Secretary of State Cyrus Vance as the most qualified candidate to head a supranational commission to enforce nonproliferation. Vance is a member of the Palme Commission on Disarmament; the Aspen official bemoaned the fact that it was the Soviet Union's refusal to accept this concept of limiting nuclear technology which stifled the Baruch Plan.

But this time around Vance et al. intend to raise the stakes by, if necessary, staging other dangerous incidents such as the Israeli raids in order to force the U.S.S.R. into a nonproliferation agreement under the guise of disarmament and therefore limit Soviet economic and military growth.

Meanwhile, the Palme Commission's upcoming meeting in Moscow will reportedly discuss the Iraqi raid.

In early 1980, the head of Iraq's nuclear program was mysteriously murdered in France. A few months later, the only living witness to the crime was run down and killed on a Paris street by a speeding car.

Simultaneously, the Savama-controlled terrorist group, the Committee to Safeguard the Islamic Revolution, began a wave of terror in Europe against anyone associated with Iraq's nuclear program. In August 1980 this group sent letters to five French firms threatening them with terrorist reprisals if they did not break off all relations with Iraq. The bombing of an Italian company also working with Iraq's nuclear authority was linked to Iranian terrorists.

A month later, just after the outbreak of the Iran-Iraq war, Iranian fighters raided the nuclear facility missing the building housing the Osirak reactor. Israel openly lauded the attack, and Deputy Defense Minister Mordechai Zippori offered to provide Iran with Israeli intelligence enabling them to make a more effective second raid against the reactor.

In the last month, Israel has condemned Iraq for its aggression against Iran in the 10-month old Gulf war, and has clandestinely supplied Iran with military support.

Interview

Aspen calls for a 'new Baruch plan'

A senior official at the Aspen Institute for Humanistic Studies involved in the Brandt Commission report on suppressing Third World industrialization made the following comments in a June 10 interview provided to EIR.

Q: What does the Israeli bombing of the Iraqi nuclear facility mean for the future of the world nuclear industry?

A: It certainly changes the entire picture. It opens up the entire nuclear question for debate on the level of immediate action, as opposed to thought and planning. It will affect every country. There can be no status quo ante after an act like this, just as there can be no status quo ante after the formation of Solidarity in Poland. It puts the question of nuclear proliferation on the immediate urgent public agenda of secretaries of states and chancelleries around the world.

Q: What will happen then?

A: It has now become clear that existing institutions don't measure up to the real problems of nuclear proliferation and the entire arms race. We need new institutions far beyond those of SALT and the existing arms control negotiations. This changes the entire atmosphere of disarmament and requires bolder solutions.

We need a new international wise men council on a much higher plane, a small group of the best minds to come up with ideas that cross a certain historic threshold. Such a wise men council must finally accomplish what Bernard Baruch, Dean Acheson, and John J. McCloy tried to do after the war to contain the very first spread of nuclear energy, which contains the seeds of the greatest surrender of the sovereignty of nations in history. Unfortunately, the Soviet Union turned it down. We need a group like the Baruch Plan now, a commission to study all the alternatives, which will be one of those historic new international organizations which takes a quantum jump, an organization of the historic new quality of the Lend-Lease program which brought us into World War II, of NATO, and of the Marshall Plan.

SALT and a bilateral U.S.-Soviet negotiations process are not enough. In this new process we need to examine the role of the alliance and perhaps change its basic structures. It includes how we treat our allies.

Q: What has been the response in Washington?

A: My first goal is to set up a U.S. wise men council which must be nonpartisan, made up of visible, respected people who have been public servants, and people whose voices could not be ignored, such as [former Secretary of State] Cyrus Vance.

Q: Are you talking with Haig or the State Department?

A: Let's say I'm planning this with people who, if they became interested, are in a position to do something about it.

Q: What is the response in Europe?

A: I had dinner with Helmut Schmidt when he was here and he was interested in new approaches to disarmament and the relations between the U.S. and its allies. He is interested in actively pursuing disarmament, and decreased military budgets in the West. I also met with [French Foreign Minister] Claude Cheysson, and he and Mitterrand are in favor, as are the Dutch and the British.

President Reagan will have to respond if the council is set up properly, with people who can't be ignored. They're being forced to learn by such historic incidents as those of this week. This is forcing a shift. It's going to force them to turn to this kind of help [i.e. Aspen] whether they like it or not. It will force the President to be more flexible—it's on his plate now. The issue won't go away.

Q: You mean there will be more such incidents?

A: I think so. Look at Pakistan and India. If a regime like Pakistan's seems to be slipping, and they had had it, they might easily bomb an Indian nuclear plant. Brazil and Argentina could have the same situation. Any rising industrializing society can now produce some kind of nuclear device—Korea, Taiwan, Brazil, even Saudi Arabia wants one. The Israeli action raises the specter that they are all liable to be in Iraq's shoes.

The situation has crossed a threshold, and we need new international laws to deal with this so that countries like Israel will not feel they have to take matters into their own hands. We need to get past the situation where nation-states have control over these things.

It also extends to arms sales, which must be controlled. A top Venezuelan recently asked me why the U.S. is selling planes to Venezuela, which could create a conflict between Venezuela and Colombia, which wants to prevent a Venezuelan buildup. Just as France shouldn't have been building that reactor in Iraq, we shouldn't have been selling arms to Israel—or to the Saudis.

Q: Can't the LDCs have peaceful nuclear power?

A: Iraq has oil, what do they need nuclear power for? There is no separation of peaceful and military uses of

nuclear energy. We must set up a legal system with international controls.

Q: Doesn't this mean controlling Third World development policy and economic policy?

A: Yes—especially their use of resources. They shouldn't have nuclear power, and they will have to develop their own sources of energy. There is going to have to be international discussion by the wise men council and other forums of what kinds of development are appropriate. The recent action has made the situation very, very messy. There are all sorts of technologies which are not adequately controlled internationally, and the Third World does not have adequate resources to develop them in any case. There is going to have to be a slowing of the tempo of development in line with international considerations—and the politicians who don't like this are going to have to deal with it.

Q: What about the population problem?

A: As I said, the situation is very, very messy. Population is a serious international security problem, and it is just these sorts of problems which will have to be increasingly dealt with by international agencies. Politicians won't like this.

Q: Can you use this forum to advance population planning policies?

A: We will start with the technology question.

Q: Do you see a rise in insurance and loan rates for nuclear exports?

A: Certainly, insurance rates are already going up, and loan rates have certain risk premiums. I think this will become an increasing factor. This incident is just a part of an acceleration of events which will force the process. I also expect pressures on food and water, serious shortages during the next year. Then I expect that the Euromissiles negotiations will become a big point on this question, that the European allies increasingly will be unwilling to place these missiles on their soil unless the U.S. agrees to set up international disarmament negotiations. Then the entire question of inflation and defense budgets is going to accelerate the issue.

Q: Do you see a shift in the Reagan administration?

A: This is a test. We're looking to see how seriously this will shake people up. It may take more such incidents. Many countries are dependent on export of nuclear plants for jobs and may continue to insist on exporting. If we can cut defense budgets, there will be more money for other things [i.e., domestic reflation make-work] and that will help. The question is how long will it take, how many such events will it take, before people see our institutions are inadequate?

Outlooks for the future of Iran

The following is Part II of EIR's interview with Hossein Rastegar of the Iran Liberation Army. The interview was conducted on April 28 by Thierry LeMarc and Mary Brannan. Part I appeared in the June 9 EIR.

EIR: One thing that seems very important and which does not seem to exist so far is an economic program for the future of Iran.

Rastegar: You are right. We have worked out such a program. Although the primary aim of our organization is the destruction of the present regime in Iran, we have set up various committees dealing with economics, industry, culture, politics, education, cooperation with other countries, and so on. The committees have been working for about a year, drawing up plans and programs for the new Iran. We have an economic program, a political program, an educational program, and all the programs necessary for a free country. I believe that other opposition groups are also working on such plans:

We have never overlooked this problem. From the very first moment we thought, when we have overthrown the government, then what? Immediately after the restoration of order, industry must start functioning, agroindustries must start working, universities and schools must be opened as quickly as possible, trade with foreign countries, especially with the West, should be started. The country should start living and working again.

EIR: What do you think about the war with Iraq?

Rastegar: I would like to stress both as an Iranian and as a leader of the ILA, that we will never give up one centimeter of our land to another country. We condemn the war between Iran and Iraq; however, this war is not between the Iranian nation and the Iraqi people. It was also a pre-planned affair, by the same forces who put Khomeini into power. The war has totally destroyed Iran's oil industry and economy, likewise in Iraq. Those forces who destroyed Iran's economy by putting Khomeini into power tried to eliminate what might have remained through this blow. What we worked for years to build up has been destroyed. From an economic point of view and from a national point of view, we as ILA supporters condemn this war.

EIR: Do you think that the war might have been deliberately aimed at destroying industry in Iraq? It is remark-

able that Iraq's nuclear research center was particularly targeted for attack.

Rastegar: That is right. Iran was previously a kind of dumping ground for Western products. Through effort and hard work Iran brought itself out of this situation. It was quite self-sufficient. The same was happening with Iraq. In a couple of years it could happen in other countries. If Khomeini had not been put into power, many Middle Eastern countries would have built themselves up so they would not have to depend on the West. The war was planned, first to make the Iranian people totally preoccupied with the war, and second to destroy the entire economy in Iran and Iraq.

EIR: What do you think about the cooperation between Khomeini and the Israeli regime of Menachem Begin?

Rastegar: The fact is that Khomeini was put in power by the West, and Israel's government totally depends on the West and does what the West suggests. Of course, the present Iranian government gets support from Israel. At the beginning of the war with Iraq, Israel secretly delivered weapons to Iran, all unofficially, of course. We have discovered that food supplies are flown by El Al to Paris, and then from Paris to Teheran by Iranian planes.

EIR: What do you think of Reagan? Do you think that there is a possibility that he could eventually support a movement against Khomeini?

Rastegar: Reagan personally is a humane person, and he is interested in having a stable and calm situation in the Middle East, especially in Iran. He is concerned with having a stable, nationalist, and pro-Western government in Iran, but he is rather alone in this. He should study the matter more, and find better advisers, some who care about the existence of the American nation, the existence of Western nations, and the existence of the Iranian nation. Reagan has taken positions, but he has not done anything active. We expect something more from Reagan as the leader of a major Western nation.

EIR: Would you like to say something to our American readers in particular?

Rastegar: The only thing I would like to say, especially to the American government, is that we think that the whole of humanity should work for better cooperation in the future. The present American government should at least try to repair what the previous government did to our nation. Hitler wanted to destroy humanity, murdered millions of Jews, and so on. At the end of the war, the primary task of the German government was to show that not all Germans were fascists and criminals. We hope and demand that the American government proves that Americans are not the kind of nation that destroys other nations for their own benefit. That is our only wish to the American government especially to Reagan.

Two options confront Chancellor Schmidt

The following statement was issued last month by the executive committee of the European Labor Party (Europäische Arbeiterpartei—EAP) in West Germany. The party's chairman is Mrs. Helga Zepp-LaRouche.

Forces centered in London have a well-known plan for bringing down the government of Chancellor Helmut Schmidt, a plan to which U.S. Secretary of State Alexander Haig and Henry A. Kissinger have been accomplices—contrary to policies of the Reagan White House.

As stated by Harold van B. Cleveland and others, the first part of the plan has been to raise interest rates in the United States up to the point that the Schmidt government falls. According to his own statements, Arthur Burns, as well as Treasury official Beryl Sprinkel, were accomplices in this part of the plot involving Federal Reserve Chairman Paul A. Volcker.

All that is proven by transcripts of volunteered statements by Cleveland, Burns, and others in our possession.

The second major feature of the plan was a plot to maneuver Chancellor Schmidt into a confrontation with President Reagan over the issue of the *Nachrustungsbeschluss* [the 1979 NATO decision to install medium-range missiles on West German soil—ed.]. This was to be done with the help of the “left wing” of the SPD, and through a massive deployment of the Socialist International, major church forces, and the Bertrand Russell networks, all under the visible, central, international coordination of the British Archbishop of Canterbury, the amateur pig-breeder, Robert Runcie.

In 1979, we warned extensively that the proposal to upgrade nuclear missiles deployment within a two- to three-minute range of Soviet targets was a qualitative increase in the danger of intercontinental nuclear war, without any compensating strategic advantage. We did not observe any endorsement of our statements by Willy Brandt and his friends then.

During 1977, we joined with Major General George Keegan in evaluating the potential for developing deployable particle-beam weapons by the Soviet Union and U.S.A. respectively. General Keegan and we independently published the respective, converging conclusions

reached through that collaboration. It was our projection that nuclear missiles were on the verge of being made virtually obsolete by the 1980s development of beam weapons capable of “killing” such missiles above the atmosphere, in midflight.

At that time, there was a deployment by the London Institute for International and Strategic Studies (IISS) in an effort to discredit the separate, but converging reports issued by us and by General Keegan. Now, the correctness of our statements in 1977 is acknowledged in fact by leading elements of the U.S. defense community and even by London IISS. We were never exactly hounded by support from Willy Brandt and his friends on this aspect of the missiles issue.

Now, it might appear to some that Willy Brandt and his friends have come around to imitating some of our arguments of the 1977-1979 period—but, naturally, without giving us any credit on this account. It might be assumed, as is the case in fact, that any coincidence between our views and those of Herr Brandt's friends is only apparent. As Herr Brandt knows, and as we know, between Brandt and us there is no agreement on the philosophical, methodological approach to any known issue, the *Nachrustungsbeschluss* included.

We insist that for the present year, 1981, the question of whether the Federal Republic does or does not proceed with *the preparations for deploying missiles* in 1983 has no great importance one way or the other, at least not relative to the urgent issue of maintaining collaboration between Schmidt and Reagan. In brief, *the issue of medium-range nuclear missiles in Central Europe is a matter for President Reagan and Chancellor Schmidt to negotiate jointly with President Leonid Brezhnev*; it must not become an issue between the President and the chancellor.

We develop our point in three successive phases. First, we address the matter of British hypocrisy in the matter of NATO policy. Second, we state our policy for defense-related negotiations with Moscow. Third, we state our view of the reasons Chancellor Schmidt must remain chancellor for at least two more years, at all costs, and indicate the reasons a “Grand Coalition” fallback

option must be immediately developed to ensure that.

The policy conducted through the Carter administration, for upgrading nuclear and other defenses of NATO, was a piece of folly—only one of many idiocies which Europe and President Reagan have inherited from the Trilateral Commission of puppet Carter.

The immediate issue attached to the *Nachrüstungsbeschluss* is not the arms policy as such, but the utter hypocrisy of Britain in singling out the Federal Republic as the only European state being pressured to bear the entire burden of the Europeans' increased military spending.

That this was and is utter hypocrisy was exposed, with help from U.S. Defense Secretary Caspar Weinberger, on May 18-19. The same Prime Minister Thatcher who has been prodding Washington to exert pressure on Bonn this same week moved to cut the British military budget savagely, cutting the European NATO naval component by half, and virtually eliminating the British Rhine Army, among other things.

Has the insolence of the British no limits?

Thatcher demanded that France and the Federal Republic provide massive economic subsidies to Britain. On what basis? That the British economy had collapsed, because of the Thatcher government's adoption of the monetarist policies of Professor Milton Friedman and Friedrich von Hayek. Then, the same insolent British creatures propose to destroy the economies of France and the Federal Republic, by the same high interest-rate policies which obliged the British to demand welfare subsidies from those nations.

There are, of course, ideological fanatics in the Federal Republic and elsewhere, who insist that Mrs. Thatcher's "experiment" is a "success." Such persons would no doubt admire the incendiary Nero as a "real estate developer." One such curious gentleman has recently said that Mrs. Thatcher's problems are entirely the work of her predecessor James Callaghan. Has Mrs. Thatcher increased or decreased the level of industrial output and productive employment from that under Callaghan? The extremes to which the fanatical admirers of the Fabian Society's Friedrich von Hayek will go are beyond the limits of what most of us consider sanity.

These same British have demanded that Washington pressure the Federal Republic into increasing its military expenditures, while the same British, operating through Paul Volcker, Arthur Burns, and others, demand with equal zeal that Volcker's interest rates be raised and protracted, to destroy the economic basis through which the Federal Republic might pay for such military expenditures. The same British, this time through the personage of the Archbishop of Canterbury, coordinate with the Socialist International, the Soviet KGB, and the Bertrand Russell networks, to

destabilize the governments of Schmidt and Reagan on the issue of armaments expenditures!

Why single out the Federal Republic for pressure on the arms matter? What of Britain itself, or the Low Countries, or Denmark, or Italy? The conditions, political and economic, in Belgium, the Netherlands, and Denmark, are presently unspeakable. Italy, whose military forces were never rated as "acceptable" at Brussels NATO headquarters, is on the verge of ceasing to be a nation, largely because of the terrorism which the Italian press repeatedly traces to the circles of the Socialist International's Bettino Craxi.

Until May 10, France's military capabilities were being increased significantly. That has ended. Not only will Mitterrand destroy the franc and the nuclear-energy industry. Close associates of Mitterrand indicate that he will also seek to weaken the *force de frappe*. This change was not only the subject of an orgy of euphoria in London, but British networks contributed substantially to causing the change.

As for the drug addiction-riddled illiterates of U.S. forces in Europe, the less said the more pleasant Washington-Bonn discussions will be.

These are simple, incontestable truths, yet, if Chancellor Schmidt were to be heard repeating any of them he would undoubtedly be accused again of insufferable arrogance by various of his personal critics.

There is a very powerful stink of hypocrisy behind the effort to bring Reagan and Schmidt into collision.

If any person were both sincere and intelligent in proposing to strengthen Western military capabilities, that person or agency would first insist on lowering interest rates. To collapse the civilian economy is to destroy the logistical basis, as well as the tax-revenue basis, on which supplying modern military capabilities depends. This is especially the case for the United States. During two preceding world wars of this century, the U.S. government mobilized the nation's civilian economy for a scale of production of military and other goods which astonished the world. In both cases, this was done by abandoning British "free-trade" doctrines in credit, banking, and taxation, and adapting the dirigist methods of Alexander Hamilton's and Friedrich List's American System to channel credit at low borrowing costs into basic industry and agriculture. The British did somewhat the same in preparation for World War I.

We are not proposing here that such measures be adopted now for military purposes. We merely report that that is the only proven method for effecting successful recovery of a depressed industrial-capitalist economy, whether for rearmament, or simply to effect civilian economic recovery. We merely report that the United States and Britain have successfully reverted to such Hamiltonian policies of French mercantilism and German kameralism whenever they mobilized for one

of the earlier wars of this century.

We are pointing out that any chatter about refurbishing the Western military capabilities are either simply folly or sheer hypocrisy, if they emanate from any government which tolerates the policies of Paul A. Volcker and the Mont Pelerin Society.

The road to peace

Any person, including Leonid Brezhnev, who proposes that either "arms limitation treaties" or "peace movements" deter war obviously knows nothing from the history of this present century. The two decades separating the previous world wars of this century were dominated by arms-limitation treaties and similar matters. The "peace movements" of the 1930s grew ever strong right up to the outbreak of world war.

To the "disarmers" and "peaceniks," we say, one does not cure a person of malaria by immersing him in liquid nitrogen.

The most important action toward peace during the past decade was the May 1978 meeting between Chancellor Schmidt and Leonid Brezhnev. If there can be East-West agreement not only on East-West economic cooperation, but also on joint cooperation in contributing advanced industrial and agricultural technologies to developing nations, that economic cooperation provides the basis for political cooperation. That inter-linked East-West, North-South economic and political cooperation provides the basis for avoiding general war. Once that basis is established, and only when that basis is established, negotiated disarmament becomes meaningful over the longer term. Otherwise, the only practical function of arms-limitation discussions is to foster channels of discussion, as mere gestures of good faith supplied to further discussion of the more fundamental issues of economic and political cooperation.

The danger of emplacing improved nuclear missiles in the Federal Republic during the 1982-83 period is the fact that given the accelerating deterioration of the international economic situation, and correlated destabilizations of the developing regions, it is probable that the situation would arise in which such weapons *might be launched*. To restate this critical point: the placing of the missiles is not the proper issue in and of itself. The issue is the placing of such missiles under present and foreseeable global conditions in which the Soviet leadership anticipates those missiles' being launched.

The underlying causative danger to peace is principally economic. This economic danger is promoted by factional forces on each side of the East-West divide. On the Western side, there are the neo-Malthusian oneworlders, typified by the Club of Rome and its progenicide cothinkers, such as the proponents of Carter's Global 2000 scheme for genocide, who are using their influence over parties and central banking to bring

about a collapse of Western civilization into a "utopia" of "postindustrial society." The same neo-Malthusian views are held in a Soviet version by the forces centered around the Soviet Communist foreign-policy think tank, IMEMO, and allied elements of the Soviet KGB.

Although the Club of Rome types principally seek the destruction of the Soviet Union, and the IMEMO types seek the destruction of Western powers, the Western and Eastern neo-Malthusians are at present wittingly allied with one another against their common adversaries of East and West. The neo-Comintern forces led by Mikhail Suslov and Boris Ponomarev, the backers of IMEMO, seek to crush their Soviet factional opponents, the Soviet nationalists whose base of power is the high-technology-oriented forces of the Soviet state apparatus, led by President Brezhnev. In this, Suslov and Ponomarev enjoy active support from the networks of the London Tavistock Institute and leading elements of the Socialist International and Communist China. The neo-Malthusians of the West, in turn, obtain assistance from the forces led by Suslov and Ponomarev *against the protechnology forces of the West*, as we saw in the recent French elections, and in the efforts to bring down Schmidt in the Federal Republic.

It is a fact that, in respect to opposition to the policies of President Ronald Reagan, Alexander Haig and the Trilateral Henry A. Kissinger are effectively allied with Suslov and Ponomarev. This is illustrated by the case of Italy, in which the principal external support for making the Socialist International's "new Mussolini," "Il Capo" Bettino Craxi, the next prime minister, comes jointly from Libya's Colonel Qaddafi, the Soviet KGB, and Alexander Haig.

Anyone who denies this is either simply ignorant of the relevant facts, or if informed is a liar.

The special present difficulty is that President Reagan is still in the process of cleaning out of the U.S. government various nests of snakes left over from the previous administrations of Presidents Johnson and Carter, as well as two successive Kissinger administrations. In addition to the snakes President Reagan has inherited, there are snakes he was obliged to appoint as part of the agreements under which he was permitted to be elected President—such as the backers of Haig.

This is complicated by the fact that the new President—when not occupied with convalescing from attempted assassinations—must reconsider, in light of his experience in power, some of the economic and monetary policies he brought into the government.

We in the Federal Republic must afford the new President as much latitude as possible to deal with these two categories of problems. Concretely, we must provide Chancellor Schmidt with the latitude to act as our representative to that purpose. Provided no irreversible disaster occurs during 1981, such as a world monetary

collapse caused by Volcker's policies, we can look forward to changing reversible errors of 1981 decisions during 1982. That, in a short statement, is the essential point of that branch of statecraft called "crisis management," a skill in which the chancellor's performance to date is relatively outstanding. On this point, Chancellor Schmidt is irreplaceable at this moment.

As the chancellor understands, as well as any other leading statesman in the world today, and far better than most, the key to solving every problem is the economy. We must end the reign of "Jacobin Terror" called monetarism, and reorganize the debts of developing nations and institutions of world monetary order, to make possible a large flow of high-technology capital goods of agricultural and industrial development to developing nations.

On that basis, and only on that basis, peace can be achieved—on condition that Brezhnev, not Ponomarev, determines Soviet policy. Anyone in the Federal Republic who remembers Brezhnev's television address of May 1978 has some understanding of that point.

Any "peacenik" who opposes nuclear-energy development and high-technology exports to developing nations is working for World War III, whether or not that peacenik knows the inevitable consequences of his own stupid actions. Guns do not cause wars; crises caused largely by a mixture of ideological lunacy and economic instability do. Peace movements do not hinder wars; they merely distract attention away from the practical measures by which wars are prevented.

Schmidt for at least two more years

Every leading CDUer [member of the Christian Democratic Union—ed.] knows that Schmidt is the only available individual with the recognized capability to lead the Federal Republic through the present period of crisis. Many leading CDUers say, "The problem with Schmidt is the left wing of his own party." We agree with the CDUers on that point, and most emphatically.

We are not exaggerating the importance of "one man." Few realize how badly the interests of the Federal Republic—and prospects for world peace—were injured by the loss of the murdered Jürgen Ponto. The right person in the right position at the right time is a point demonstrated repeatedly throughout history.

Considering the personal authority the chancellor has with the mass-based institutions, beginning with the trade unions and industries, and considering the importance of maintaining the continuity of a government under his skilled leadership, to lose Chancellor Schmidt during the two years ahead of us spells disaster for the Federal Republic. Leading CDUers and others ought to know exactly what we mean by that.

If one considers the forces which can be rallied

around the DGB and the employers' associations, 80 percent, approximately, of the electorate is represented. The problem, for the contingency that the SPD left wing either attempts to bring down Schmidt or that it becomes absolutely intolerable as a factor in government, is to establish some sort of "Grand Coalition." Such a coalition would represent the main forces of both the DGB and employers, as well as others, through the combination of the conservative SPDers (the Kanalarbeiter) and the moderates of the protechnology forces of the CDU, the moderate CDUers historically and presently continuing the tradition of the de Gaulle-Adenauer cooperation.

The problem is that none of the principal parties of the Federal Republic actually functions. Schmidt is an excellent chancellor *despite the SPD*. A minority in each of the principal parties uses its margin of minority strength to veto the policies of the parties as wholes, and to impose increasingly a virtual dictatorship of minority personalities and policies upon those parties. The divisions among the parties no longer correspond efficiently to the divisions within the electorate. The Federal Republic today would be better governed if no party existed, than through the present parties, with their present alignments and the role of sabotage within each.

Since the egoism of party is too strong to make the most obvious solution practicable at this time, we must seek a solution in the form of some approximation which does not demand that the parties yield their institutional traditions. A "Grand Coalition" across party lines, which, in effect, assembles the democratic republicans of the electorate as an overwhelming majority against the extremist minorities, is the only visible solution for any imminent crisis.

A Schmidt "grand coalition" government utilizing the best from the SPD, FDP, and Union, without any of the neo-Malthusian or other extremists, is the only practicable solution during the period of the next two years. That solution must be prepared, and set into operation whenever crisis demands it.

One hopes that there are enough leading CDUers capable of rising above the petty, egoistical ambition of some emotionally immature figures, to recognize the need to act in the national interest first.

Let us agree that any effort to mount a *Nachrustungsbeschluss* debate between Reagan and Bonn will be crushed by the majority of all parties acting together on this point. Let it be agreed that President Reagan and Chancellor Schmidt will negotiate military strengths in Central Europe jointly with President Brezhnev.

Let us frustrate the efforts of the Socialist International left and the Archbishop of Canterbury to bring down both Reagan and Schmidt.

Begin's re-election bid: an outrage

It's unlikely that the Labour Party will muster itself to defeat the self-righteous maniac in the prime ministry.

In an extraordinary show of theatrics, Israeli Prime Minister Menachem Begin smugly justified Israel's air raid on Iraq's nuclear reactor this week as "a morally supreme act of self-defense."

Begin's allusion to morality is a theme he has repeatedly utilized in his bid for victory in the June 30 elections. He has flaunted his commitment to halting Arab terrorism by conducting even more deadly terrorist assaults against the nation of Lebanon and now Iraq, with no regard for the national sovereignty of these Arab nations.

This, plus Begin's grievous condemnations of other governments as anti-Semitic and disregard for all diplomatic conventions, underscores Begin's morally corrupting influence on Israel. He has moreover undercut Israel's standing abroad and degraded international statecraft.

The morally corrupting influence of Begin is perhaps most poignantly shown in the dramatic comeback he has made over the last three months in overtaking his opponent for the premiership, Labour Party chief Shimon Peres. Each time Begin has ordered a raid against Lebanon his ratings in the polls have increased.

There are indications that Begin may have received some support from certain factions within the Reagan administration. Begin's increase in popularity in Israeli pre-electoral polls and Peres's decline

overlapped with the arrival of Secretary of State Alexander Haig to Israel in early April. As *EIR* reported, Haig gave a private go-ahead to Begin to renew Israeli attacks on Lebanon.

One week earlier National Security Adviser Richard Allen, an outspoken supporter of Israel, set a precedent as the first American government official to publicly advocate Israeli attacks on Lebanon as "hot pursuit" of terrorists.

Less than a week after Haig's departure, Israel commenced a new and bloody series of attacks; and Begin, desperate to overtake Peres in the polls, began a demagogic campaign to whip up national ferment against the Palestinians and Syrians in Lebanon. Begin pledged full military support for Israel's allies, the Lebanese Maronites, who have been battling Syrian forces in Lebanon.

At that time, *EIR* revealed that Haig and Allen were suspected of working out a dirty deal between Syria and Israel to run a controlled conflict in Lebanon leading to that country's partition. Syrian President Assad was suspected of engaging in such an arrangement, like Begin, to strengthen his power at home.

By late April, Syria and Israel were locked into a crisis which teetered on the edge of war following Israel's downing of a Syrian helicopter over Eastern Lebanon and Syria's deployment of anti-aircraft

missiles into Lebanon.

Arab sources report that in fact the presence of Syrian missiles in Lebanon did not jeopardize Israeli security since Israeli fighters could neutralize them. Nonetheless, Begin took the opportunity to intensify his demagogy by threatening war and continuing limited Israeli air raids into Lebanon. Curiously the raids skillfully avoided Syrian troop positions. Meanwhile Begin's poll ratings continued to climb, overtaking Peres.

Begin opened up a new flank in his maniacal re-election bid in early May. During a parliamentary speech, he lambasted West German Chancellor Helmut Schmidt as being a Nazi. Begin's attack was stimulated by his resentment of West Germany's strong economic ties with developing Arab states.

Throughout the election campaign the prime minister has justified his aggressive military posture as aimed at preventing another Holocaust. Following the Iraqi raid, Begin delivered a melodramatic colloquy, shrieking the destruction of the reactor had delivered Israel from nuclear extermination by Iraq—despite recognition in intelligence circles that Iraq is incapable of making a bomb.

Much of Begin's rhetoric has been aimed at stirring up his supporters, the majority of whom are oriental Jews—the least-educated strata of Israeli society who swung the election for him in 1977. However, neither Peres himself nor Israel's middle class had voiced any strong opposition over recent weeks. Following the Iraqi raid, Peres finally issued an attack on Begin for using the attack for election purposes. This may have come too late to turn the tide.

Behind the Díaz Serrano ouster

Politics, more than economics, caused the fall of the powerful Pemex director.

As I told you in my May 26 column, Pemex director Jorge Díaz Serrano's star has been on the wane. On June 7, in an announcement that shook political and economic circles inside the country and far beyond, the powerful oil boss resigned, 24 hours before President López Portillo left for Washington to meet with Ronald Reagan.

In his resignation message, Díaz Serrano stated that his decision a few days earlier to cut crude oil prices by \$4 per barrel failed to get the unanimous support of the economic cabinet. In order "not to be a source of discord," Díaz Serrano explained, he would resign the post he had held for almost five years.

Few politically knowledgeable people here believe this was the full story. During virtually the entirety of his tenure as head of Pemex, Díaz Serrano has come under strong fire from one quarter or another.

For a while it was leftist critics; then clashes with Industry Minister De Oteyza; cabinet policy clashes over whether to increase oil output; and heavy environmentalist fire.

Yet as striking as the density of attacks has been the firmness of López Portillo's defense of his old friend throughout. If a question of oil pricing were solely involved, Díaz Serrano then would not have fallen.

The "extra dimension" on everyone's mind is the current presidential succession fight. Díaz Ser-

rano was on everyone's list as a possible candidate. He's now unequivocally out of the running.

As I reported in the May 26 column, Díaz Serrano was aggressively moving to set up political combinations with other political forces that he thought could give him the muscle to take the top prize.

Probably the most significant such alliance caught insiders' attention when it was learned that Díaz Serrano was involved with a hack journalist who had scribbled a book insulting the president and his family. The journalist was an intimate friend of the ambitious mayor of Mexico City, Carlos Hank González.

By unblinkingly removing Díaz Serrano—despite close ties of friendship—López Portillo showed that he was in total command as he left for Washington, and that he is not going to permit any combinations to come together that may overrule or seriously compromise his own ability to steer the succession toward the candidate he believes is best for the country. His resolution was surely strengthened by the link to his prime political adversary, Hank González.

The immediate appointment of Julio Rodolfo Moctezuma Cid as Díaz Serrano's successor bears out this view. Moctezuma, like Díaz Serrano, is a longtime close associate of the president, serving first as his 1975 campaign platform director, then as his finance minister,

and, for the past three years, as chief of the Special Development Projects Office of the presidency. Note, however, that coming into Pemex at this late point, he will not be able to wield that giant monopoly as an independent power base during the next crucial "home-stretch" of political infighting.

The energy policy question, of course, cannot be dismissed as a contributory factor in the sudden shuffle. Rumors persist that Díaz Serrano was not keeping other officials duly informed about Pemex action in various areas of sensitive foreign negotiations. And the issue of how to respond to the world oil glut is a real and difficult one. The \$4 per barrel price cut was decreed by Díaz Serrano for a 30-day period after Mexico was bluntly informed by numerous oil importers that Mexican offers would go begging without a price cut. It is not known what action Moctezuma Cid will take when the 30 days run out to redefine third-quarter contracts.

The oil price problem in fact touches the crucial questions of the entire presidential succession fight:

Will Mexico continue with its plans for high growth rates?

If so, how will Mexico finance rapid development? Will Mexico keep prices up, increase export volumes, or increase its indebtedness?

The shake-up in Pemex only underscores these questions.

EIR has prepared a detailed analysis of the Díaz Serrano ouster, the implications for the presidential race, and the consequences for oil policy. This 20-page EIR Special Report is available now at \$200.00 per copy. Call Peter Ennis at (212) 247-8820 or send orders to 304 West 58th Street, New York, N. Y. 10019.

International Intelligence

IMF runs the Ugandan economy

As part of an IMF packet to stabilize the depleted economy, the Ugandan government has allowed the shilling to float.

The currency began its float downwards on June 2 and is expected to sink a full 90 percent. Since the destruction of the productive capacity of the country by dictator Idi Amin, the economy has relied on black-market goods and drugs. Food is scarce in the urban areas, and consumer goods are nonexistent. The IMF's program specifies that the only way to end the black market is to let the shilling float. This will cheapen exports without improving the Ugandan living standards.

The Karamoja area of northeast Uganda has not yet emerged from the famine that killed 50,000 last year.

An Oxfam worker has claimed that the crops produced in the area will not be sufficient for their needs in the coming months and that serious famine will return by the end of this year. International relief agencies are being asked to continue their relief efforts beyond the August deadline.

While most regions have received good rainfall, it will not be enough to ensure good crop growth. Delays in seed distribution coupled with the fact that most of the people are pastoralists not farmers and therefore are not accustomed to agricultural production, add to the predictable food shortages.

Mexican paper proposes nuclear-for-oil deals

Mexican political and media circles have given a resounding welcome to the agreements reached this week by President Reagan and President López Portillo. The determination shown by both presidents to improve relations between the two countries, and the outstanding suc-

cess of the summit, have made it hard for the vociferous Mexican left to build a case against Reagan. Leftist papers like *Uno más Uno* have impotently resorted to warnings against some astute trick by Reagan to get Mexico involved in "imperialist" designs in the Caribbean-Central American basin.

One kind of reaction is exemplified by the widely read "Candelero" column in the Mexico City daily *Ovaciones* which on June 10 proposed that the two governments follow up the summit "by increasing transfers of technology, especially in the nuclear field, in order to promote our development through nuclear plants. In exchange we could supply more oil and natural gas." The column then suggests that President López Portillo may have brought this issue up for discussion with Reagan.

The labor movement has also come out in support of López Portillo's handling of the Camp David summit. In a meeting attended by the president himself yesterday, Fidel Velazquez, head of the powerful CTM labor confederation, said that "a new era of relations with the United States has been opened . . . the Reagan administration definitely does not carry a Big Stick."

Palme Commission managing Mideast crisis?

The Independent Commission on Disarmament and Security Issues, headed by former Swedish Prime Minister Olof Palme, meets the weekend of June 13 in Moscow, with the Israeli raid on the Iraqi nuclear facility high on its agenda.

The commission, formed last fall, uses the disarmament issue as a cover for managing political destabilizations and serves as a crisis-management channel between Socialist International networks, former Secretary of State Cyrus Vance, and Soviet KGB-linked networks around Georgii Arbatov and Gen. Mikhail Milshtein.

According to a source close to com-

mission executive Leslie Gelb, *New York Times* correspondent and Vance sidekick, the meeting, which was originally scheduled for Paris, will discuss prospects for renewal of arms control talks and nuclear proliferation. It is under the latter rubric that the Israeli raid will be discussed.

Among those attending the meeting will be Palme, Vance, former British Foreign Secretary David Owen, Arbatov, Milshtein, and Willy Brandt ally Egon Bahr. Brandt himself arrived in Moscow June 13.

Three months ago, Gelb, reported on commission discussions that the most serious flashpoint would be the Mideast, in a crisis evolving out of Israeli desperation. Gelb reportedly told a coworker at the *Times* that "the meeting could not come at a better time . . . everybody will want to exchange views on how to keep it [the crisis] under control."

P-2 ties into the 'French Connection'

The same P-2 Masonic lodge at the center of the scandal which brought down Italy's government two weeks ago also coordinates the "French connection" that smuggled heroin into the United States. By tracing the activities of P-2 members in Latin America, *EIR* pinpointed a major drug-trading network.

Uruguay is the refuge taken by Licio Gelli, the grand master of the P-2 lodge, who is wanted by the Italian police. Gelli recently arrived in Uruguay from Europe, the daily *El Dia* reported June 4. His multifarious financial and real estate operations now occupy most of an office building in downtown Montevideo, *El Dia* notes.

During the early 1970s, U.S. drug enforcement officers noticed that, though Uruguay was kept meticulously clean of drug traffic, it served as the safehouse where most of the business deals and financing for narcotics flows in South America were arranged. Uruguay

Briefly

was the banking center for the "French connection" which channeled heroin into the United States from 1966 until the CIA broke up the American end of the operation in the early 1970s. Turkish opium was refined into prime No. 4 grade white powder heroin by Corsican mafiosi in the French port of Marseilles under the protection of the Socialist mayor, Gaston Defferre. The heroin was then transhipped through Argentina and Brazil to Paraguay, and then by a variety of relatively unpoliced routes brought up into the United States.

Gelli laundered the dope funds and other "flight capital" associated with the narcotics traffic. He set up the Banco Financiero Sudamericano in Montevideo in partnership with two other key bankers of the P-2 lodge, Humberto Ortolani and Roberto Calvi. Ortolani had the foresight to make himself ambassador of the Order of the Knights of Malta to Uruguay, which gives him diplomatic immunity and control of the Uruguayan coastal estate which enjoys extraterritoriality as the order's "embassy." This beach resort is reportedly now Gelli's refuge.

Islamic extremists in the ascendancy

The ongoing power struggle between Iranian President Abolhassan Bani-Sadr and the fundamentalist mullahs loyal to Ayatollah Khomeini peaked last week with the dismissal of Bani-Sadr as commander in chief of Iran's armed forces.

The removal of Bani-Sadr from his post as chief of the army and his expected imminent ouster from the office of the presidency mark a victory for the extreme Dark Ages faction around Khomeini who consider Bani-Sadr's liberal brand of Islamic revivalism too soft. The dismissal also signals a decision by Khomeini's Anglo-American stringpullers to throw their weight behind the spread of Islamic extremism throughout the region.

According to intelligence sources, the pro-Khomeini clergy, with Bani-Sadr out of the picture, are expected to launch a major military operation against Iraq over the coming weeks, escalating joint Israel-Iran coordination to create the conditions for toppling Saddam Hussein from power in Iraq.

The removal of Bani-Sadr follows a series of setbacks for his faction, including the forced resignation of his ally Ali Reza Nobari, the central bank governor, and a parliamentary decision pushed through by the mullahs to restrict his right as president to veto legislation. So stripped of his powers, Bani-Sadr is now expected to resign—or be ousted—from the presidency within a matter of days.

Another blow to Bani-Sadr—and to his abilities to fight back—was the forced closure of the Office for Coordination of the People's Cooperation with the President. The office had been organizing support for Bani-Sadr throughout the country. The U.S. advocates of restored ties with Iran have problems ahead.

Poland fails to pay its debts

The Polish central bank did not meet the June 10 payment deadline on a \$30 million five-year note. The missed payment, which will only be declared a default after a period of several weeks, shocked more people than those at the banks involved, which included Amex Bank Ltd., Manufacturers Hanover Ltd., Crédit Lyonnais, Société Générale, Banque Arabe & Internationale d'Investissement, Kredietbank S.A. Luxembourgise and the Hungarian National Bank.

The Bank Handlowy note would have been covered had Poland's commercial creditors followed the rescheduling agreement achieved for Polish state debt earlier this year on French initiative when the Giscard government was still in power. But at a May 20 meeting, several commercial banks raised objections to the plan, stalemating the talks and leaving banks open to default as the loans come due.

● **HANS-JÜRGEN Wischnewski**, foreign policy aid to German Chancellor Schmidt, has blasted Israeli Prime Minister Menachem Begin for the bombing of Iraq's Osirak nuclear facility. Calling the action a "crass violation of international law," Wischnewski also cited the bombing as a threat to the security of the United States. The remarks were made June 11 in a speech before the Saarland regional Social Democratic Party, and were issued alongside a series of hard-hitting criticisms of Israeli policy in the German press and from leading political figures since the bombing raid.

● **HERBERT WEHNER**, vice-chairman of West Germany's Social Democratic Party, has virtually endorsed Israeli Prime Minister Menachem Begin's attacks on Schmidt as a Nazi, according to *Der Spiegel* magazine. In the presence of Israeli ambassador Yohanan Meroz, Wehner called Schmidt "an arrogant officer who wore that uniform which I never wore." Schmidt served in the German army during World War II, whereas Wehner was a high official in the Comintern.

● **EDOUARD SAOUMA**, Director General of the U.N. Food and Agriculture Organization, claims that now that China is a major contender for the limited amounts of international food supplies, there will not be enough for the other Third World countries. At an international meeting in Japan on world food problems, Saouma added that if China continues its present pattern of imports, "it would greatly affect the world's food supply."

● **PIERRE TRUDEAU** has run into problems in his push to have marijuana decriminalized in Canada. According to the Montreal daily *La Press*, Trudeau is facing growing opposition from his own Liberal Party members.

The new dangers in Haig's tricontinental diplomacy

by Graham Lowry

Longtime friends and associates of President Ronald Reagan are expressing deep concern over Secretary of State Alexander Haig's visibly escalating collaboration with the Socialist International's gameplan for global destabilization. This week Haig announced that he and French Foreign Minister Claude Cheysson, representing the Socialist government of François Mitterrand, had reached complete agreement on foreign policy outlook—despite the fact that the Mitterrand government has made public its determination to support guerrilla movements throughout Central America.

There is also little doubt that Haig has given the green light to Israeli Prime Minister Menachem Begin's provocative actions in Lebanon and Iraq. In protesting the delay of the delivery of F-16s to Israel by the Reagan administration in response to Israel's raid on Iraq, the Israeli government excluded Haig from its censure, calling the secretary of state "our friend."

This week Haig is off to the People's Republic of China, where he will attempt to revive the "China Card," one of the most dangerous policies fielded by the Carter administration.

While maintaining the *posture* of a tough stand against the Soviet Union, the pattern of Haig's activity is the right-hand track of a policy of destabilization in parallel with the leftist Socialist International. The coordination is not accidental. Longtime associates of the President believe that Haig is now telling President Reagan that the Socialist International is America's best insurance against the Soviet Union.

The claim ignores two crucial facts. First, Soviet Communist Party official in charge of foreign commu-

nist parties, Boris Ponomarev, told the West German Communist party late last month that it should cooperate with the Socialist International, the best friend of the Soviet Union against the United States. Second, the leaders of the Socialist International, including François Mitterrand, gathered at a Washington, D.C. conference Dec. 5-7, 1980, to plan how to bring down the Reagan administration, with a 1960s' style movement of radicals, environmentalists, and trade unions.

Boosting Eurosocijalists

Throughout his tenure as secretary of state, Haig's promotion of the same Socialist International leadership has not been disguised. The tempo of his maneuvers has been increasing since early May. As reported widely in the Italian press, he met secretly then in Rome with Italian Socialist Party General Secretary Bettino Craxi, the would-be Il Duce, and exerted pressure within Italy on behalf of bringing a Craxi government to power. Later in the month, while Ronald Reagan was speaking at West Point, extolling the engineering and nation-building tradition of the military academy, Haig met in Washington with Swedish Socialist International leader Olof Palme, whose international disarmament commission uses the arms race issue to restrict technological development and interfaces with the Socialist plan for international "social convulsions."

Last weekend, Haig came out of the closet to publicly embrace the new Socialist Foreign Minister of France, Claude Cheysson.

Cheysson came to Washington to open official relations between the United States and the French



Stuart Lewis/NSIPS

The Secretary of State en route to a June 9 meeting.

government of Socialist International leader François Mitterrand, whose presidential victory last month over Giscard was engineered, according to high-level French sources, with substantial assistance from Alexander Haig. After his meeting with Cheysson, Haig reported happily to the press that "we had common assessments" and forecast "rich and rewarding and constructive" relations with the Mitterrand government. French troops are to be withdrawn from the Central African Republic, leaving Libya's terrorist dictator Muammar Qaddafi a free hand to build a "Greater Libya" out of a ravaged northern Africa. French policy in Latin America is to receive official direction from guerrilla controller Régis Debray, the former promoter of Che Guevara.

Cheysson also endorsed the long-discredited Camp David agreements, making clear that France under Mitterrand will abandon its previous commitment to the economic development of the moderate Arab states. The day after Haig and Cheysson met, the Israeli government of Menachem Begin bombed the French-built Iraqi nuclear facility at Baghdad on the lying pretext that it was making nuclear bombs for use against Israel. The Socialist International responded with a hue and cry over the dangers of nuclear proliferation—and technological development—in the Third World, while officials from Haig's State Department delivered ominous assessments of the threat of nuclear weapons development by the Iraqis, dusting off the old Carter policy on nuclear nonproliferation.

When the Reagan administration, reportedly over Haig's objections, made the token gesture of suspending

delivery of some F-16s in response to Israel's atrocity, the President was blasted as a betrayer of Israel by Haig's longtime crony William Safire, who served on the White House staff with Haig during the Watergating of Richard Nixon. In his June 11 column, Safire also reported that Haig ally François Mitterrand, while "tut-tutting publicly, is profoundly relieved" that Israel blew up the Iraqi nuclear site. Then Mitterrand announced June 9 that it is permanently pulling out its technical team from Iraq's nuclear program.

The consistent pattern of Haig's activities is one of deliberate sabotage of the ability of the Reagan administration to influence world affairs toward stability. President Reagan's meetings this week with Mexico's López Portillo demonstrated such potential, as indicated by Reagan's reporting their "basic agreement on the need to strengthen the economies of the lesser developed nations to bring about social and economic development of their people." As the discussions between the two leaders were proceeding, however, Haig's choice for Assistant Secretary of State for Inter-American Affairs, Thomas Enders, was remonstrating to the Senate Foreign Relations Committee about the "Sovietization" of the Caribbean and spinning out strategies for stepped-up confrontations. Such a policy would only fuel the Socialist International's destabilizations of the region.

Pushing for the 'China Card'

Now Haig is off to China with the hope of resuming a China Card policy of Jimmy Carter and Zbigniew Brzezinski. His gift to Peking is the U.S. decision to

relax restrictions on arms sales to the Chinese regime, by removing China from the National Security Council's "international communist conspiracy" list and placing it on the "friendly developing countries" list.

U.S. arms sales to China are not likely immediately, given the White House's reluctance to involve itself in the "China Card" ploy. But the Chinese are now eligible for sales of "dual-use technologies" such as electronics and other equipment with military applications.

On the arms question, a senior State Department official says, "We are going to China with an open mind on this issue," but most analysts see the arms sale prospect as a largely symbolic gesture intended to boost the "American Card" faction of the Chinese leadership around Vice-Premier Deng Xiaoping. The real subject of Haig's negotiations will be the attempt to re-establish a U.S. axis with Communist China in support of Peking's campaign of destabilization and genocide in southern Asia, including support for returning Pol Pot's murderous Khmer Rouge regime to power in Cambodia. The State Department is pushing support for Pol Pot as a "strategic imperative," one consistent with the Global 2000 world depopulation policy promulgated by the Carter administration and supported by Haig. Following his China visit, Haig will take the Cambodian issue to the ASEAN meeting of Southeast Asian nations in Manila.

Simultaneously, Undersecretary of State James Buckley, another Global 2000 backer, is off to Pakistan for talks on U.S. military assistance to the Chinese-backed dictatorship of General Zia, who supposedly wants arms to resist the Soviets. But while he makes noises about the Soviet threat in Afghanistan, Zia has maintained the bulk of his troops on the border with India, the region's leading proponent of industrial development.

If Ronald Reagan permits Haig to wield the power and influence of the U.S. on behalf of the Socialist International and the lunatic Chinese and Israeli regimes, prospects for pulling the world out of its downward spiral of uncontrolled disintegration will fast evaporate.

As Democratic Party leader Lyndon LaRouche told an audience of 120 representatives of the Reagan administration, the Congress, and diplomats from around the world in Washington June 10, "Since the defeat of French President Giscard, there is a growing danger that there will be World War III within the decade of the 1980s." The only potential force with sufficient power to avert war at present, LaRouche said, is the Reagan administration, and therefore "anyone who is fooling around trying to destabilize the Reagan administration . . . is removing the last possible option for averting World War III." Haig's actions have squarely placed him in that dangerous category.

NDPC Statement

'No American patriot can tolerate Volcker'

The following is a policy statement of the National Democratic Policy Committee issued June 8 by NDPC advisory board chairman Lyndon H. LaRouche.

Fritz Leutwiler, head of the central bank of Switzerland, has put himself at the head of a combination of forces threatening to destroy the U.S. dollar if President Ronald Reagan should interfere with the economy-wrecking policies of Federal Reserve Chairman Paul A. Volcker. Such a declaration by Leutwiler is tantamount to a threatened act of war against the United States, a new "Pearl Harbor." Every American patriot must respond to that threat accordingly.

The United States has the power to crush such insolent enemies. Every American patriot must prepare to rally behind President Reagan if and when the President decides to use the power of the United States to conduct economic warfare in defense of our own nation against both its foreign adversaries and their sympathizers within our shores.

The United States can crush a large section of its foreign enemies merely by the single action of remonetizing its gold reserves. These gold reserves should be valued at approximately \$500 an ounce or at current bullion market value, whichever is higher. However, the United States will transfer gold bullion only to nations which accept a gold-reserve agreement based on the same standards.

The United States can override the decision of Paul A. Volcker in the HongShang case [the takeover of the Marine Midland Bank in the U.S. by the Bank of Hongkong and Shanghai—ed.], and demand *full transparency* of Canadian and other British Commonwealth Eurodollar banks doing business with or within the United States.

The United States can provide itself adequate, low-interest credit for capital-improvement loans for industry and agriculture by repealing precedents analogous to the 1876-1879 Specie Resumption Act, and by issuing U.S. gold reserve-secured currency notes as participation in creditworthy loans to industry and agriculture by local private banking institutions.

These three measures of mobilization of the combined (but sleeping) economic and monetary power of the United States would be sufficient weapons for crushing all enemies of the United States such as Fritz Leutwiler. The following measures are at the disposal of the combined forces of the President and the Congress:

- The United States can deliver a crushing blow to enemies led by Fritz Leutwiler by the single action of *remonetizing U.S. gold bullion reserves*. First, these reserves should be valued at approximately \$500 an ounce or current bullion market value, whichever is higher. Second, gold-reserve transactions will be honored only with the central banks of nations which have effectively agreed to such terms of a gold-reserve arrangement.

- The Congress and the President can implement *emergency legislation*—in a single day, if the will and patriotism are there—which affirms the Congress's power over its legislative creation, the Federal Reserve System. The fact that a consortium of officials representing central banks has joined with Fritz Leutwiler in threatening an act of war against the United States is in itself sufficient premise for emergency legislation taken in the same spirit and with the same energy as an act of war.

- The Congress and the President can create massive volumes of *noninflationary, low-interest credit* for industry, construction, transportation, and agriculture by issuance of U.S. gold reserve-backed currency notes, *circulated only* as participation in goods production-oriented capital-improvement loans through private banks.

Under these and related provisions, the United States must and can nullify the unconstitutional decision made on the initiative of Paul A. Volcker in connection with the takeover of the Marine Midland Bank by the HongShang Bank. The Federal Reserve System exceeded its powers, violating the Constitution, by arrogating to itself Congress's authority and responsibilities for banking, money, and credit in this and related matters.

No foreign financial institution can be permitted to conduct banking operations inside the United States, directly or by subterfuges, unless it a) provides full transparency concerning the methods by which it generates lendable credits from debits equivalent to cash; and b) regulates its quality of lendable credits in a manner comparable to standards for banks within the U.S.

Every patriot, either individually or through relevant patriotic constituency organizations, should immediately inform the President and the Congress of his or her commitment to rally behind the federal government in full and energetic support of such measures of national defense against the avowed foreign adversaries of the United States.

Let us awaken the sleeping economic and monetary potentials of the United States, and let us teach these insolent forces associated with Fritz Leutwiler a lesson never to be forgotten over the century ahead.

Democratic Party

Denver DNC meeting foreshadows conflicts

by Anita Gallagher

Seven months after the presidential vote, the Democratic Party is still far from resurrection, judging by the Democratic National Committee meeting I attended in Denver, Colorado on June 3-5. One indication of the problem is the circumstances surrounding DNC Chairman Charles Manatt's comment there that the meeting was held in Denver to "underscore our commitment to Western issues and to Western Democrats." The Democrats have lost every presidential election in the West since at least 1964; and the liberals who dominate the party—like Sen. Gary Hart of Colorado—have essentially ignored the vital issues that face Westerners, such as water policy, land use, and agricultural parity.

Chairman Manatt nevertheless proceeded to attack Reagan's interior secretary, James G. Watt, a Westerner, as "a man who wants to re-energize strip mining and speed up leasing on federal lands."

Punting on policy

Overall, the meeting was characterized by a lack of substantive policy discussion. The full DNC meeting itself lasted only three hours, with the main agenda being the size of the midterm convention and a Washington State credentials fight. Only lip service was paid to the task of reabsorbing the development-oriented constituencies—labor, farmers, small business—that have given the party its traditional strength.

Although the DNC meeting passed a resolution condemning the AWACS sale to Saudi Arabia, State Chairs Association chairman Marge Thurman of Georgia indicated that in future, foreign-policy questions might be turned over to the "strategy council" Manatt said he is forming around House Speaker Tip O'Neill on Capitol Hill. A "policy council" has traditionally been unpopular among strong congressional leaderships when their party does not control the presidency. But because of the policy vacuum, the need for official spokesmen has become acute, some think.

At two points, domestic policy was raised. Delaware State Chairman Henry Topel announced the formation of a Business and Professional Caucus, reminding the meeting that "83 percent of the jobs in the U.S. are

created by small business. You are all acquainted with the 20 percent prime rate. It is breaking the backs of small businessmen. I for one don't believe that [Federal Reserve Chairman] Volcker is correct." The caucus established subcommittees on taxation, capital formation, trade, regulatory reform, and—to appeal to royalty owners—independent energy.

Secondly, an Agricultural and Rural Development Forum was convened after the DNC meeting adjourned. The forum featured New Mexico Gov. Bruce King, a rancher, Rep. Glenn English of Oklahoma, and former House Agriculture Committee Chairman Tom Foley of Washington State.

At this meeting, 100 farmers, some of whom admitted voting for Reagan, constructively attacked Democratic incompetence. American Agriculture Movement leader Harvey Gardner of Oklahoma, addressing Rep. English, said, "It is all well and good to talk about gasohol . . . but farmers can't make it because they can't borrow money." In addition, participants discussed the 1981 farm bill, predicting low prices and large surpluses. Parity will be under 60 percent of the cost of production. Bob Rauner, president of the Nebraska Wheatgrowers Association, noted that parity prices contribute to a balanced budget by creating a tax base. Most of the participants refused to blame the collapse on the Reagan administration, citing the role of the Carter administration in contributing to the collapse of U.S. agriculture, along with the rest of the economy.

The only other substantial policy issues were those introduced by representatives of the National Democratic Policy Committee, who made available preprints of NDPC Advisory Board Chairman Lyndon LaRouche's new book, *Restore the American System*. The NDPC's influence in the party has been growing steadily, as seen in a comment by California chairman Nancy Pelosi, who demanded that something be done to avoid "confusion" caused by the name of the LaRouche wing's multi-candidate political action committee, the NDPC. Another state chairman commented "It's time people knew the strength of the LaRouche organization."

Most of the rest of the meeting was concerned with the proposal of Chairman Manatt to halve the size of the midterm conference from the 1,600-1,800 delegates mandated at the 1980 convention, and to hold the conference in the spring of 1982. According to Manatt, "the midterm conference is not a mini-convention, but a meeting of the national leadership [with] the responsibility for winning elections."

Although only the Socialist International's "Democratic Agenda" caucus has strongly opposed Manatt's paring down of the midterm conference, party regulars are wondering when they will be given some power to change the liberal inclinations of DNC members.

Dan Moldea spells out the U.S. left and FBI

*Dan Moldea, best known as the author of the anti-Teamster book *The Hoffa Wars*, has predicted "a major organized crime scandal involving top Reagan administration figures," and called on the left to openly ally with the Carter holdovers in the Justice Department against "organized crime"-linked administration officials, Teamsters, and congressmen.*

Moldea appeared at the Washington headquarters of the Institute for Policy Studies (IPS) on May 28 to address 25 radical leaders and so-called investigative journalists with a prepared speech on "Organized Crime, the Reagan Administration, and the Left." He had worked out his speech the previous evening with Walter Sheridan, former head of Justice's "Get Hoffa Squad" and current chief counsel to Ted Kennedy on the Senate Labor Committee. IPS—of which Moldea is a fellow—is a sponsor of union dissident groups and has links to support for the Weather-underground, the Baader-Meinhof Gang, and other terrorists worldwide. The left think tank is now intended to openly join the Washington Post, Aspen Institute, and other liberal institutions that wrecked the Nixon administration and are currently targeting the traditional labor movement and the Reagan administration simultaneously. Excerpts follow from a transcript of Moldea's speech, provided to EIR.

I am a freelance writer who has concentrated on investigative reporting of organized crime and labor racketeering. I am the author of *The Hoffa Wars*, which was a Book-of-the Month Club selection. My work has been published in the *Washington Post*, the *London Observer* and *Playboy*. In addition I have worked with NBC News, the *Detroit Free Press* and Jack Anderson. And I have been supported, in part, by grants from the Fund for Investigative Journalism here in Washington.

Today is a special day for me. After seven years of investigating the underworld, I have decided to do this seminar as my own swan song. If I return to this work at a later date, I will do so, I assure you, I will be dragged back into the fray kicking and screaming. I would like to

an alliance of against Reagan

thank the Institute while I finish my second book on the Independent Truckers movement. . . .

Since the mid-1960s there has been a bugaboo on the subject of organized crime. . . . I realize that I am walking a fine line here, and some of this talk might sound like heresy to many of you. But I believe that this rigid ideology is being counterproductive both to the general public and to the cause of the left.

The reason for this seminar today is for me to predict in front of all of you that there is going to be a major organized-crime scandal involving top Reagan administration officials during these next few years, perhaps even in the next few months.

And in anticipation of this I believe that it is important for those of us on the left to begin educating ourselves and simultaneously protecting ourselves from the inevitable counterattack from the right. And that counterattack will concentrate on such liberal groups as the American Civil Liberties Union. Presidential advisers Ed Meese and William Wilson have already stated publicly that because the underworld benefits from the ACLU's actions, there is reason to believe that the ACLU is being "protected by some organized group that makes their living from misdeeds against society." To date, President Reagan and his administration have shown a frightening tolerance of organized crime. . . . And predictably the left isn't lifting a finger to stop this. . . .

The FBI's Abscam probe is a perfect example. As soon as the sting operations were revealed, the left's immediate reaction was that it was entrapment. The FBI's Abscam and post-Abscam operations like Brilab and Pendorf may prove to be the most effective challenge ever against organized crime. Some of the most dangerous criminals in this country are for the first time in their crime-proof career, in very deep, very serious trouble. . . . It should be pointed out that those officials who are most dedicated to the war against the underworld are those who were appointed by the previous Democratic administration, particularly FBI Director William Webster and

Dave Margolis, the head of the strike force against organized crime. . . .

Today, President Reagan and his appointees have shown a frightening power [inaudible] organized crime in the United States. And this power is consistent with the growing list of embarrassments officials in the Reagan administration have experienced as a result of innocent, and, I believe, not-so-innocent associations with organized crime figures.

For instance, **Sen. Paul Laxalt** of Nevada, Reagan's campaign manager and described as his best friend, has been openly using his influence in the Republican Senate to cut back probes into organized crime in Nevada. Laxalt is brazen in admitting his friendship with reputed organized crime boss Morris Dalitz, who contributed \$1,000 to Laxalt's senatorial campaign. Dalitz is one of 10 organized crime figures who have contributed thousands of dollars to Laxalt's political campaign since his 1966 gubernatorial campaign. He also received aid from a casino owner who helped him obtain a \$950,000 loan; the casino owner had been run out of business by the Securities and Exchange Commission for stock fraud. In addition, a convicted extortionist played a key role in at least one of Laxalt's senatorial campaigns; still Laxalt remains a close adviser of the President and has become a powerhouse in the Senate.

Reese H. Taylor, a former chair of the Nevada Public Service Commission, and a former law partner of Senator Laxalt's since 1971 and [of] William French Smith from 1952 to 1958, has been nominated by President Reagan to head the Interstate Commerce Commission. Taylor is on record as opposing the deregulation of the trucking industry, which the Teamsters union has violently opposed. Teamster President Roy Williams was indicted last Friday, May 22, for attempting to bribe Sen. Howard Cannon, also of Nevada, in the union's attempt to water down the Kennedy-Carter deregulation bill of 1979. Cannon's watered-down bill did finally pass—however Cannon has not been indicted. Further, ICC chair Reese also is expected to support the eradication of the [passalong] fuel charges for independent truckers which the independents won during the 1974 and 1979 trucker shutdown. Should the surcharge, which helps the independents defray the rising cost of fuel, be revoked, an estimated 60 percent of all independent truckers will be driven out of business within six months. The Teamsters union is on record as opposing this independent truckers movement, despite the fact that nearly 40 percent of all independents are members of the Teamsters union. Should Reese pull the surcharge, the independents have already announced their intention to shut down nationwide again.

Ohio Teamster President Jackie Presser was appointed to the Reagan transition team to help with personnel and policy changes concerning labor, despite his close

relationships with numerous underworld leaders. An eighth-grade dropout who Reagan gave the title "Senior Economic Adviser," Presser had a Department of Labor suit pending against him for mismanagement of union funds at the time of his appointment. On Aug. 27, 1980, candidate Reagan met with Presser, his father, who was the twice-convicted union embezzler, and Roy Williams in a 45-minute private meeting. The day before his secret meeting with Reagan, Roy Williams had taken the Fifth Amendment 24 times before the Senate Permanent Investigations Subcommittee, refusing to answer questions about his personal and financial relationships with organized crime figures. The week Reagan was elected President, his first stop was Teamster headquarters, where he again met privately with these Teamster officials. Of course, the Teamsters union was the only major labor organization to support Reagan's bid for the presidency.

Attorney General William Smith, Reagan's longtime personal attorney, attended a party late last year hosted by Frank Sinatra—who has numerous crime connections. William Safire observed in the *New York Times*: "It seems to me that the nation's chief racket-buster should not lend his presence to a man long associated with racketeers, and who now seeks from the Reagan administration the respectability he needs to re-enter the Las Vegas casino scene." Sinatra, of course, has re-entered the Las Vegas casino scene, with the personal help of President Reagan, who wrote a letter to the Las Vegas Gaming Commission about his good friend Sinatra. Also present at the Sinatra party, but overlooked by nearly all press accounts, was Sidney R. Korshak, who has been described by the *New York Times* as "the most important link between organized crime and legitimate business." One of Korshak's closest friends, according to a June 1976 article in the *Times*, is Lou Rothman, chief executive for MCA, the entertainment conglomerate. Rothman also served as the exclusive agent for actor Ronald Reagan for the duration of his acting career.

Secretary of Labor Ray Donovan has been accused by several respected government informants of being associated with a variety of East Coast underworld figures. He is also accused of violating [inaudible] from the Teamsters for a construction firm. He has admitted to hiring a no-show Teamster, which has been argued as having been an admission of making payoffs. On May 22, a Teamster official was indicted for shaking down Donovan's former construction company. However, it should be noted that it takes two to make an extortion scheme happen: the party who received the payoff and the party who makes it. Donovan, who was recommended to Reagan for secretary of labor by William French Smith, is far from being off the hook in this matter. Many are predicting that he will be indicted sooner or

later. Meantime, Donovan is in charge of the Labor Department and all its businesses, including the numerous investigations and suits pending against the Teamsters union.

Interior Secretary James G. Watt, who has financed the anti-environmentalist crusade in his previous career, with the help of funding from oil companies, also received several thousands of dollars in contributions from Las Vegas casino operators.

Donald Regan, secretary of the treasury, has led the support of his department to Senator Cannon's bill to exempt gambling profits from taxes. According to the Treasury Department, taxes are not an effective deterrent to gambling, and it is wasteful and inefficient to try to collect them.

Lenore Annenberg, Reagan's new chief of protocol, [who] meets with movie producer Harry Cohn, and [is the] wife of former U.S. Ambassador to Great Britain Walter Annenberg, was formerly married to Belvin Cattleman, the crime-connected owner of El Rancho Vegas, a Las Vegas gambling casino. Her second husband was a convicted bootlegger, Louis Rosenfeld, a reputed associate of Meyer Lansky. Her third and current husband, Ambassador Annenberg, is the current owner of *TV Guide* and the *Daily Racing Form*. Both Annenberg and his father, Moses, were connected to the Al Capone crime family, and were investigated by the [inaudible] committee for their associations with the underworld. Both Annenberg and his father were indicted for criminal income-tax evasion; however, the elder Annenberg copped a plea in return for the dismissal of charges against his son. The father went to jail, and the future ambassador took over the family's businesses. Earlier, both men had been linked to magazines which have been charged with being pornographic. According to published reports, Walter Annenberg bought his ambassadorship in 1969, in return for his contributions to the Nixon campaign. Thus it is simply inconceivable considering the record that her three husbands have all been mob-connected, that Lenore Annenberg has had no association with organized crime figures.

During the impeachment summer of 1974, White House Chief of Staff Alexander Haig secretly ordered an investigation by the Criminal Investigative Command, the Army's FBI, on President Nixon's alleged ties with the underworld. When the filed report was given to Haig, providing details of Nixon's career-long personal relationship and financial associations with underworld leaders, Haig, according to the CIC investigator, confronted Nixon with the Army's report. Within days, Nixon resigned after Haig orchestrated the release which began on June 23, 1972 of taped conversations between Nixon and John Dean, in which the Watergate coverup was discussed. One view of this is that Haig acted heroically. On the other hand, he did conceal this information

from the [Watergate] special prosecutor.

Finally, what can be said about **President Reagan** himself? Any investigation of the possible association between the underworld and Ronald Reagan should initially concentrate on Ronald Reagan's personal relationship with one man: Sidney Korshak. The *New York Times* described Korshak as "a senior [inaudible] for and senior adviser to organized crime groups in California, Chicago, Las Vegas, and New York. He directs their investments, their internal affairs, their high-level decision making." In addition, Joyce Haber, a columnist, said: "Sidney Korshak is probably the most important man socially in California, and many organized crime investigators believe that few people seeking high public office in that state can win without his support." I believe that President Reagan, particularly considering his administration's handling of organized crime today, should be pressed to make a full explanation of his association with Korshak. Further I believe, that the same demands should be made to Attorney General Smith. If there are no questions, there is no issue, and I am not making specific charges here, I am simply trying to provoke these questions by asking how many coincidences does it take until two and two equals four? . . . In the next few weeks and months, FBI Director William Webster will increasingly become at odds with the attorney general and the entire Reagan administration over the organized crime issue. I believe that Webster should not fight this battle alone. I believe that Webster has distinguished himself as a man of decency and fairness, who has refused to believe there's some mythical Soviet terrorist plot. . . . As a result of this independence from the administration, he is being now attacked by the right. . . . I firmly believe and continue to advocate that the left will be best served to consider what was once unthinkable by sharing a degree of common causes [with] the director of the FBI, particularly in his war against organized crime. In 1969, Ralph Salerno, one of the most respected organized crime experts in this country, predicted: "Organized crime will someday put a man in the White House and he won't know it until they hand him the bill."

To fulfill my obligation here, I said I would take a look at the upcoming Teamsters convention. The International Brotherhood of Teamsters is particularly ruthless when attaining and maintaining power and money. To all intents and purposes it is a totally corrupt labor organization. Every year there are numerous investigations by the government and exposés by the press which remind us of that. The major problem in the Teamsters union is that, unlike other unions like the UAW with fouled-up union democracy, its structure is organized top-down. There are no direct rank-and-file elections of the union's national officers. The leadership essentially insulates itself and elects itself. The rank and file virtually has no voice in the process of their union. Jimmy Hoffa

created this autocracy at the 1961 Teamsters convention by revising the union's constitution and placing all power in his own hands. If anyone wanted to make a deal, they had to make it directly with Hoffa. Consequently, Hoffa became a lightning rod for the government and the press. Those who associated with him, particularly underworld figures, found themselves in a public spotlight they really didn't want. . . .

When Frank Fitzsimmons came to power in 1967 as Hoffa's caretaker, he fought to decentralize the union, giving enormous amounts of new-found power to the general executive board members, the heads of the various joint councils, and the chiefs of the 800 locals around the country. As a result of this policy of decentralization by Fitzsimmons, he endeared himself with those Teamster leaders who had just stood by with their hands in their pockets, during the Hoffa presidency. . . . Many of them made deals with local crime kingpins and profited handsomely from these associations. Consequently, Teamster corruption began to be concentrated at the local levels. I believe that the new president of the Teamsters union, Roy Williams, will continue to operate the union under this decentralized system. The centralized union as Hoffa [ran it] would shake up too many deals among local Teamster officials and crime bosses around this country.

Williams himself is closely connected to Kansas City mobster Nick Zebar and New Orleans crime boss Carlos Marcello, among others. He has been indicted at least four times for embezzling union funds, falsifying records, and now attempting to bribe a U.S. senator. In short, Williams will continue to symbolize the continuing corruption of the Teamsters union. It was my fear that the Teamsters like Ray Sheckland of Chicago, a man with a Mr. Clean-type image, would take over the union. With this, many in the government and the press in their infinite wisdom, would have concluded that the union had consequently been reformed. Rank-and-file reform movements within the Teamsters union have come and gone, seemingly forever, but for the first time in the union's history, the Teamster leadership is effectively being challenged by the Teamsters for a Democratic Union, which you are going to be hearing a lot about in the next week. They recently merged with the Professional Drivers Council on Safety and Health, an offshoot of the Nader organization. The father of PROD, [another Teamster dissident movement], Arthur Fox, is here with us today. Although TDU has no chance of upsetting Williams or the top Teamster leadership at the convention next week, it will have 40 of its delegates present on the convention floor. And I believe that these 40 delegates, their lives and their personal safety, will be seriously jeopardized in the week ahead, as their lives and their personal safety [were] jeopardized during the 1976 Teamster convention. [End of transcript.]

An eyewitness report

The Teamsters are taking a newly aggressive stand, their national conference showed.

The International Brotherhood of Teamsters came away from their 27th convention organizationally stronger and more united than at any time in their history. The blatant attempt of the Justice Department and various Senate committees to interfere in the internal affairs of the union totally backfired. Indications of the backlash, created by the government's shabby indictment of Teamster General President Roy Williams, came weeks before the convention opened. After the indictment was announced, the union's executive board dropped all factional differences and united firmly behind Williams's leadership. The barrage of media attacks on Williams leading up to the convention only furthered the resolve of the Teamster leadership to support him.

The general press coverage of the convention would have the public believe that the insignificant dissident group Teamsters for a Democratic Union (TDU) was a force to be reckoned with. Estimates of the TDU membership ranged from 20,000 to 8,000 depending on what paper you read. But at the convention, TDU chief Pete Cameratta sat alone.

When the votes were counted, the TDU candidate for general president received a total of 10 votes. Roy Williams received 2,100. Upon taking the gavel, Williams immediately addressed himself to his recent indictment by calling it

"a damn lie." He went on to say "I have and will continue to fight deregulation with every ounce of energy in my body. . . . No indictment will stop me," to a thundering ovation. "Neither a federal bureaucracy nor headline-grabbing politicians are going to run the largest labor union in the world."

The convention passed resolutions on economic issues, as I reported last week, demanding repeal of trucking and airline deregulation, praising the Space Shuttle program as the transportation industry of the future, demanding an economic program to re-employ American workers, and expressly attacking Paul Volcker's high interest-rate policy as a major contributing factor to the current economic crisis.

More and more delegates were talking of Williams as "the new Jimmy Hoffa." The difference between Hoffa and Williams, observers reported, is that Williams knows more about the workings of the trucking industry than Hoffa ever did, and that he would do more to cooperate with industry leaders to save the industry.

Williams is like Hoffa in the way he is expected to run the union, in a more centralized fashion and with a stronger hand at the helm than recent presidents. Williams's chairing of the convention reflected that assessment. He will need a very strong hand indeed to deal with the Brilab operatives, and with the economic

catastrophes facing many of his members.

Former Teamster President Dave Beck, addressing the convention, made the Hoffa comparison explicit. Beck called Hoffa the greatest trade-union leader America has produced, bringing more members into a union than any other single organizer; Beck said Williams is in the militant tradition of Hoffa.

A show of labor unity was made by Robert Georgine, head of the AFL-CIO Building Trades Department. Georgine praised the Teamsters and Williams, and then took a swipe at UAW leader Doug Fraser by saying, "I believe that a trade-union leader has the same constitutional rights as any other American." Fraser, in a well-publicized press conference, had attacked Williams and the Teamsters, asserting that Williams should step down as president due to his indictment.

In other resolutions, passed by the delegates almost unanimously, the Teamsters took on the mounting press and government attacks on labor. They called for no amendments to the Hobbs Act, some of which would virtually make union organizing a felony, and a resolution was passed calling for an aggressive legal counterattack on media abuses aimed at the Teamsters.

As the convention came to a close, a delegate put forward a motion condemning the International Socialist group, which was behind the dissident TDU organization.

It was ironic that in all the press coverage given to TDU, none used any documentation readily available to reporters that exposed this group as funded by Wall Street foundations and led by Marxist revolutionaries.

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Robyn Quijano
Editor

Hearings on nuclear nonproliferation slated

The subcommittee on Energy, Nuclear Proliferation, and Federal Services of the Governmental Affairs Committee will hold hearings on the Nuclear Nonproliferation Act, also known as the Percy-Glenn bill, on June 24 and 25. The act requires that any nation that receives nuclear energy material sign the International Nuclear Nonproliferation Treaty or accept full-scope safeguards under the International Atomic Energy Agency. This has established extensive international monitoring of a nation's nuclear weaponry, which many nations regard as a major infringement on national sovereignty.

The hearings are being held in relation to a report on the act released in late May by the General Accounting Office. The report, which is actually mandated in the act, reviewed whether the act was working effectively and whether the law had hurt U.S. nuclear energy trade. The authors claim that the act has not hurt the export of U.S. nuclear energy technology, despite reports to the contrary from the nuclear energy industry.

The report has also recommended that the act be strengthened by the adoption of what is called timely warning. This requires the United States to establish certain mechanisms that would allow it to detect very early the "misuse" of nuclear fuel. This provision is very controversial, as it would also mean extensive oversight of another nation's energy programs.

The hearings will include testimony from former Carter admin-

istration officials who led the fight to curtail U.S. nuclear energy exports, including Joseph Nye, formerly of the State Department, as well as spokesmen for the Atomic Industrial Forum, Westinghouse and the Natural Resources Defense Council. The administration will testify with representatives from the Department of Energy, the Arms Control and Disarmament Agency, and Nuclear Regulatory Commission speaking.

Also expected to testify is James Malone, assistant secretary for the International Energy, Oceans and Environmental Policy group in the State Department. Malone is responsible for the Reagan administration's nuclear nonproliferation policy, and wrote the transition team report urging the reversal of Carter policies. He is heading a special interagency working group on the issue.

ICC nominee calls for review of deregulation

A last-minute broadside from Common Cause, the "consumer advocate" group, alleging overweening Teamsters union influence, apparently failed to slow the confirmation process for Reese Taylor, chairman-designate of the Interstate Commerce Commission. The Senate Commerce Committee spent only 30 minutes at its June 9 hearings questioning Taylor, a close associate of Reagan intimate Sen. Paul Laxalt (R-Nev.). At the conclusion of the hearing, committee chairman Bob Packwood (R-Ore.) announced that he found the allegations "unfounded" and was extremely satisfied with Taylor's qualifications and views.

Taylor, a Nevada labor-management lawyer, will take over the ICC less than one year after the implementation of trucking deregulation. While Taylor announced in the hearings that he was "neither a deregulator nor a regulator" by philosophy, he is viewed by many in industry and labor as intimately familiar with the havoc deregulation has caused.

At the hearings, Taylor said that one of his first priorities is "to study the impact of what has already been done" to the industry, rather than forging ahead with new administrative initiatives. He added, however, that he does not "intend to legislate by administrative fiat," and that, if he feels changes need to be made in the legislative mandate of the ICC, he will take his case to Congress.

The Common Cause allegations made June 8 centered on an "unidentified" Teamster source who claimed that Taylor was "in the hip pocket of the Teamsters" and that his nomination was a political payoff in exchange for IBT support of Reagan's campaign.

Narcotics Committee hears calls for war on drugs

The House Select Committee on Narcotics in two full days of hearings on "Narcotics Law Enforcement Policy," June 4 and 5 heard testimony from law enforcement officials demanding a national commitment to rid the country of the drug menace. A number of witnesses criticized the Reagan administration's budget cuts which, they testified, were crippling drug

enforcement effort nationally.

Chairman William Hughes (D-N.J.), of the House Judiciary Subcommittee on Crime, testified to the direct relationship between the drug problem and growth of crime. Hughes stressed that he has had bipartisan cooperation from the ranking Republican on his subcommittee, Rep. Harold Sawyer (R-Mich.), for bills he has introduced to restore funds in enforcement programs.

However, Hughes noted that he found it "troubling because it appears that the decision has been made by the Office of Management and Budget to cut law enforcement budgets pending the conclusion of the study on the Task Force on Violent Crime. . . . I know I've been tough on the administration," Hughes said, "but I'm frustrated. We already know what we have to be doing."

Sterling Johnson, Jr., the special narcotics prosecutor from New York City, summed up the sentiments of many law enforcement witnesses by demanding a "commitment from the President on down to stop the drugs. . . . This has to be given the priority that the President is giving the national defense budget. It has to be treated like a national security question. We have to have education, prevention, a medical program, and prosecution that ensures a swift and certain conviction upon arrest, all moving at one purpose."

Although Rep. Clay Shaw (R-Fla.) "agreed in principle" with the critics of Stockman's budget cuts, Representative Coughlin (R-Pa.) tried to press Johnson into admitting that funds for destroying drugs at their source was a more cost-effective method for

drug eradication. Johnson countered that it was not proper to "use the cost-benefit argument of eradication at the source of drug supply as an excuse to not put money into other areas. . . . The President needs to sit down with people who are experts in their field and develop an across-the-board plan of action."

But Stockman's budget-cutting found an ally in liberal Democratic Rep. James Scheuer (N.Y.), who also pressured witnesses to reveal their plans for deploying severely limited funds. "From the point of view of incremental additional dollars," Scheuer intoned, "should we get greater results from reducing demand rather than supply?" Scheuer later disagreed that the national commitment to fight drugs was anything like the Apollo moonshot commitment.

Wrangles continue over water policy

The administration and the Senate Environment and Public Works Subcommittee on Water Resources continued to spar over water policy at the opening hearings of the subcommittee's extensive review of water issues on June 8. Testifying for the administration, Assistant Secretary of the Army for Civil Engineering William Gianelli and Assistant Secretary of the Interior for Land and Water Gary Carruthers reported that water issues have been "moved to the front burner," under the auspices of the Cabinet Council on Natural Resources and Environment chaired by Interior Secretary James G. Watt.

However, subcommittee members voiced dissatisfaction with this

structure. Republican Sen. Pete Domenici (N.M.) told the witnesses that he had a whole inventory of issues that composed water policy and that the administration needed to address. He questioned what overall proposed spending levels for water over the next 3 to 4 years, given that there is declining support for water spending in Congress at the same time that spending in real terms has dropped 40 percent over the past 15 years. Domenici pointed out that the Environmental Protection Agency spends more money on water projects than the Army Corps of Engineers and the Bureau of Reclamation combined. He cited the need to re-evaluate the methods of determining cost-benefit ratios and cost-sharing for projects. "You may pick one of these issues and solve it, but we still won't have a water policy," he concluded.

The subcommittee will consider legislation by Senators Domenici and Moynihan to authorize water project spending through block grants to states. Both Gianelli and Carruthers expressed administration opposition to this proposal, citing widespread concerns that such a proposal would wreak havoc with national water-policy planning and development. Gianelli stated, "While we are firmly committed to giving states a greater role in water development, it is doubtful that the block grant approach is the answer to our water problems." This is especially true since the administration continues to support the Stockman budget cuts and Volcker interest rates to the detriment of any projects that would encourage economic growth, as water projects tend to do.

LaRouche: 'Reagan is the only hope'

EIR founder and Democratic Party leader Lyndon H. LaRouche, Jr., speaking to 120 people from Capitol Hill, the executive branch, industry, and 23 embassies, painted a stark picture of the realities confronting national governments. Especially since the defeat of France's Giscard, he said, there is a growing danger in both the East and West that World War III will occur in the 1980s.

The Mitterrand government has introduced new global instabilities. The U.S. Federal Reserve's and Bank for International Settlements' policies are undermining government structures. We are heading for a depression worse than the 1930s; the Volcker policy has already contracted the goods-producing sector by 20 percent in 1980, and promises to contract it by another 25 percent in 1981.

The rest of the OECD nations, except Japan, will be unable to resist the effects of a collapse of the U.S. economy, LaRouche added. The LDCs could not withstand it. We face a potential explosion not seen since the Hapsburg collapse in 1653; we would see a chain reaction of genocide.

How would a depression occur, LaRouche asked. Given the fact that there is only \$700 billion in goods-producing capacity in the country, as against \$3 to \$5 trillion demanded in rent and so forth, are we producing enough wealth to pay the rent? The answer is no.

Reagan knows that Volcker has to go, LaRouche said. Therefore, why doesn't he get rid of Volcker? Because there are institutions opposing Volcker's ouster. Neither the Soviets nor the U.S. is planning for World War III; it is an illusion to imagine that nations are acting rationally. Governments and people behave on the basis of the impetus of institutions. We must take the shaping of the world out of the hands of the people that stand behind Swiss Central Bank chief Fritz Leutwiler and Volcker. There

is only one force in the world that can do that, LaRouche asserted: the Reagan administration. "Anyone who is fooling around trying to destabilize the Reagan administration—like the Institute for Policy Studies and William Safire—is removing the last possible option for averting World War III."

Haig prefers Venezuela over Mexico as U.S. ally

The Venezuelan press is sourly commenting that the Reagan-López Portillo summit has "confirmed" that the U.S. President sees López Portillo as his "principal interlocutor in Latin America." Wrote *El Nacional*, by the time the North-South summit in Cancún, Mexico takes place, they will have met three times. Venezuelan President Herrera Campins's refusal to set a date for his scheduled trip to the U.S. suggests that he may be miffed at the new closeness between Reagan and López Portillo.

However, in a "confidential" letter to Venezuelan Interior Minister Montes de Oca, whose contents were leaked in the Caracas press, Haig emphasized the "full coincidence" of U.S. and Venezuelan views on Central America and the Caribbean, including their agreement to increase aid to the Salvadoran junta should that be required. After citing support for the Seaga government in Jamaica as a means of stemming communism in the region, Haig noted that Venezuela and the U.S. also agree on the possibility for a political, civilian solution to Guatemala's crisis. The secretary of state's comments suggest that Guatemala is the next country targeted to blow up.

Bank loan policy: battle the unions

Members of the New York Clearinghouse Association are pressing their corporate debtors to tear up their union

contracts, according to a spokesman for Chase Manhattan Bank. When a company asks for a credit line, he reported, the bank now examines the company's relationship to its unions, especially the Teamsters and building trades.

"We tell them that if they want money from us, they must demand real concessions from their unions," said a source in Chase's transportation loan division, citing union contracts as "adverse profitability factors." "Give-backs, wage cuts, major work rule changes. Open up the contracts. We tell them the first place they would look to pay the interest rates is these fat union contracts."

"They need cash to stay afloat, especially the midsize people," he commented. "They have built up cushy relationships with the unions, with high payout, high benefit contracts. This is what the union/industry relationship was based on. We're saying bust it up. It was no good for the economy. It hurt productivity." The Teamsters and the Laborers unions "are too powerful. We have an opportunity to cut them down to size."

Though many companies are reluctant to battle their unions, as the economy gets worse and rates continue high, he said, they will have little choice about reopening contracts. Other banks including Morgan Guaranty and Bankers Trust have the same policy.

Witch-hunt mounts against labor

Entire union leaderships are being hauled before the courts on bogus charges backed up only by the stable of convicted criminals in the employ of the Federal Witness Protection Program.

On June 4 the Justice Department's Federal Strike Force in Miami indicted 16 people. Among them were the international president and other top officials of the Laborers union.

On May 30, the U.S. attorney's office in Tucson, Arizona indicted four labor leaders: an international vice-president of the Laborers, two of the state's leading

Laborers officials, and the state head of the AFL-CIO. On May 26, the Houston U.S. attorney's office handed down four more indictments in its Brilab probe, naming three of the city's trade union officials and a Houston port commissioner. And, on May 22, the eve of the Teamsters national convention, the Chicago Strike Force indicted Roy Williams, the newly elected president of the IBT, and several Teamster advisers and pension fund trustees.

In the case of the indictments handed down to leading officials of the Laborers union in Miami and Tucson, the star government witness is Joe Hauser.

Hauser has swindled several unions, including the Laborers, out of millions of dollars through phony health and welfare insurance schemes.

Hauser was released from jail earlier this month and is now scheduled to appear in an ongoing New Orleans Brilab trial in the next two weeks.

Disarmament networks predict nuclear terrorism

The Center for Defense Information (CDI), a key coordinating point in the international disarmament movement, said June 10 that they fully expect pre-emptive hits on nuclear facilities by neighboring states. The projected targets include Pakistan, Saudi Arabia, Libya, Egypt, Brazil and South Africa. CDI head Adm. Eugene LaRocque, who works with Socialist International figures like Willy Brandt and Olof Palme, told a reporter: "I am sure that there are going to be more pre-emptive strikes . . . the world accepts this kind of action . . . other nations of the world will take actions against neighbors who develop a power plant to give them the capability to develop nuclear weapons." Other spokesmen for the CDI, which recently prepared a target list of U.S. nuclear facilities in Germany for the violence-prone West German disarmament movement, said that "nuclear terrorism" in Europe and the United States, is now

"very likely, since once you attack a nuclear plant, the genie is out of the bottle for everything."

Irving Kristol upholds postindustrial policy

Irving Kristol, senior fellow of the American Enterprise Institute and mentor of OMB director Stockman, commented in a recent interview made available to *EIR* that "Reagan doesn't have any choice; they're going to have tight money for the foreseeable future. Alan Greenspan is the key person the President is listening to, and he's from Wall Street; they're all from Wall Street, they're all tight-money men. There's nothing the political people like Meese can do. If Reagan tries to make the Fed print money, Wall Street will take one look at the next rising money-supply figures, and inflationary expectations will increase—and interest rates will rise anyway.

"Who says the economy can't grow with high interest rates? Plenty of credit is available for qualified industries. There's a big difference between interest rates and the state of the economy," said Kristol.

Asked if this meant that the Fed is helping shift the United States into a postindustrial society, he commented, "We're already in the postindustrial society. The shift has already happened. Those industries that are profitable in this environment can get plenty of credit." Microchips, real estate, and services "are what's profitable. These companies can borrow at 23 percent and make 25 percent on it. They don't mind, and the rest of the companies don't need money."

On the possibility of preferential credit for older industries, Kristol said that the Council of Economic Advisers and the Treasury "will fight this tooth and nail." The S&Ls, he added, "got a small amount. The basic policy is to let them operate without any reserves. They're all technically bankrupt and the regulators are just going to ignore them."

Briefly

● **ALPHONSE D'AMATO**, the New York Senator, gleefully said of Israel's attack on Iraq's nuclear research center, "We might even term this a rather effective method of antinuclear proliferation." He proposed a U.S.-Israeli guarantee for Saudi Arabia "providing cover for their oilfields, provided it's under our control."

● **JERRY WARBURG**, Sen. Alan Cranston's aide, this week seconded Israel's claim that technically they don't have an atom bomb. "They keep it in halves and could put the two halves together in a matter of hours," he explained solemnly. "If I were the Saudis I'd feel damned insecure." Warburg is a member of the investment banking family.

● **LONE STAR** cement company reports a tremendous increase in orders from customers who are enthusiastic about its full-page advertisements in newspapers around the country blasting Paul Volcker's high interest rates.

● **DOUG FRASER**, president of the United Autoworkers, announced June 9, on the occasion of his union's reaffiliation with the AFL-CIO, that the Teamsters union should remain excluded from the federation "because of its bad reputation, which I think is deserved in many places." He added with remarkable logic, "Just look at the number of indictments" against Teamster officials.

● **PER CAPITA** consumption of beef in 1978 was 120.1 pounds per year, when retail prices for beef averaged \$1.82. In 1980, when beef prices averaged \$2.38, per capita consumption fell to 105.6 pounds. The higher prices of beef, which moderated somewhat in 1980, do not represent extra income for cattlemen whose income this year through March is down more than 10 percent.

NRC nominees can end moratorium

Reagan's choices could help save the United States billions in energy costs.

The Reagan White House has ended months of speculation and a lot of intense political wrangling by declaring it intends to nominate two people to sit on the five-member Nuclear Regulatory Commission (NRC).

The administration has nominated Nunzio J. Palladino, a past president of the American Nuclear Society, to succeed Joseph Hendrie, whose term is expiring, as chairman of the NRC, and Thomas M. Roberts as commissioner to fill a post vacant since last December.

Senate confirmation of these two people could help end one of the most destructive policies enacted by the Carter administration: the de facto moratorium on the U.S. nuclear energy development program.

The new chairman must be prepared to take on the sophisticated obstructionism of the two remaining anti-nuclear commissioners, Gilinsky and Bradford. Gilinsky, a Rand clone whose term expires in 1984, has been on the NRC since its creation in 1974.

Palladino is one of the best-qualified persons in the nation for the awesome task of reversing the Carter administration's deliberate wrecking of nuclear power development through regulatory bottlenecks. Palladino is a 64-year-old nuclear engineer who has been dean of the Penn State college of engineering and a past chairman of the NRC's advisory committee on re-

actor safeguards.

Palladino's first job must be to deal with the more than 25 almost-completed nuclear plants which are depending on various NRC licensing decisions. Between now and 1984, 22 electric utilities across the U.S. have a total of 33 nuclear units scheduled for completion. These 33 reactors would expand the nation's operating nuclear electricity capacity by 40 percent in just 2.5 years; and these plants will generate the electricity equivalent of 300 million barrels of oil per year, or 1 million barrels daily.

Although, as we have said in this space before, to build the industrial export economy the world needs we must develop all the oil, coal, and uranium we can muster, the impact of just one nuclear plant is almost overwhelming.

To replace the capacity of one nuclear plant with a coal-fired plant, it would cost rate-payers \$21 billion *more* over the 30-year life of a reactor. Moreover, there is a little-understood dimension to the importance of undoing the regulatory sabotage at the NRC imposed by the Naders, Fondas, Gilinskys, Bradfords, et al.

Fremont Felix, an engineering consultant for the Gibbs & Hill engineering construction firm, has completed a 41-nation comparison over the 1972 to 1978 period, that emphasizes, "electricity growth is, practically by itself, the 'locomotive' of GNP growth."

Felix stresses that "to those who would write off growth in electricity use as a luxury to be dispensed with, this a powerful reminder that whatever limitation is placed on electricity growth will amputate economic growth correspondingly."

As we are forced to contemplate an increasing likelihood of a Mid-east oil embargo, it is useful to remember that nuclear-generated electricity is more immune to supply disruptions. Since one nuclear plant is roughly equivalent to a giant 500-million-barrel oil field, the addition of only the 33 nearly completed nuclear plants will provide a substantial counter to oil price inflation—700 percent over the last seven years. Over the past 2 decades, the cost of burning oil for a utility has increased about 1,000 percent. The cost of nuclear generation has remained essentially constant from 1960 to 1979, on a constant dollar basis. Thus, the capital construction cost of building nuclear facilities is made much more reasonable.

Appointing Palladino and Roberts can give the administration an extraordinary opportunity to reverse one of the world's most costly blunders. The NRC has become a regulatory nightmare whose only purpose, as certain anti-energy advocates around the Natural Resources Defense Council will admit, has been to prevent electric power growth. Since at least three of the five commissioners will end up being Reagan appointees, if the well-respected Dr. Palladino doesn't shrink from the head-knocking and firm public education job that is urgently required, he will have made a profound contribution to the future of the United States.



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