

EIR

Executive Intelligence Review

October 27, 1981

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EIR

From the Editor

Large portions of the world's present population, especially in the English-speaking world, have lost the ability to respond to the concept of causality. This was made possible because of the subversion of the concept which has proceeded within the scientific milieu."

So writes Editor-in-Chief Criton Zoakos in this week's Special Report on the new papal encyclical, *Laborem Exercens*. From a philosophical, as opposed to sectarian, standpoint, the report pursues the distinction between labor as degraded, object-fixated activity, and labor as the self-expanding contribution by each individual to "subduing the earth," as John Paul II puts it: i.e., civilizing and transforming brute nature according to the very laws of creation.

Subscribers have told me that our July 28, 1981 Special Report, "The Strategic Significance of the Ecumenical Negotiations," by *EIR* founder Lyndon LaRouche, profoundly struck them as a vehicle for grasping the nature of science and the purpose of politics. We bring this document to you as a sequel.

In our International coverage, we also bring you a series of interviews, obtained by *EIR*, encapsulating the mentality which knows the potential of science and technology, yet demands chaos and depopulation: representatives of the State Department, Aspen Institute, and associated institutions demand that Egypt reverse the industrialization and demographic growth attained thus far, submit to "the Iran process," and so much the better if the Soviets move in to accelerate the havoc.

The Soviets' own "follies of cleverness" are addressed at length in LaRouche's article, "Brezhnev Should Break With London Before It Is Too Late."



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U.S. Interest rates: how far will they decline?

by David Goldman, Economics Editor

Federal Reserve officials themselves are sharply divided in their outlook for the immediate weeks ahead. A New York Federal Reserve official foresees a possible stabilization of the prime rate at around 15 percent (see appended interview); a Philadelphia Federal Reserve official warns of "intense volatility" during the next few weeks; while a Board of Governors economist in Washington does not rule out a further increase in the relative near-term.

The reduction in major banks' prime lending rate to 18 percent had not yet persuaded institutional investors to risk their money on long-term bonds as of deadline on Oct. 14, and, indeed, the day's rise in the federal funds rate back to $16 \frac{3}{8}$ percent, the previous day's two-point fall for long-term bonds, and the same day's 15 point drop in the Dow-Jones index on the New York Stock Exchange clouded the prospects for additional lowering of interest rates.

The Fed's problem is not much different from anyone else's, namely, that it does not know to what extent the present sharp decline in economic activity will reduce credit demand, or even increase credit demand for the immediate coming period. It is not merely that the Federal government's borrowing requirement, both on and off-budget, is likely to exceed \$120 billion (minus whatever dribbets David Stockman can find to save) in the fiscal year that started Oct. 1, but that the private

sector is running its own, similar deficit. To this must be added the present \$35 billion rate of credit expansion that is going to refinance old debt service of developing nations.

Our own view is that the economic downturn will continue, but that rates will nonetheless stick at around their present level, and that the New York Fed's suggestion that the prime could stabilize at 15 percent is far too generous. The monetary system, which traversed the land-mines surrounding the Oct. 1 shiftover to "same-day settlement" at the New York Clearing House, will remain fundamentally unstable and volatile for the foreseeable period.

The mechanism

What has happened thus far is simply explained. Although, as the Federal Reserve insists, it made no addition to total bank reserves during the past six weeks, nonetheless it permitted banks to pay off reserves borrowed at 18 percent at the Fed's discount window by adding fresh non-borrowed reserves to the system, to the extent of about \$1.2 billion.

It made those reserves available at rates lower than the discount rate, taking pressure off the banking system in anticipation of the Oct. 1 clearing date—precisely as Fed officials told this publication would happen (see *EIR*, Sept. 29). As the federal funds rate

fell, the Fed brought the discount rate down, and banks brought down the prime lending rate.

Because the mechanism of the interest-rate fall was the substitution of reserves provided at the Open Market desk for reserves borrowed at the discount window, the relevant rates to compare are the discount rate (plus surcharge) and fed funds; now that the discount rate and the three- and six-month Eurodollar rates are stable at the 16 percent range, there seems no good reason why the fed funds rate should not also stabilize at that level, and no good reason why the prime rate should not remain at 18 percent.

Throughout the process, the rate of bank lending continued at a quick pace, i.e., 13 percent per annum in September and 20 percent in the 13 weeks ended Sept. 30; the rate of commercial paper lending was considerably faster. However, as a Board of Governors economist explained, the dropoff in economic activity reduced corporations' transactions balances, or demand deposits, while the continued corporate scramble for liquidity promoted growth of time deposits, money-market funds balances, and so forth. Therefore, M-1 barely rose while M-2 and M-3 continued rising at double-digit rates. Since commercial banks must keep only 4 percent of time deposits on reserve, against 15 percent for demand deposits, the shift from M-1B to M-2 and M-3 enabled them to lend more on less reserves, permitting interest rates to fall.

The continued strength of loan demand in the face of what is clearly a rapid fall in economic activity suggests strongly that the basic illiquidity of the corporate sector is holding interest rates up. So much borrowing is due to capitalization of old debt service, or financing unsold inventories—we calculate about 70 percent of total borrowing—that a decline in economic activity has not yet produced a reduction of credit demand, only a technical reaction on the banking reserve side. Clearly, at some point, a reduction in total lending will occur. Although the energy sector, which took about 20 percent of the bank loans issued in 1981 so far, is expected to borrow even more during 1982, other sectors will ultimately have to diminish their short-term borrowing. But it may require major bankruptcies and other forms of reorganization of the economy's growing debt to finally stop the lending bubble.

The outlook

The foregoing suggests that the decline of the nation's economy between now and year end will be sudden and cruel, and dump a major decision on the desk of the President. If to the credit problem a major rise in oil prices is added, interest rates will shoot back up quickly. Indeed, the West German central bank is reported by *Der Spiegel* magazine Oct. 12 to fear a rapid lowering of interest rates, precisely on the grounds

that an oil-price increase is likely due to the recent events in the Middle East.

As for the international markets, despite the warning by the International Monetary Fund's Interim Committee Sept. 27 that the present \$100 billion payments deficit of the developing nations is "unsustainable," there are no signs whatever that commercial banks are cutting back on deficit-financing loans. On the contrary, major regular borrowers such as Brazil are continuing to get all the credit they ask, while nations such as India and Nigeria, who have stayed off the private markets, may start to tap them substantially in 1982. We argued (see *EIR*, Oct. 6) that the U.S. Treasury and Federal Reserve proposal to force a reduction in the Third World lending bubble could not work, and no current evidence is available that it will work. On the contrary, Fed officials responsible for enforcing the lending-reduction program worry privately that the economic downturn in the United States and other industrial nations will widen the developing nations' deficits, by reducing their export markets, and that this would force the commercial banks to put themselves further out on a limb.

Therefore, the basic outlook remains one of political-economic crisis. The Federal Reserve may well have won the last round with the White House, but the real confrontation is yet to come: Fed Chairman Volcker has, in the view of the White House, destroyed the prospects of the President's economic program, and will have to answer for it.

Going bump

The thinking behind the Fed's policy may have been exposed in the London *Economist's* Oct. 3 cover story, "Things that Go Bump in the Morning," which warned of a 1930s-style crash unless governments took unprecedented action to slash expenditures, reduce wages, and bring down living standards. Since the June meeting of the Bank for International Settlements, the central banking elite has used the spectre of financial catastrophe to bludgeon advanced-sector governments into adopting this type of regime. With the American Congress balking, and the German and Japanese governments refusing the demands of the central banks point-blank, a likely point of political confrontation was the Oct. 1 conjuncture.

In a way, the Fed's decision to permit rates to soften slightly represented a political backdown. Had the chain of payments broken, the Germans and Japanese could have, and probably would have, responded by remonetizing gold.

Could it be that the masters of the BIS believe that a threat to the Euro-Japanese aorta, the Persian Gulf, could accomplish what the threat of financial crisis could not?

Fed sees loan demand disappearing fast

Federal Reserve Chairman Paul Volcker has won "a big victory" over President Ronald Reagan, a Federal Reserve source close to the Chairman said in an Oct. 13 interview, because Volcker has succeeded in imposing an economic recession, but "of the right sort." Excerpts follow.

EIR: You said this August that Fed Chairman Volcker would back off and print money if the White House quit backing the Fed and instead backed congressional calls for lower interest rates. Has the time come?

A: No.

EIR: Is the fight between Donald Regan and Volcker, with Regan calling for lower rates on behalf of the White House, phony then?

A: Absolutely not, it's for real. Beryl Sprinkel is still endorsing us, and Regan endorses us personally, and yet he's giving us real trouble. That means it's political—Regan is being made to act politically.

EIR: Who's behind the attack on the Fed?

A: The President, Ronald Reagan. He's using Regan, he's very disappointed in the state of the economy. The Republicans in Congress are really pressing him [to get interest rates down]. Ronald Reagan, personally. But it hasn't affected us yet. Congress hasn't moved.

EIR: But you say you're not loosening up. Why have interest rates come down?

A: Falling credit demand. We haven't moved our supply of total reserves, borrowed plus non-borrowed, at all.

EIR: But bank loan demand numbers are up.

A: That's only a part of the picture. The only current data you have is bank loans. You need to look at all the rest of credit demand. If you added up net funds raised in credit markets from the Flow of Funds data, you'd see that other credit demands are way down.

EIR: So the recession has enabled you to let interest rates fall?

A: Yes.

EIR: Albert Sommers of the Conference Board wrote this week that the Fed wants this recession. Is it true?

A: Yes. We need the recession; economic slack may be very painful, it causes agony, but the slack is necessary. It hurts like hell, those are real people out there, but we have to have a period of economic slowdown. We need to cool inflation, and we need to cool off wage demand. The unions will have to cool their demands. But we have to walk a thin line. We have a recession of the right sort.

EIR: The right sort?

A: We can't have 12 percent unemployment like the British—that would cause the Fed political problems. But now, Volcker's in a very strong position, because the economy is not collapsing. Volcker's avoided a British situation with exploding unemployment—that's a real economic collapse. U.S. unemployment will do nothing of the sort, just rise gradually, but we don't want a sharp downturn, just a gradual leveling off. That's not economic collapse, and unless you get a real British-style collapse, with strikes and riots in the streets, Ronald Reagan simply cannot reverse his course on monetary policy overnight, or at all. Volcker has been betting very heavily on what's now happening: the demand for credit slackening off, the recession, and therefore interest rates falling because of the successful recession—and not because we've printed any money at all.

This fall in interest rates will take a lot of pressure off Volcker, that's exactly how he wants it. What we want is a slow fall of the prime rate to 15 percent. That will make a lot of difference in public perception, in world perception, that's very different from 20 percent, from what it was. It is now clear to the world that our money supply targets are all being met, and met without inflating, and yet rates are being successfully brought down.

That's a very big victory for Volcker. It takes the stuffing right out of Ronald Reagan's political sails with respect to the Fed. It makes it virtually impossible for Reagan to attack us.

EIR: But aren't you worried that if interest rates fall, the dollar will collapse?

A: Most of the people predicting that are crazy. The prospects for the dollar are stable for the foreseeable future, at least for six months, it won't move, net.

First of all, rates won't fall much further anyway. But what *will* fall is inflationary expectations.

EIR: Will Volcker continue to demand that Reagan cut the budget, even going into a recession as Hoover did in 1931?

A: Yes. Once the slack continues in the economy, we can have corporate tax cuts of the right kind, the kind that will shift our structural problems [shift U.S. industry from sunset to sunrise—ed.].

EIR: But Volcker denounced Reagan's tax cuts last week.

A: Volcker wants the individual tax cuts rescinded or postponed, and all the loopholes closed.

EIR: Aren't you worried that foreign central banks sold \$800 million in U.S. Treasury bills last week?

A: They're not dumping, net. The French sold a lot of short-term Treasury bills to support the French franc, which they did in dollars. They sold a lot more than \$800 million, that's just the net. They did over \$3 to \$4 billion in total intervention when the EMS was re-aligned. But they sold a lot of the Treasuries to the Kuwaitis and the Saudis—the Arabs are buying plenty. Short-term U.S. Treasury rates have come down in spite of what the French did, because there is a big capital inflow, net. Kuwaitis are buying up Los Angeles real estate.

Sadat's assassination won't hurt the dollar, it just makes the U.S. and Treasury bills a safe haven from Mideast instability. . . . We can get along without Mideast oil. No matter how destabilized it gets.

There's now been reached an upper limit to energy prices, where demand is fully responsive to price rises. Yamani is right about that. We will just cut our imports more. The U.S. is the best positioned of any industrial economy. This works in favor of the dollar, and the British pound. The U.S. will simply buy less than everyone else, and Europe and the Third World will suffer the most. And Japan.

U.S. Economy

Industrial chain reaction, not 'fine-tuning'

by Richard Freeman

Federal Reserve Board Chairman Paul Volcker's underlings claim that he can finely tune his control over U.S. money supply and interest-rate levels over the next several months so that he can gently ride the U.S. economy down into full recession, but avoid a sharp industrial crash. The latest steel operating-capacity figures disclose that the economy is not going to be so tidily controlled.

This March, steel operating rates were up to 87 percent, as steel was produced at near-capacity levels for rapid auto output. Those cars were soon to sit unsold on auto dealers' lots; once the downturn in auto sales caught up with production schedules, auto companies were forced to cut back production.

As a result, the steel industry produced at only 70.8 percent of capacity for the week ending Oct. 9. The fact that steel operating capacity had fallen 1.6 percentage points from the previous reporting week indicates how fast the industry is unravelling. U.S. Steel announced Oct. 1 that it will close down one of two remaining blast furnaces and two open hearth steel-making furnaces at its Fairless, Pennsylvania works, and will lay off 850 workers.

Developments in other industries show that unemployment—which reached nearly 8 million in September—will continue to increase. The construction industry is indicative. Employment there, which had shown some growth in the later part of 1980 and early months of 1981, fell by 20,000 in September; it has declined by 165,000 since April. The number of construction jobs in September actually tumbled below the July 1980 recession trough level. And the latest report for the month of August, which shows housing construction down to an annualized 937,000 units, 50 percent below normal levels and falling fast, means that construction employment is in for a further big tumble.

Chain-reaction effect

By slashing hard into basic sectors of the economy, Volcker necessarily cuts the props out from other sectors. The fall in the housing and general construction sector has had terrible repercussions for the forestry and lumber industry. Forest company output will be down 10 to 15 percent this year.

The auto industry exemplifies the chain reaction, as indicated above. The Big Three auto producers announced Oct. 1 that the production schedule of cars for the fourth quarter of this year, at 1,544,000, is down 8 percent from last year and will be the lowest level of output since the fourth quarter of 1970, when an autoworkers strike against General Motors, the nation's largest auto producer, wiped out most of GM's production. The cutback in auto production will not only lead to a new wave of layoffs—in an industry with more than 175,000 workers already on indefinite layoff—but will also trigger layoffs in industries that ship a good amount of their output to auto. This is the case in steel, as already documented.

It is also true of aluminum, where orders for the first two weeks of September were down 17 percent from last year's levels. The aluminum industry, of course, also ships to the aerospace and consumer durables sectors, the latter of which is not doing well either. Aluminum

operating rates are rapidly pushing below 80 percent, and the announcement Oct. 9 by the number-three aluminum producer, Kaiser Aluminum & Chemical Corporation, that its third-quarter earnings fell a stunning 75 percent, lends credence to the Sept. 30 assertion by one Wall Street analyst that "high interest rates will probably choke the sector" further, and that the profits of some aluminum companies will be down as much as 30 to 50 percent below 1980's weak levels.

Two choices

Paul Volcker's actions remind one of the TV repairman who announces, "Don't worry, I'll have this baby working in a jiffy," and then proceeds to take a sledgehammer out of his repairman's kit and smash the set to pieces.

This is how delicately the loutish Volcker is "fine-tuning" the economy. Remarks by American Treasury Secretary Donald Regan on behalf of the President to the effect that Volcker is "perhaps undershooting" monetary targets reflected a glimmer of recognition on the part of the White House that something is going drastically wrong—but only a bare glimmer of recognition.

In March 1980, Volcker imposed lending limits and extra reserve requirements on all banks, as well as raising the discount rate by three extra percentage points for all money center banks with more than \$500 million in assets.

Volcker proceeded to elaborate that his policy was not meant to force a contraction in auto loans or home mortgage lending. Needless to say, these were the first two sectors that got crunched. By May of 1980, production was down 5 percent, and Jimmy Carter, watching his chances for re-election evaporate as tears streamed down his eyes, telephoned Volcker and told him "ease up." The economy managed to climb by December 1980 to a level below its 1979 production levels, and then clung to this depressed December plateau for the next several months. When, by summer 1981, the economy had not turned downward again, several economists proclaimed that the U.S. economy is "imperious" to high interest rates.

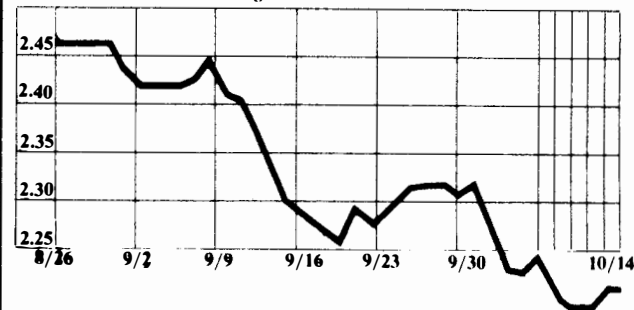
Of course, the economy cannot "adapt" to high interest rates, even if they were "only 10 or 12 percent." An economy cannot bear a rate of interest that drives the cost of funds higher than the *rate of real profit* that can be generated by industrial firms. Interest payments of 17 to 20 percent can be paid from only one of two sources: from real industrial expansion and the resulting profits, or from the destruction of the underpinnings of industrial and agricultural capacity.

These are the only two choices; there is no third way. There is no evidence that President Reagan understands this point.

Currency Rates

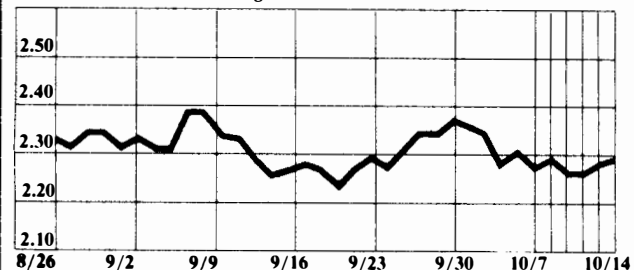
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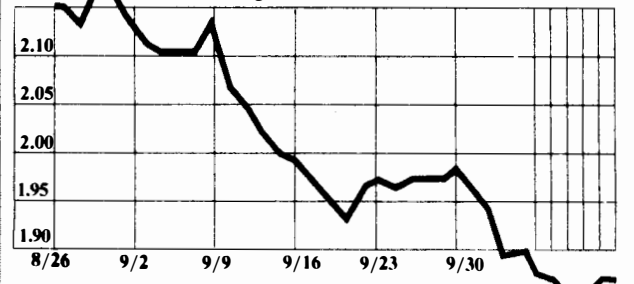
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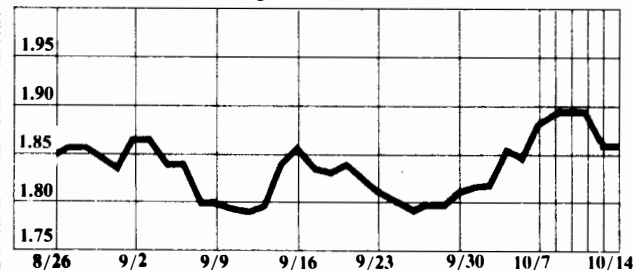
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



No credit, scant revenue

State and city governments are being squeezed out of borrowing markets at the same time recession hits their income, reports Leif Johnson.

U.S. urban residents may soon have little difficulty understanding the meaning of IMF and World Bank credit cutbacks to the Third World. Changes in budget and tax policy combined with high interest rates and lowered bond ratings are making it impossible for America's cities to provide even the basic services needed for survival.

For more than a decade, cities and states have been forced to cut back their spending on capital goods, the water mains, sewerage systems, school buildings, recreation facilities, old age homes, bridges, and highways. In 1980, cities were spending less than one-half the dollars per capita that they had spent in 1970—and it was steadily downhill all through the decade.

Changes brought by the recently passed Federal Budget Bill and the Tax Act of 1981, coupled with interest rates that now even exceed usury for usually low-interest tax-free municipal bonds, make new borrowing by America's cities nearly impossible. It was this borrowing that paid for municipal and state capital construction.

The clamp on municipal spending was a three-round assault. The Omnibus Budget Reconciliation Act, passed with such great fanfare on Aug. 13, cut federal spending by \$35 billion. One-third of that amount had gone in grant form to the nation's localities. Those localities in turn depend on the federal government for 43 percent of all their capital spending dollars.

In the next round of federal budget cutting, it is expected that half of the \$13 billion cut will come from capital spending grants to municipalities.

If local public construction is to continue, the local authorities will have to borrow substantially increased amounts on the municipal bond market. That option, however, has been nearly eliminated by the Tax Act of 1981.

For the first nine months of 1981, 75 percent of municipal bonds, expected to be about \$70 billion, were purchased by wealthy individuals. These bonds, since they are tax free, have been the traditional method of tax avoidance for such individuals. In turn, the localities

received a lower interest rate which reflected the tax savings to the buyers.

The Tax Act reduced the top bracket tax from 70 to 50 percent, reducing the amount of income wealthy individuals would try to shelter from taxes, while reducing the capital gains taxes in order to improve the attractiveness of equity as opposed to fixed income securities like municipal bonds. It has also reduced estate and gift taxes, expanding tax avoidance through individual retirement and savings plans like IRA and Keogh plans.

All Savers

Most important the Tax Act created the All-Savers Certificate granting tax exemption for investments that are far more liquid than long term general obligation bonds of states and cities.

Figure 1
State and local borrowing, 1970-81
(billions of dollars)

Year	Total in current dollars	Total in 1970 dollars	Total in 1970 dollars discounted for first-year interest
1970	\$35.7	\$35.7	\$33.5
1971	50.7	43.6	41.0
1972	48.1	39.7	37.3
1973	47.7	35.8	33.4
1974	51.8	35.0	32.5
1975	58.3	36.2	29.8
1976	55.4	32.5	29.4
1977	71.5	39.4	35.4
1978	69.7	35.7	31.9
1979	65.0	29.9	26.1
1980	76.1	30.8	24.9
1981* . . .	70.6	26.0	17.6

*Projected from first seven months.

Source: Public Securities Association; Bureau of Labor Statistics

Further, the Tax Act's expansion of leasing tax shelters, increases in "investment" credit, and accelerated depreciation will give commercial banks, previously large buyers of municipals, more profitable, short-term avenues of tax avoidance than the municipal bond market.

Property and casualty insurance companies, which currently hold about a quarter of the \$325 billion in outstanding municipal debt will probably be out of the municipal market entirely in 1982. In addition to more lucrative alternative investments made possible by the Tax Act, the casualty companies have been running increasing deficits on their underwriting since 1979. Losses in 1981 are expected to be \$6 billion while next year's are estimated by the industry at over \$7 billion.

This would not be such a problem if there were alternative means for financing cities' needs. But the deliberate depression policy of the Federal Reserve under Paul Adolph Volcker's chairmanship has ensured that there are not.

For a municipality to issue a 20 or 30 year bond at current rates of 13 percent interest, is to incur an extraordinary future debt that must be serviced from revenues that decline as the recession deepens. No matter how badly a bridge, firehouse, water main, school building, or public swimming pool needs rebuilding or replacement, local authorities will be hard pressed to accept a 13 percent interest rate burden.

Because of the economic impoverishment of the state and local governments, the risk ratings have gone down. Contrary to the trend since World War II, of general improvement in bond ratings for municipalities, last year Moody's Bond Service, the nation's largest rating service, *downgraded three times as many commu-*

nitities as it upgraded. The lower a municipality's bond rating, the higher the interest rate it must pay.

Proposition 13

For some localities, borrowing becomes all the more necessary as it becomes simultaneously impossible. Municipalities in the state of California for example, which is spending the last of its multibillion dollar surplus, will soon feel the brunt of Proposition 13 passed two years ago. That amendment to the state constitution drastically cut local taxes and prevented new increases. Now without state grants and a seriously weakened real estate market particularly in Los Angeles and San Diego, the municipalities are doubly hit. They cannot borrow to continue capital spending since their ability to borrow depends on their ability to tax which has been pinched off by Proposition 13. Such legislation in recession-wracked industrial states like Michigan and Massachusetts has stopped nearly all capital spending and put former municipal workers on the welfare lines.

Borrowing cut in half

A short hiatus in local and state capital spending would not be so serious if it were not for the decade long decline suffered throughout the nation.

In 1979 state and local capital borrowing was \$35.7 billion from which we deduct the cost of the first year's interest to give a true picture of the worth of that borrowing.

By 1981, projecting the first seven months' figures, borrowing in constant 1970 dollars, discounted for the first year's interest charges, was only \$17.6 billion. Thus total borrowing, short- and long-term combined was only half of what it was a decade earlier.

Not only has borrowing halved, but the purpose of the borrowing has changed radically. In 1970 two-thirds of all municipal bond borrowings were general obligation bonds which went to fund school buildings, sewers, waste treatment or police stations. By 1980 only 30 percent of municipal bonds were general obligation issues—the rest were revenue bonds attached to projects that generate income. These include industrial revenue bonds for industrial parks, bonds for airports, bridges, docks, and other facilities from which the municipality or public authority can collect user fees.

Revenue bonds cannot be sold for schools or other traditional public works like roads and sewers which do not generate revenues.

In 1970 total borrowing for education was \$5 billion; in 1980 that figure was \$4.9 billion. Adjusted for inflation, the 1980 borrowing was only \$1.8 billion or 36 percent of the 1970 figure. By 1979 education borrowing was only 5 percent of the municipal bond market even though this is traditionally the largest local expense.

Figure 2
Per capita public works investments
(1972 constant dollars)

Year	Dollars
1968	\$183
1970	154
1972	144
1974	137
1976	123
1978	121
1980	109
1982	86

Note: Public works includes highways, industrial and port development financed by municipal bonds, and military building, in addition to traditional municipal and state public construction.
Source: Statistical Abstract of the United States. 1982 estimate based on impact of Tax Act, federal budget cuts, and weakness of municipal bond market.

West German bankers and industrialists join demand for further lending expansion

by George Gregory, Bonn Bureau Chief

When industrialist and banking personalities like Rolf Rodenstock and Karl Klasen enunciate their disappointment over the Oct. 8 decision of the German Bundesbank to ease off interest rates here with a mere 1 percent reduction of the bank-refinancing "special lombard rate," it is a sure sign that Chancellor Schmidt's trade-union SPD base has allies who are not about to let sleeping dogs lie at the central bank.

Rodenstock, who is President of the Association of German Industry (BDI), had an informal discussion recently with the editorial board of the *Frankfurter Allgemeine Zeitung*, and asserted that the accelerating bankruptcies over 1981 to date was reason enough for the Bundesbank to have lowered interest rates. The rate of insolvencies, up 24 percent over last year as of August, is far beyond any "natural economic selection process" among healthy and ailing enterprises, he said. His explanation was that this is a result of high interest rates having depressed investment activity.

Klasen was himself President of the Bundesbank at the beginning of the 1970s, when Chancellor Schmidt was Finance Minister in Bonn; Klasen now manages the Deutsche Bank in Hamburg. In Dr. Klasen's view, one that no banker in Germany would interpret as the position of a mere factional lobbyist, German interest rates are going to "continue to slide downward." "The economy urgently needs cheaper money," he said in an interview, "so that we can finally invest again to create and maintain jobs."

The German industrial and banking community already sees the Rodenstock/Klasen configuration as a virtual barrage of heavy artillery. The Bundesbank typically battens down the hatches when it comes to justifying its lineup on the side of the Bank for International Settlements on the interest-rate issue; also, typically, German business associations are allergic to the idea of the Bundesbank's being forced to "lose face" in battles with their own trade-union opponents. But now that the powers that Rodenstock and Klasen represent have spoken, matters are entirely different. Professor Rodenstock even castigated other banking and industrial associations generally for having been incapable of putting their

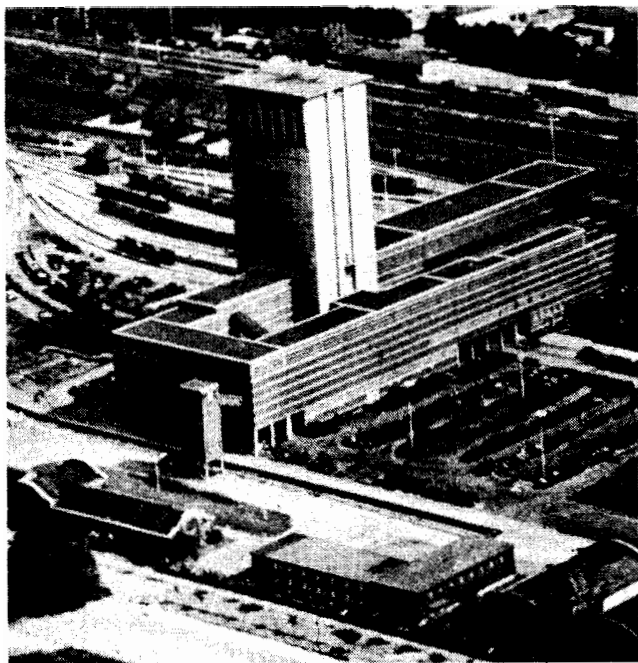
minds together in political support of the ways and means to bring interest rates down further.

No Japanese-model development

The success of the German export drive this year, up at least 4.5 percent overall in a climate of contracting world trade, is remarkable. Furthermore, barring materialization of a number of crises Chancellor Schmidt has identified, the German export profile is a solid one: incoming foreign orders are still running at rates higher than actual foreign deliveries, which is proof that the previously super-cheap deutschemark is not the only reason German market positions have strengthened.

The contrast, however, with domestic GNP contraction of negative 1.5 percent thus far this year is dramatic; and it runs counter to the case of Japan, where the export drive not only rapidly turned around a sizeable external current-account deficit, but also fueled a strong domestic recovery and investment activity. German industry, ultra-sensitive to high interest rates because of the miserable debt/equity ratio that has persisted throughout the postwar period, has been simply incapable of capitalizing on its export earnings sufficiently to leverage investments that translate into domestic growth. In some branches of industry, export activity has expanded very handsomely, but in almost perverse relationship to net domestic production and investment generated. Some firms in the crucial machine-tool and plant and equipment construction sectors, for example, have achieved export dependency ratios of upward of 70 percent, in comparison with export dependency within the total economy of somewhat over 25 percent.

For these reasons, a number of economic forecasting oracles have fallen in line with tentative projections published in an *EIR* multi-client study of July-August, where *EIR* pointed out that projections of 2 percent GNP growth for the German economy by institutions such as the International Monetary Fund, the OECD, and even Bonn's Free Democratic Economics Minister Graf Lambsdorff, were politically motivated to make the IMF's and BIS's budget-slashing demands on Germany more palatable. *EIR* projected that, even exclud-



Modern mining complex in the Ruhr: investment is now difficult.

ing consideration of the globally disastrous consequences of a financial and economic collapse in the United States, Germany would be lucky to register just zero growth of GNP in 1982, over negative 1.5 percent in 1981. Barclay's Bank in London now remains on the optimistic side with its projections of 1 percent growth for Germany, while pointing out that record German interest rates make the previous OECD/IMF projections of 2 percent untenable.

Otto Wolff von Amerongen, President of the German Chamber of Industry and Commerce, has pointed out that Germany would require a 4 to 5 percent rate of growth in the second half of 1982 to reach a net 2 percent on the year, launched from the present trough of domestic economic activity. To term the second-half 1982 growth rates of such magnitude impossible is not pessimistic under the circumstances.

There is also general agreement now that even a rate of growth of 2 percent would be insufficient to reduce present rates of unemployment of near 1.3 million, especially as 200,000 young operatives will be coming onto the labor markets.

Interest rates with a previous floor at the 12 percent special lombard rate, now 11 percent, and mortgage rates hovering around that general level, have thrown domestic construction down to 55 percent capacity utilization; and this industry has never recovered from the 11 percent tax on investments levied by the Brandt government in the construction crisis of 1974. Further aggravation comes from reduced public expenditures on investment and construction at the community and state levels. High interest rates over 1980-81 have ripped

holes in state budgets which are going to be very expensive to repair. In the crucial industrial state of North-Rhine Westphalia, total state debt has doubled since 1978, and even on present projections will be higher than the planned budget of 58.9 billion marks by 1983. The Chancellor's own city-state Hamburg had a deficit of 419 million marks planned into the 1981 budget, but the interest-rate induced slackening of economic activity has resulted in a tax-income shortfall that pushes the actual 1981 deficit up to 700 million.

Chancellor Schmidt has estimated that genuine economic progress will only be seen when German interest rates fall three points to 8 to 9 percent. "That would be the best investment program we could have."

Deutschemark strength

Just before the Bundesbank lowered the special lombard rate, the Bonn Finance Ministry made it known that it was striking the last domestic weapon from the Bundesbank's arsenal of justifications for high interest rates: as of the beginning of October, government borrowing requirements have been fulfilled well ahead of schedule, with 90 percent already covered. Judging from the rate of borrowing from domestic and foreign sources over the year, about 8 billion marks remain to be pulled in, and that could be done in a month to six weeks easily.

From mid-August to date, the mark has strengthened to the dollar from 2.50 to a tentatively stable 2.18 deutschemarks now. That was effectively a belated recognition of the strength of the German export performance and the consequent improvement in the external current-account deficit. The most conservative estimate of the shift in the German current-account balance for 1982, were present developments simply extended, would halve it to a deficit of 10 billion.

However, those domestic and foreign considerations pale in the face of the fact that no one here in banking or business believes that Fed Chairman Volcker can control a collapse of the U.S. economy, and, even before the assassination of Egyptian President Sadat, Chancellor Schmidt had called attention to the extreme danger of a blowup in the Middle East. He saw that danger, and the "danger of a failure of economic policy in the United States and France" as the severest threats to international peace and the world economy.

Schmidt is looking for allies to stabilize the Middle East. If he does not find them for effective action, there is no hope for the German, or European, economy. If he does, the Chancellor and his domestic allies clearly have the power to tear interest rates and monetary policy out of the hands of the BIS, and thereby show the United States how to halt an economic collapse and get on with the business of healing the world economy and monetary system.

Schmidt's battle

by Susan Welsh

Since the July 20-21 Ottawa summit of major Western industrial powers and Japan, West German Chancellor Helmut Schmidt's international assertiveness has increased—at the same time that his domestic difficulties have intensified sharply, culminating in the largest anti-government “peace demonstration” in Bonn on Oct. 10, in the history of the Federal Republic of Germany.

Despite the most intense pressure from the United States government, including semi-official threats to withdraw U.S. ground forces from Europe, Schmidt has maintained economic ties with the Soviet Union, slowly but surely negotiating the multibillion-dollar Siberian natural gas pipeline project, which is expected to be wrapped up when Soviet President Leonid Brezhnev arrives in Bonn for a state visit at the end of November. Schmidt's moves have earned him the hatred of those U.S. political factions, centered in the State Department and the Heritage Foundation, that intend to impose on the world “controlled” economic disintegration, de-industrialization, and East-West confrontation. Since the inauguration of Jimmy Carter in 1977, these forces have sought to destabilize Schmidt and, if possible, topple his government. Thus far they have failed because of Schmidt's overwhelming domestic popularity and the lack of any credible alternative to his leadership. But the destabilization of the Chancellor's own party, the Social Democratic Party (SPD), by domestic supporters of Haig's Global 2000 policy has now matured to the point that 50 SPD parliamentarians attended the Oct. 10 anti-Schmidt demonstration of 250,000 in Bonn. Next, Christian Democratic Union head Helmut Kohl arrived in Washington Oct. 13, presenting himself as the Chancellor-in-the-wings.

In his speech to workers of AEG-Telefunken, Schmidt cited Walter Rathenau, the Foreign Minister of Weimar Germany and son of the AEG's founder, that “the economy is our destiny.” Rathenau, under pressure from German industrial and military leaders, had signed the famous Rapallo Treaty for industrial and military cooperation with the Soviet Union in 1922, when the Western powers lined up solidly against Germany.

While Schmidt's policy is not “Rapallo” in the sense of a break with the West and an alliance with the Soviets, his intent in citing Rathenau was clear: the Federal Republic will pursue its national interests, and will do everything in its power—including emphatically economic cooperation with the Soviet Union and Eastern Europe—to prevent U.S. economic policies from pulling the German economy into depression and the nation into social dislocation and a new fascism.

The following are excerpts from Chancellor Schmidt's speech to the workers at AEG-Telefunken on Oct. 9.

The German economy is in difficulty, the world economy is in difficulty, and AEG too has its own special difficulties. . . . There is an often-quoted statement by Walter Rathenau, the son of the founder of the firm [AEG], and German Foreign Minister during the Weimar period, made after the First World War: “The economy is our destiny.” A Marxist could have said the same thing. The economy is our destiny. Today one would have to say: the world economy is the destiny not only of us Germans, us Berliners, us Hamburgers, but of all the countries of the world. This goes for the developing countries, for Romania and Yugoslavia and Poland and the Soviet Union and the GDR [German Democratic Republic], as well as for the Federal Republic of Germany. . . .

Walter Rathenau can be a model for many of us. He was murdered by violent German extremists soon after the First World War—by members of an anti-Semitic right-wing extremist radical organization called “Kon-sul,” because he was slandered as a so-called *erfüllungspolitiker* [a politician who wanted to implement the harsh conditions of the Versailles Treaty—ed.]. This is one of the steps that led to German chaos: political murder. That was in 1922. Today we must also learn the lesson of this firm German republic: repudiation of all violence from right or left, repudiation of all terror.

We have had sad news in the last months. There was the assassination attempt against President Reagan, the attempt against the Pope in Rome; in Hesse the Economics Minister Karry was shot. At the beginning of this week in Cairo one of the bravest men of our time was shot, a man who took a great personal risk to make peace finally, after four wars between the Egyptians and the Israelis. This has moved me deeply. . . .

It is in our primary interest to bring interest rates down again. . . . Thank God the first signs have appeared of a lowering of interest rates. Rates have fallen a whole percentage point during the last four months. Yesterday [Oct. 8] the Bundesbank lowered short-term interest rates somewhat also by 1 percent. I truly hope that over the next months interest rates can be lowered more. Then construction activity and investments will pick up again, and this will also ease the gain and loss situation of your firm, AEG-Telefunken—which is in fact a loss situation, not a gain and loss situation.

The preservation of peace in the world is an important precondition for that. If, for example, the situation in the Middle East after the murder of Sadat should become more difficult than previously, then the world economy and money flows and world interest rates would suffer and worsen. It is therefore necessary that we, the Federal Republic of Germany, do everything we can, in our own



Helmut Schmidt

NSIPS

interest, to stabilize peace. I support fully the “peace through disarmament” appeal of the German trade union federation [DGB]. . . . I am against appeals, however, which make it seem as though Soviet missiles are for peace and American missiles are for war. I don’t go along with such one-eyed nonsense.

Next month I will receive the Soviet General Secretary, Mr. Brezhnev, for a visit in Bonn. This will be his third visit in Bonn. It will be the fifth time that I have met with him at length. Mr. Genscher will meet with Mr. Gromyko. Naturally, the opportunity will be taken to discuss missile armaments and the disarmament negotiations, and the best possible outcome would be “null”—the complete renunciation by both sides of medium-range missiles. But it is not we who are the main partners.

Secondly, we will discuss with Mr. Brezhnev our mutual wish for expansion of economic exchanges with the Soviet Union. We damn well do have an interest in expanding economic exchanges. We deliver highly complex, top-quality machines and capital equipment. They deliver to us raw materials, oil, and gas. We damn well do have an interest in expanding these economic exchanges, not only because it helped our employment situation—for example, in capital goods industries, in heavy-machine building, or electric engine building—but also because a country that relies economically on others finds it easier to understand that they should not stab one another in the back or threaten one another with missiles. Naturally, the third thing we will discuss when Mr. Brezhnev comes is continuation of cooperation in other areas, détente policy and its continuation pure and simple. . . .

We know that our exports must rise. And they can only rise if we are better than others (we cannot be cheaper), more punctual, more modern, more reliable respecting delivery dates, more reliable in supplying spare parts, more reliable in service.

I spoke before about exports to the Soviet Union. If the numbers are correct that I read today on the airplane, AEG will receive a very fine portion of the natural gas pipeline deal. I hope I’m not tempting fate to say so. Knock wood. A sum of over half a billion marks—orders for gas turbines. . . .

I said that AEG is in a difficult phase, undergoing a very difficult process. I know that. I know that you have suffered greatly because of the high interest rates, since you rely particularly heavily on foreign credit.

Text of Schmidt’s speech that was to be delivered Oct. 12 at the Uebersee-Club in Hamburg. The speech was canceled due to illness.

Our policy is a peace policy. In our situation, at the heart of Europe, in consciousness of our history, with more neighbors around us Germans than other peoples have around them, there is no alternative. We do not want to exaggerate our possibilities to make peace more secure, or our possibilities to move things toward more justice, more freedom, more-human dignity—here and throughout the world. But the possibilities we do have, we want to use, not through loud demonstrations, certainly not through violent demonstrations, but through a carefully thought-out, consistent, and resolute policy.

What can we hope for?

We must take the world as it is—but we should not leave it that way. We should give the world form. This is one of the basic ideas in the new *Laborem Exercens* encyclical, which Pope John Paul II recently dedicated to workers and their labor—labor as a transforming force in service of the community. If we apply our force for the community, heedful of man and of nature, then we can hope that neither our earth nor the men on it, nor moral and ethical values will go under which originated thousands of years ago.

I will never forget the nighttime discussion on the Nile in which my friend Anwar el-Sadat explained to me how the three great religions of the Jews, Christians, and Muslims had such common historical origins and how much their basic values coincide.

I warn first of all against a petty or provincial treatment of the problems and the opportunities of the Federal Republic of Germany. We need a Hanseatic view of the world as a whole, across borders. The federal government can do nothing to talk down either the oil price or the interest rates.

A look across the borders shows that we have two big international problems to deal with at the same time: the *day-to-day* problems of high interest rates and the *struc-*

tural problem of adjustment to new terms of trade—particularly in energy—and to the new structure of national demand and its financing.

North-South

Cooperation between industrialized countries and developing countries is on the agenda next week at the so-called North-South summit in Cancún, Mexico. We do not want any formal negotiations in Cancún, but informal and intensive discussions with one another—about the problems and priorities of policy of equal partnership.

Independence of the developing countries is a factor for international stability. Help for the Third World—here I agree with Alexander Haig—is an investment in the preservation of peace and security.

Whoever has read the report of the North-South Commission that worked under the chairmanship of Willy Brandt, and then several weeks ago the report of the World Bank and the U.N. Conference on Trade and Development [UNCTAD], has understood the situation of the poorest developing countries, the oil-importing developing countries, must have great concern for the future of these countries, great concern for the future of humanity.

But we should not and we will not continue to nurse our anxiety. In Cancún we want to talk about ensuring food and agricultural development, about raw materials, trade and development, about energy, about monetary affairs and about development aid in the context of a functioning economy.

Food and energy are decisive aspects of development policy. Yet more important seems to me to be the question of how the world's population develops.

It took humanity tens of thousands of years to reach its first billion people in the year 1800. It took only a century to reach the second billion, and half a century to reach the third billion, hardly 25 years to reach the fourth billion, and by the year 2000, just 19 years away the population of the world will probably have grown by another 2 billion people.

In the American report *Global Future: Time to Act*, it is recommended that the U.S. government place the population problem on the agenda of all summit meetings. The report also impressively describes the so-called "other energy crisis," which, in the long term, is just as serious as the oil crisis: namely the widespread deforestation caused by procurement of firewood. Every year the forests of the earth shrink by 18 to 20 million hectares, with hitherto not completely determined effects on the earth's climate.

In view of such dimensions of the problem, what the Western industrial states provide in the way of development aid seems paltry—and this is many times what the communist industrial states provide.

Energy Insider

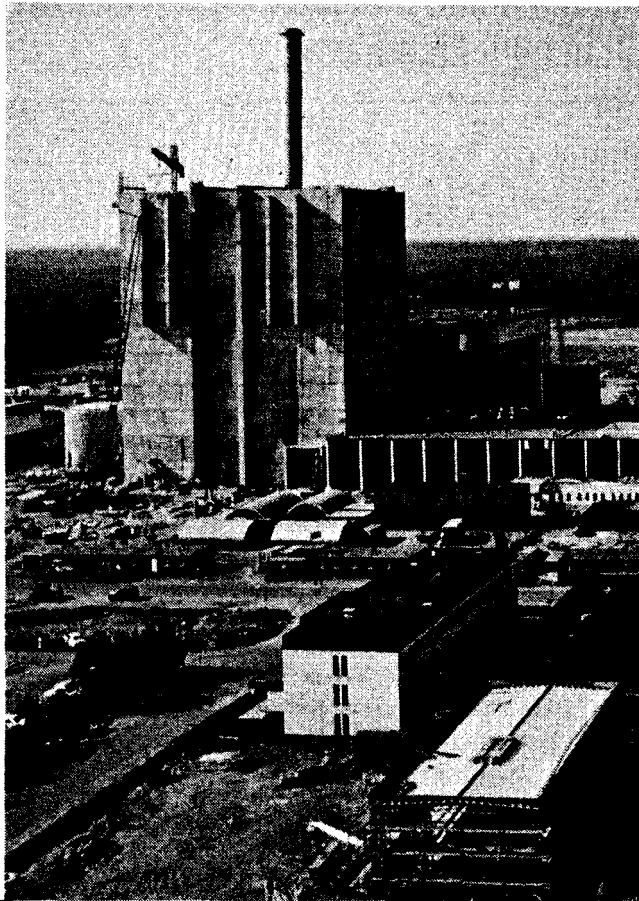
Gear-up in Sweden's nuclear program

by William Engdahl

In terms of percent of electric power derived from nuclear sources, Sweden today ranks as the world's leading nation. Nine plants supply some 6,500 megawatts to this energy-intensive, industrial export economy of some 8 million people. This is 30 percent of their electricity. By 1985, it will be at least 40 percent. Almost all the rest comes from major hydroelectric sources, giving Swedish industry one of the world's cheapest power sources for its high-technology export industries. France is the closest runner-up with about 27 percent nuclear.

Some background is useful to the Swedish case. In the hysteria surrounding press coverage of the 1979 Three Mile Island U.S. nuclear incident, ousted Socialist Prime Minister Olof Palme, a fanatical zero-growther, succeeded in swinging his reluctant party behind a nationwide referendum on the future of the country's substantial nuclear program. That vote was finally held in March 1980. Despite vague alternatives from the government, all agreed that a majority had voted to continue with nuclear energy, to Palme's dismay. The vote ended a two-year stalemate which had been used by a weak coalition government to block all economic decisions pending the referendum's result. Three nuclear reactors had been ready for loading, but stood idle while the debate lasted. Sweden was forced at one point to import power from its Scandinavian neighbors using a highly developed regional power transmission grid.

Once the referendum had passed and the press hysteria evaporated, work on the stalled program quietly, but significantly, resumed. According to John Hardwick, an editor of the widely respected pro-nuclear magazine *Energi och Utveckling*, Swedish industry is investing more, even in constant dollars, in nuclear construction than at any time in the 35-year history of the Swedish nuclear program. "In strictly practical terms," Hardwick stressed, "most thinking Swedes are beginning to realize the vital importance of this investment. It is the strongest single new source of high-skilled jobs in the country, and



Courtesy of ASEA-ATOM

The Forsmark I and II site.

it is also essential in the long run, if we are to be able to maintain an advanced export industry.” Hardwick and others I spoke with see the government’s reliance on the referendum tactic as a spineless way to temporarily pass the buck to cover for its own inability to implement necessary economic policies.

Because of the startup of three reactors since the March 1980 vote, some 2,700 megawatts of electric power, enough to electrify a city almost the size of Chicago, has been added to the Swedish electric grid. As a result, according to a spokesman from Vattenfall, the state power board, Sweden was temporarily able to become a net exporter of power during the summer months to power-short Denmark. Danish anti-growth activists and a Socialist government have to date prevented needed nuclear construction from beginning there. Sweden’s two largest reactors, Forsmark III and Oskarshamn III, will both be completed by 1985 and will supply 1,050 megawatts each. I should note that 9 reactors of the current program of 12 have been fully made from indigenous Swedish engineering, using the most exacting standards in the world, from its ASEA company in Vasteraas.

But, as I quickly found out, this positive outlook is

not yet accompanied by commensurate political sanity. While Palme tries from the shadows to retool his image and recapture the government in next fall’s elections, he and his zero-growth accomplices in the Riksdag (Parliament) voted in May to pass a new national energy bill. This bill, I was told by a spokesman from the Energy Ministry, formalizes a decision to phase out the cheaper and more reliable nuclear reactors by the year 2010. As though this were not insane enough, the government official added that this capacity cannot be filled even by the logical alternative of hydroelectric power. The abundant flows from the Kalix and Torne rivers in the far north were permanently put off limits by Parliament in 1977, presumably for the perpetual enjoyment of reindeer. This just means the water is wasted in runoff. Instead, the energy bill provides that energy must come from coal, which must be imported, and from such medieval sources as peat and wood. The coal economy will require massive and costly infrastructure, to say nothing of its environmental impact.

I was encouraged to find that active optimists like Hardwick, however, refuse to take such stupidity as permanent. “In Swedish law,” he explained, “a referendum is merely advisory. It does not have the force of law. We had experience with this in 1966,” he said, referring to a government proposal to convert from left-hand to right-hand driving that was defeated by referendum. One and a half years later, the government chose to ignore the “will of the people” and converted nonetheless. The economic sense of making the Swedish auto industry competitively uniform with U.S. and continental European markets was sufficient to overrule the shortsighted popular majority.

At this point, the vital issue for knowledgeable people such as Hardwick and the forward-looking industry people is the development of nuclear exports for the urgent energy needs of developing nations. With some of the world’s most advanced shipbuilding capacity lying idle because of the world economic recession, some industry people are discussing construction of floating nuclear plants to be sent to select developing nations. If this is combined with a program for development of Sweden’s immense and untapped uranium resources—Sweden has fully 80 percent of European uranium reserves that lie untapped because of environmentalist opposition—Sweden, they reason, could make a major contribution to solving the world energy problem.

It is an exciting prospect. Hardwick concluded his remarks by pointing out the real lesson of the referendum. “This experience shows that, despite immense propaganda from an anti-nuclear government and anti-nuclear media, it is not so easy to kill our nuclear industry. Eventually, reality begins to take away the deception—provided that we stand up and fight for it.”

No near-term price rise

Short of a major upheaval in the Middle East, gold is very unlikely to rise sharply in price in the next weeks.

Were the Saudi monarchy to perceive its power ebbing, on that day the gold price would bottom. Short of dramatic developments in the Persian Gulf, however, the present world credit environment and the slow progress on the issue of gold remonetization argue against any spectacular near-term gold price movement.

Nonetheless, we hold strongly to our stated view that gold stands to increase substantially in price over the next 12 months. Those in the know, if they possess the liquidity position that permits them to hold a non-earning asset, are accumulating.

One of Europe's most respected gold refining firms, Degussa, reports in their most recent German-language gold-market report a list of reasons to expect little upward movement between now and year-end:

"American dollar interest rates have indeed fallen back, but the Reagan administration is sticking to a tight-money policy . . . and the market does not see the clear beginning of a further interest rate fall.

"Industrial demand will continue to fall through year's end.

"The oil-producing countries' investment funds for gold will scarcely rise in the foreseeable future, since the sales of OPEC countries have fallen sharply. The Saudi oil minister is predicting sinking oil revenues.

"These considerations make

clear that little points to a rising gold price at the moment, even if the sharp decline of the gold price of the last few months has, indeed, come to a stop."

Degussa also notes that the President's Gold Commission will have nothing to say until next March, and might have added also, that the White House has agreed to keep the issue on ice until the report is on the President's desk.

The argument concerning the Saudis is well taken; in the heat of the battle over AWACS deliveries, the monarchy is more than anxious to avoid offense to the United States.

As a result Saudi (as well as Kuwaiti) purchases of dollar instruments, particularly U.S. Treasury securities, have risen.

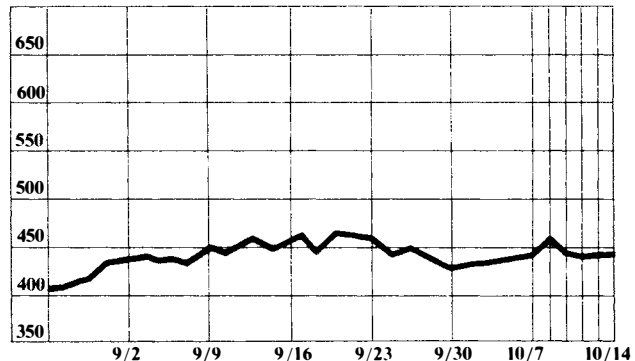
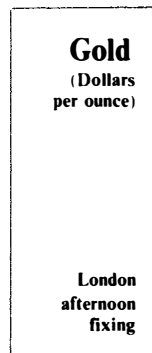
For example, the French central bank liquidated \$4 billion in U.S. Treasury securities in the weeks prior to the early-October realign-

ment of parities inside the European Monetary System. The French intervened with dollars, to the detriment of the dollar's parity, because the West German central bank was tired of lending marks for the French to fritter away in foreign exchange intervention. As such, the French had no choice but to dump dollars on the market in order to maintain the franc's parity.

The support operation for the franc might have been a disaster for sensitive U.S. credit markets as well, had not the Saudis and Kuwaitis discreetly bought most of the securities the French sold off.

According to Federal Reserve sources, that is why the Fed's holdings of U.S. Treasury securities for foreign governments fell by less than \$1 billion, against the \$4 billion the French sold; the Arabs bought the balance.

The one extremely active force in the market now is Japan, which bought considerably more than the already large figure of 97 tons reported for the first 7 months of the year. According to a Japanese friend who buys gold for Japanese investors, "There are many loopholes in Japanese Treasury regulations."



Farm equipment markets devastated

Between high interest rates and collapsed farm income, International Harvester faces bankruptcy.

International Harvester, one of the nation's leading farm equipment manufacturers, is waiting for a favorable response from its 225 lenders worldwide to its latest proposal for a financial bailout. The new plan, presented several weeks ago after in-house fourth-quarter forecasts of a more than \$500 million annual loss blew apart the previous package, is a \$4.15 billion refinancing due Dec. 15, 1983—a change from the three-year terms of the earlier proposal.

"The company's situation is so serious now that it has to get something done soon," one banker at the meeting told the *Wall Street Journal*. While IH Senior Vice-President for Finance and Planning James Cotting told reporters that company officials had not told lenders their choice was between quick acceptance of the plan or bankruptcy, the disclaimer is academic.

Already one bank, the First National Bank of Commerce of New Orleans, has refused all consideration of refinancing proposals and sued for recovery of \$3.5 million due for repayment. Harvester refused, claiming it couldn't repay any single lender until the restructuring was complete, an argument rejected by the federal district court. The decision is now on appeal.

The possibility of a bank panic and stampede to call loans has not escaped the attention of observers

like Larry Hollis, Vice-President of the investment firm Robert W. Baird in Milwaukee, who views the plan as workable but doubts that an early agreement can be reached. "If you get another two or three banks that start pulling out," he told the press, "the thing could start coming apart rapidly, because other banks would want to protect themselves and might also call their loans."

Farm equipment manufacturers readily acknowledge that the single best development for their industry would be reduced interest rates.

So far this year, farm equipment sales are down about 10 percent from the depressed levels of last year, when sales plunged 30 percent during the first half and only recovered enough to end the year with a net 15 percent drop. The soft demand results from depressed farm prices and plunging farm income—now expected to come in in real terms at the lowest level since the Great Depression and 45 percent below the annual average of the 1970s.

The squeeze has touched off bitter competition for the dwindling markets between the major farm equipment producers. Allis Chalmers apparently intends to hold its own with the help of its edge in the pioneering no-till equipment field. Massey Ferguson, the Canadian-based giant, recently concluded a \$700 million bailout package with the Canadian government.

Over the past year, John Deere, the largest U.S. producer, has increased its market share by a respectable 10 percent. While IH has laid off thousands and consolidated dealerships, and while Massey Ferguson, for example, is suspending production at three Detroit area plants this fall for the second time this year, Deere executives will maintain tractor production at last December's high levels. Deere's first-half sales of \$1.47 billion were only off 4 percent from a year ago, while earnings of \$128.6 million were off 17 percent.

Observers attribute Deere's dynamism to its relatively sound financial condition and the fact that the company's management has undertaken an ambitious capital expansion program over the past decade. For the past six years Deere has increased its annual capacity by 5 to 6 percent on average by spending \$1.4 billion on plant and equipment additions and improvement. The company plans to spend another \$325 million this year.

By contrast, IH is seen as having "dug its own grave." As *EIR* noted in June 1980, the digging began with the arrival of Archie McCardell from Xerox to the position of Chairman and Chief Executive Officer of the firm in 1977. McCardell, upholding his reputation as a kind of McNamaraesque "tiger on costs," instituted a new "high-profit regime," at IH. In addition to a long list of high dividend payouts and a low level of re-investment, McCardell's new regime included such clever practices as provoking and prolonging strikes. *EIR*'s conclusion that he is part of the Fortune 500's predominant "post-industrial" faction has been all too amply borne out.

World Trade by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$835 mn.	Egypt from Japan	An integrated steel complex near Alexandria is to be built by National Iron & Steel Co., a consortium of the Egyptian govt. with Nippon Kokan, Kobe Steel, Toyo Menka Kaisha, and the World Bank. Plans are for 600,000 tpy direct reduction plant, four 200,000 tpy electric arc furnaces, continuous casting units, bar and rod rolling mills.	Japanese will supply engineering and all equipment except rolling mills; open to all bidders. Announced before Sadat murder.
\$400 mn.	Brazil from U.K./France/Portugal/Belgium	Brazil's purchasing pattern has become determined by its financial problems. Planning Minister Delfim Netto will sign package of shipbuilding deals with European yards because financing terms are excellent. Orders include roll-on/roll-off vessels, chemical ships, and other equipment not built in Brazil. Total is 15 ships.	Deal is conditional on European banks providing added \$300 mn. loan package to Brazil's cash-strapped maritime agency, Sunaman, which must pay \$400 mn. debt service this year. Europeans will buy Brazilian exports, such as planes.
	Belgium from Brazil	Armed steel company is signing contract with Brazil's CVRD for 3 mn. tpy iron ore at market prices. Ore will come starting 1984 from Carajas, Brazil's mountain of minerals estimated by Chase Manhattan to be worth over \$333 billion.	Brazil plans \$10 bn. annual exports from \$60 bn. investment in Carajas.
\$65 mn.	East Germany from Japan	Industrieanlagen-Import has contracted Hitachi, Nippon Steel and Mitsui and Co. to build a cold rolling mill for production of steel sheets for appliances and autos. Mill has 400,000 ton capacity. First Hitachi six-role mill to go up in Europe. Japanese underbid Western European competitors, thanks to its Export-Import Bank financing and letting East Germany repay with machinery exports, much of which will be re-exported.	Japan expects another \$550 mn. in East German plant contracts next year.
	South Yeman from India	International Airports Authority of India will design a modern airport at Al Ghaidha in eastern South Yemen. IAAI is completing another airport project in Aden and expects to use equipment already there.	IAAI will probably also win construction contract.
\$70 mn.	U.S.A. from Japan	Penrod Drilling Co. has ordered from Hitachi Shipbuilding a semi-submersible offshore rig capable of drilling to 7,600 meters.	Sixth such rig ordered by Hunt group.
	Algeria from East Germany	Two 500,000 tpy cement plants in eastern Algeria will be built by Industrieanlagen-Import for SNMC by end of 1982.	Algeria boosting cement output by 6 mn. tpy by end of 1982.
\$350 mn.	Spain from U.S.A.	Spain is building 5 fluid catalytic crackers over next four years. A 40,000 bpd unit for Petronor's Bilbao refinery will be engineered and built by Foster Wheeler Ibérica, Técnicas Reunidas, and SENER.	Contract signed.
\$316 mn.	Saudi Arabia from South Korea	Namkwang Construction received orders from the Saudi govt. for a \$206 mn. cement plant at Jubail and a \$110 mn. housing complex in Yanbu.	
\$58 mn.	Algeria from Japan	Algeria buying equipment to raise efficiency of Zarzaitine oil field from Japan.	Financing from Exim and 7 private banks.
\$370 mn.	Algeria from U.K.	Algeria signed memorandum of understanding with U.K. govt. for 20,000 housing units to be built by British contractors.	Algeria prefers state-to-state deals before commercial side set.

Business Briefs

International Trade

Soviet-German tax treaty clears financing obstacles

Soviet and West German authorities signed a treaty eliminating "double taxation" of German companies' trading profits with Moscow, eliminating a number of financial obstacles to expansion of Soviet-German trade. A similar treaty was signed by the Soviets last week with Sweden as well.

The extraordinary feature of the treaty is a de-facto subsidy of the interest rates the Soviets will pay on German-originated trade credits. Henceforward, German companies will be permitted to put loans to the Soviet Union on the books of their token Moscow offices. Interest income will be treated as the profit of a Soviet-domiciled foreign company, paying about 40 percent tax to the Soviet government. The same interest income will be tax free in West Germany itself.

In effect, the German government is giving the Soviets a 40 percent interest-rate subsidy and the West German firms a major tax break. Financing terms had earlier been a significant sticking-point in major projection negotiations, including the just-concluded deal for a natural gas pipeline from the Soviet Union to West Germany, and a more recent plan for West German help in building a \$50 billion new industrial city in eastern Siberia.

Real Estate

German economist warns of market dangers-

Dresdner Bank's just-retired chief economist Kurt Richebächer, who now publishes a Zürich-based financial newsletter, warned in his #102 this month that the "freakish" situation on international real estate markets pointed to a major

financial collapse.

"The real estate markets of today provide a parallel to the stock market of the 1920s," Richebächer argued, citing the 20 percent price drop in Hong Kong real estate prices as a harbinger.

In addition, Richebächer forecasts a rise in dollar interest rates from present reduced levels during the next several weeks, as a result of continued stringent liquidity in the financial system. Although this may result in near-term gains for the U.S. dollar, the German economist contends, "A long ride down for the dollar is already programed."

Transportation

Conrail's demise accelerates further

Dismemberment and abandonment of Conrail, the nation's largest railroad, was speeded up with the recent vote by unionized Conrail employees to accept the May 5, 1981 agreement between the unions, Conrail, and the Department of Transportation.

The agreement, incorporated in the Northeast Rail Service Act of 1981 passed by Congress Aug. 13, takes \$200 million from previously negotiated Conrail wages, abolishes the employee protection granted under the Regional Rail Reorganization Act of 1973, and abandons Conrail's commuter service by Jan. 1, 1983.

Under the NRS Act, if Conrail does not show a profit by 1984, it will be sold in part or (remaining) whole to neighboring railroads.

The wage deferral and abolition of employee protection has made Conrail's parts more attractive to potential buyers while Conrail management is using the remaining 12 to 18 months of Conrail's life to conduct large-sale abandonments and workforce reductions. Conrail has asked ICC permission to abolish 365 lines totaling 2,300 route-miles of track in 13 states by Dec. 31.

Since last December, Conrail has cut traffic on the Erie mainline to "token

traffic" so that the Pittsburgh and Lake Erie, which intends to buy the line, will have no labor problems with former Conrail workers.

Technology

Japanese produce ceramic diesel engine

NGK Spark Plug Company of Nagoya, Japan, has just tested the world's first ceramic diesel automobile engine with what it describes as "outstanding interim results." The engine, made of silicon nitride rather than the older alumina ceramics, will have steel only in its bearings and bolts.

The silicon nitride ceramic was found to withstand shock as well as steel does, but could withstand temperatures of 1,500 degrees Centigrade, twice as high as steel.

The designers said they solved the problem of ceramic brittleness.

NGK Spark Plug claims that the engine, which can be produced for a cost comparable to the steel engine, will reduce fuel consumption by 20 percent. The company also says other auto companies, both foreign and domestic, are anxious to begin production of the new engine.

Domestic Credit

Path of economy will shape interest rates

Market analysts expressed the view the week of Oct. 12-16 that U.S. credit demand could be high over the next several months. James O'Leary, chief economist of U.S. Trust Bank of New York reported Oct. 15, "If the economy really falls, if GNP falls by 5 percent in the fourth quarter of this year, and then by as much in the early part of 1982, then it is possible that interest rates may come down some,

although long-term rates won't fall much for a while.

"However," O'Leary continued, "if, over the next six weeks, the Fed can stabilize the situation somewhat, then the large credit needs of the economy will assert themselves, and interest rates will bounce back to where they were a few weeks ago."

EIR evaluates the situation to be so fraught with unfilled credit needs in both the corporate and household sector, that unless GNP falls by 10 to 15 percent, even as the economy goes into recession, the demand for credit will be so great that interest rates will fall, but not substantially.

If the economy turns downward at a sharp clip, many corporations will have to borrow heavily just to compensate for lost cash flow.

Energy

The pros and cons of Reagan's nuclear policy

President Ronald Reagan's Oct. 8 statement in support of accelerated development of the U.S. nuclear power industry has already raised the morale of the near-bankrupt nuclear industry and opened the political potential for renewed nuclear exports, because it commits the administration to speeding up plant licensing, full funding for the Clinch River Breeder reactor, an end to the Ford-Carter ban on reprocessing of spent fuel, and technology for permanent disposal of highly radioactive commercial nuclear waste.

The principal shortcoming within the plan concerns reprocessing. Since, under the Carter administration, utilities had to amass large stockpiles of waste on their own properties, the waste issue has become a real one, and not just an environmentalist bugaboo. Now, one of three reprocessing facilities in the U.S., the facility at Barnwell, South Carolina, may go bankrupt because the administration has forced the elimination of a mere \$11

million subsidy the contractor needs to complete the plant.

Reagan's announcement that the administration will study the feasibility of "economic incentives" for private reprocessing is a Friedmanite absurdity, *EIR* believes.

The largest problem, left unspoken by the President, is that the cost of producing a nuclear plant has risen from under \$200 million to \$6 billion in the past decade—not least because of high interest rates and financial warfare by the New York investment houses against utility financing. *EIR* will soon publish a Special Report on this situation.

Insurance

Ohio Plan insurance to go private?

The nation's largest public insurance system besides Social Security may go private if voters agree on Nov. 3. The 70-year-old Ohio Plan, the state's workers' compensation insurance fund, with assets of \$3.1 billion, is coveted by the nation's largest insurance companies who are spending \$4 million to obtain a "yes" vote on Ballot Proposition 1.

Warren Cooper, Vice-President of the Insurance Company of North America, does not dispute the state auditor's claim that Ohio has the highest benefits for the lowest costs in the nation, but says that private companies could cut the benefits substantially.

"It's really a question of how freely you give away money. They [the state fund] are here to pay losses. The [insurance companies] don't feel that way," Cooper said. "Labor feels more comfortable with government than with the private sector," he continued. "They feel they have more influence. They don't have any clout with us."

Privatization is opposed not only by the unions but also by the Ohio Manufacturers Association, the Ohio Chamber of Commerce, and the Growth Association.

Briefly

● **FOR ALL BUT TWO** U.S. domestic air carriers, the value of their aircraft greatly exceeds the value of their outstanding stock, reports *Aviation Week & Space Technology*. The weekly reports that Pan Am, United, and Eastern are trading at 26 to 28 percent of the value of their aircraft. These were the airlines identified in last month's *EIR* airline survey as most likely candidates for a self-transformation into hotel, real estate, financial, and computer-technology services companies.

● **HARRY LINDBERG**, Vice-President of the American Road and Transportation Builders Association reports that excavating and concrete paving on federal highways is down 50 percent from the level of 15 years ago. Lindberg says that this is the result of both a decline in new highway building and failure to repair the existing system. A better measure of failure to repair the system that is already built is the 25 percent decline in asphalt use on federal highways.

● **RALPH B. HIRSCH**, National Legislative Director of the 100-year-old League of American Wheelmen, an organization of bicyclists, says that the U.S. is not taking advantage of an "important natural resource," the abandoned rights-of-way of railroads which can be made into bicycle trails. Although authorization for the "rails-to-trails" program was contained in the 1980 Staggers Rail Act, Hirsch believes that Congress is not disposed to fund the \$5 million a year program.

● **THE ADDISON REPORT** investment newsletter from Quincy, Massachusetts, predicts in its latest report that money market funds could experience serious liquidations over the next several months. High interest rates could lead to corporate bankruptcies, affecting the ratings on commercial paper. A substantial portion of the \$160 billion in money market assets is invested in commercial paper.

The labor encyclical: an idea that could save civilization

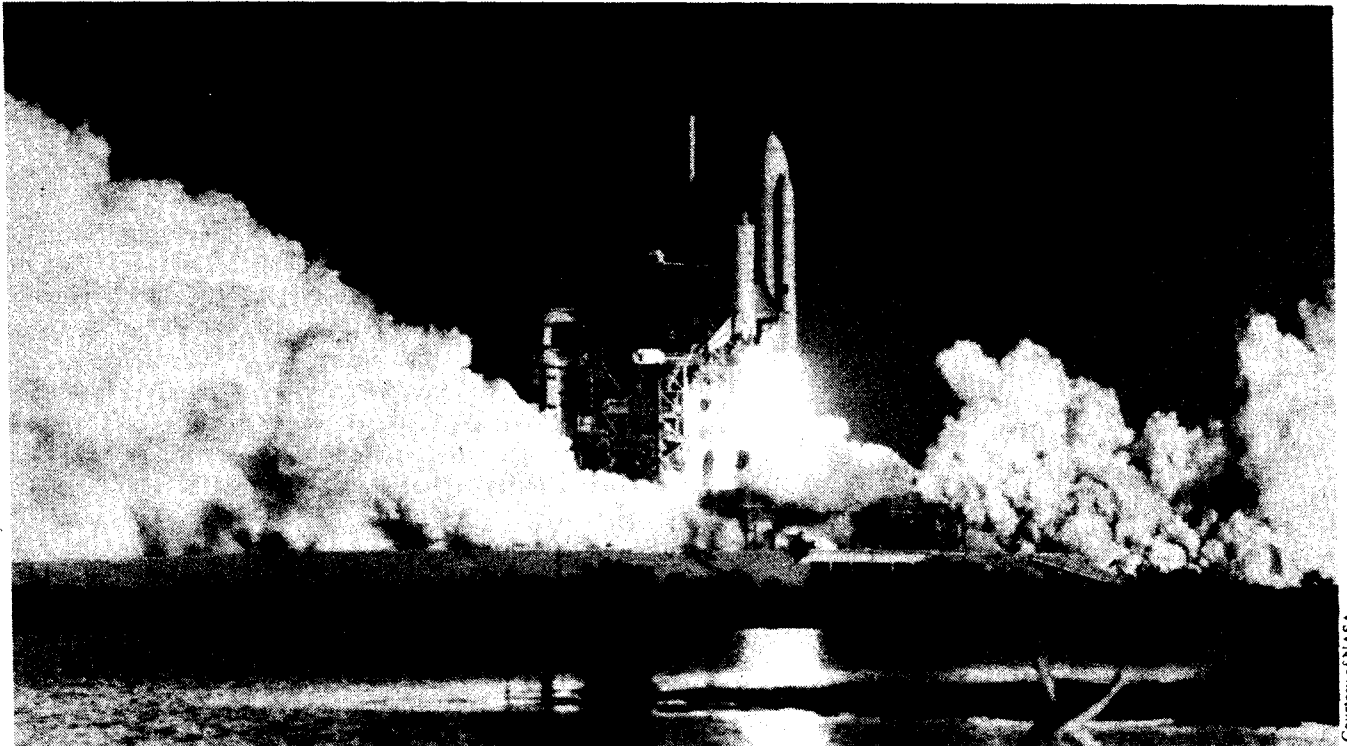
by Criton Zoakos, Editor-in-Chief

If those ideas are true whose existence is necessary, then the ideas contained in the latest encyclical of Pope John Paul II, *On Human Labor*, which begins with the words *Laborem Exercens* are true ideas: they have never been as necessary for the survival of humanity as they are now.

The history of civilizations, their emergence, flourishing, decline or further upward progress is regulated, in the final analysis, by the degree to which the individual citizens of such civilizations, their institutions, their statesmen, their wise men of science and their moral leaders inform themselves, each other as well as their social endeavors by such true ideas. If it is false ideas which inform the conduct of social life then civilizations decline, their institutions disintegrate and their citizens are thrown into moral chaos, confusion of purpose in life and mankind is set adrift into self-destruction. Mankind is now going through such a crisis and it is against such a background of events that the idea in the Pope's encyclical is cast.

That idea is on what is human labor and what is human labor all about. It contains three aspects whose implications regarding imminent political and strategic events are enormous. The *first* aspect is that human work, *for the human race* as a whole, is the way by which—and the only way—we fulfill the divine command to exercise dominion over the universe. The *second* aspect is that human work, *for the individual person*, is the way by which each one of us perfects his or her God-like powers to exercise ever increasing dominion over the universe through science, technology, and industry. The *third* aspect is that human work, *for nations*, is that which their political, economic, and cultural institutions must strive to cherish and perfect, so that individual persons may have the possibility to live their lives as God-like creators and shapers of the universe in the image of man.

Upon reviewing these features of Pope John Paul II's idea of human work, every person of good will, whether Catholic or not, whether Christian



Courtesy of NASA

The first flight of the U.S. Space Shuttle this April: extending man's dominion over the universe.

or not, will tend to experience a rush of joyous leaps of thought, let his or her mind race back into the distant past of humanity in a time during which these ideas were first forged, then into the more recent past and the alarming present and then look forward into a future that humanity deserves, arrived at through pathways that this God-like concept of human work is capable of forging.

Then it becomes easier for a thoughtful person to identify the source of the resiliency and toughness of the only continuous and living 2,000-year-old institution of our civilization, the Roman Catholic Church; that source of resiliency and toughness is the tradition of Augustinian thought, as continued by Dante Alighieri, as advanced by Cardinal Nicholas of Cusa and so many others and as reflected in Pope Paul VI's *Populorum Progressio*; man is created in the image of the Creator, the cause of scientific advance, technology, and industry.

Then, a thoughtful person of good will compares the present world political and strategic situation with the outlook embedded in *Laborum Exercens*.

1. Man's dominion over the Earth

The first preliminary but true observation one can make about an individual act of work is that its effect, i.e., its meaning is derived not only by what the individual performer of that act intends, but also by what society eventually does with that piece of work. Thus,

the meaning of a parent's work for his family is ultimately given by what the children ultimately turn out to be; the meaning of an industrial worker's labor in producing semi-finished industrial items depends on whether his factory or another factory turns out the finished product—one does not produce windshields, one takes part in the production of an automobile. If the automobile is eventually not put together the act of producing windshields is meaningless.

The farthest extension of this lawful and necessary relationship is the following: the meaning of every act of human work which takes place upon the face of the earth—manual, mechanical, intellectual, scientific—depends upon the “final product” which society as a whole assembles. That “final product” is *Dominion Over the Earth*. If human societies, nations, are not organized in a way appropriate to turning out this “final product,” then the individual labors of citizens and institutions are rendered meaningless and fruitless, regardless of what such individuals may believe about the worth of their individual endeavors. Whoever takes pride in manufacturing “windshields” that shall never become part of an “automobile” is a fool.

The moral content of labor is not located in the individual piece of work of any individual worker, but, primarily in the generalized effort of the human species to increase mastery over the universe. The Papal encyclical locates the moral content of work in the fact that

work is the universal intervention of mankind as a whole upon the creation as a whole. We quote:

When man, who had been created "in the image of God . . . male and female," hears the words: "Be fruitful and multiply, and fill the earth and subdue it," even though these words do not refer directly and explicitly to work, beyond any doubt they indirectly indicate it as an activity for man to carry out in the world. Indeed, they show its very deepest essence. Man is the image of God partly through the mandate received from his Creator to subdue, to dominate the earth. In carrying out this mandate, man, every human being, reflects the very action of the Creator of the universe. Work understood as a "transitive" activity, that is to say, an activity beginning in the human subject and directed towards an external object, presupposes a specific dominion by man over "the earth" and in its turn it confirms and develops this dominion. It is clear that the term "the earth" of which the biblical text speaks is to be understood in the first place as that fragment of the visible universe that man inhabits. By extension, however, it can be understood as the whole of the visible world insofar as it comes within the range of man's influence and of his striving to satisfy his needs. The expression "subdue the earth" has an immense range. It means all the resources that the earth (and indirectly the visible world) contains and which, through the conscious activity of man, can be discovered and used for his ends. And so these words, placed at the beginning of the Bible, never cease to be relevant. They embrace equally the past ages of civilization and economy, as also the whole of modern reality and future phases of development, which are perhaps already to some extent beginning to take shape, though for the most part they are still almost unknown to man and hidden from him. . . . This process is, at the same time, universal: it embraces all human beings, every generation, every phase of economic and cultural development, and at the same time it is a process that takes place within each human being, in each conscious human subject. Each and every individual is at the same time embraced by it. Each and every individual, to the proper extent and in an incalculable number of ways, takes part in the giant process whereby man "subdues the earth" through his work.

This universality and, at the same time, this multiplicity of the process of "subduing the earth" throws light upon human work, because man's dominion over the earth is achieved in and by means of work. There thus emerges the meaning of work in an objective sense, which finds expres-

sion in the various epochs of culture and civilization. . . . Not only in industry but also in agriculture we are witnessing the transformations made possible by the gradual development of science and technology. . . .

2. The purpose embedded in 'Dominion Over the Earth'

Man, in order to be truly human must engage in the endeavor to subdue the earth in order to thus obtain the means by which to increase his powers of subduing the earth. Therefore, the purpose of "dominion" is not to access the necessities of corporeal existence per se, but to increase the powers to exercise dominion, i.e., the creative powers of every individual man and woman. Without this thus-completed statement, the biblical command for "dominion over the earth" would be morally empty.

Human work's moral (social) *content is species domination* over the universe; the moral (social) *purpose* of this *species domination* and thus the social purpose of human work is to augment the "*domination potential*" of all individual members of the species. The Pope develops the following argument in the encyclical:

Man has to subdue the earth and dominate it, because as the "image of God" he is a person, that is to say, a subjective being capable of acting in a planned and rational way, capable of deciding about himself and with a tendency to self-realization. As a person, man is therefore the subject of work. As a person he works, he performs various actions belonging to the work process; independently of their objective content, these actions must all serve to realize his humanity, to fulfill the calling to be a person that is by reason of his very humanity. . . . And so this "dominion" spoken of in the biblical text being meditated upon here refers not only to the objective dimension of work, but at the same time introduces us to an understanding of its subjective dimension. Understood as a process whereby man and the human race subdue the earth, work corresponds to the basic biblical concept only when throughout the process man manifests himself and confirms himself as the one who "dominates."

And finally:

The word of God's revelation is profoundly marked by the fundamental truth that man, created in the image of God, shares by his work in the activity of the Creator and that, within the limits of his own human capabilities, man in a sense continues to develop that activity and perfects it as he advances further and further in the discovery of the resources and the values contained in the

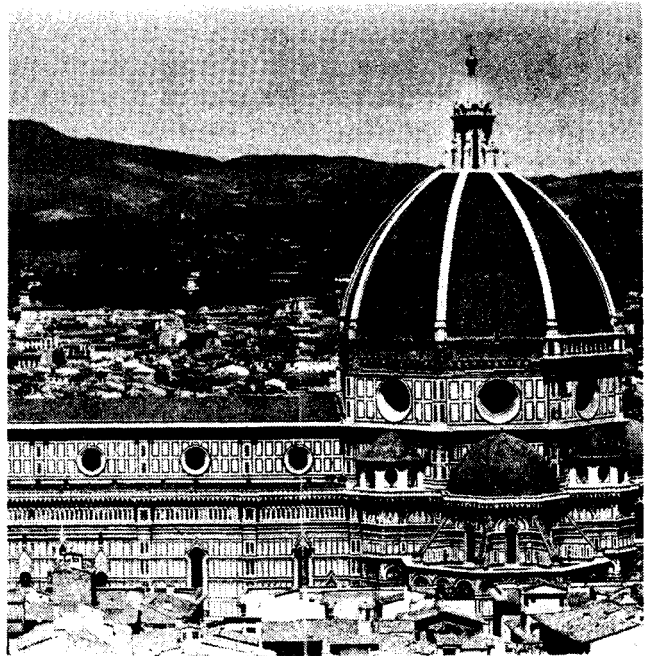
whole of creation . . . Man ought to imitate God, his Creator, in working, because man alone has the unique characteristic of likeness to God. Man ought to imitate God both in working and also in resting, since God himself wished to present his own creative activity under the form of work and rest. This activity by God in the world always continues as the words of Christ attest: "My father is working still," he works with creative power by sustaining in existence the world that he called into being from nothing. . . . Awareness that man's work is a participation in God's activity ought to permeate . . . even the most ordinary everyday activities. . . . The knowledge that by means of work man shares in the work of creation constitutes the most profound motive for undertaking it in various sectors."

3. The consequences for society's institutions

The encyclical's concept of human work lays down a political challenge which is bound to produce formidable consequences if the concept becomes assimilated and understood as a practical idea by even a minuscule proportion of persons in positions of trust and responsibility. The challenge is posed both to socialist institutions and capitalist ones of the "free enterprise" variety, in the following way:

In light of the defined *social* content of work (species dominion over the universe) and its social purpose (perfection of the individual's creative powers), it is demonstrated that that which is human, i.e., God-like, in man is *man's potential to increase his Creator-like powers over the universe*. Individual man does so by engaging in work, a *species* activity. But individual man does not possess any mysterious ability to engage in such species activity directly. He must employ the mediation of social institutions—cultural, economic, and political: enterprises, factories, research laboratories, universities, nations and nation-states. How these institutions behave, how they succeed or fail to fashion an assembled finished product out of the immense number of individuals' labors, derives from the intellectual and moral capacities of their leaderships, from the ideas which dominate the minds of individual leaders of these institutions. The most important, the essential, key idea is the idea respecting human work and its proper purpose.

If the encyclical's idea of work were dominant institutionally, then one would observe economic institutions, both private and public, strive to maximize the rate of increase of the creative powers of their employees, universities and research establishments trying to supply the steady flow of fundamental breakthroughs in our levels of knowledge of the causalities governing the corporeal domain of the universe, a flow required



The Brunelleschi dome in Florence: creative labor.

for the development of new arrays of technology and new social pedagogies needed to ensure the transmission of such new knowledge and new technologies to all citizens. In such a situation, political institutions were required to ensure that the end product of this huge endeavor remains coherent with natural law: a net increase in individual man's potential to increase his Creator-like powers over the universe.

As the encyclical itself makes clear, this is not the measure by which existing institutions, East or West, measure their performance. The Pope accurately points out that in both great social coalitions, the measure of institutional performance, though different in appearance, is one and the same and derives from the outlook of the 19th century "liberalism," i.e., Jeremy Bentham, the grand-dad of the British school of political economy, both its Marxist and "free enterprise" variants. The underlying outlook which dominates the decision-making functions of individual leaders of human institutions is Benthamite which means "materialist" in the sense that materialism is that outlook which locates "existence" exclusively in corporeal "discrete objects." A civilization whose institutional leadership is informed by such a "discrete object" outlook can at best produce "mass consumer" societies.

4. The Aristotle question

The world to whom the encyclical addresses its idea of human work is, at the present time, a moral pigsty. Even the great "oppressed masses," those sunk deep in material impoverishment, the "exploited," tend to experience their distress, in their mind, in terms of lack of

means to enable them to turn themselves into consumerist swine just like the next opulent fellow. This is not people's reality, but it certainly is their deluded self conception. This "discrete object" orientation in the prevailing outlook of our civilization causes an enormous conceptual barrier which gives rise to the question: will the Pope's idea of human work be gotten across?

The idea itself is extremely simple as most profound ideas are: *The purpose of man's creative activity is to increase his potential for creative activity.* Men and women hear it, even delude themselves that they understand it. But its true content, its *causal self-sufficiency* is generally not grasped. So, what in fact is a profound statement respecting causality is banalized into what people of ill will mistake as "circular reasoning" and others of good will mistake as a mere moral precept. The reason is that the prevailing organic outlook which dominates minds living within the present civilization is blind and deaf, totally incapable of identifying the existence of *self-reflexive* causal statements.

Unless an assault is undertaken to dislodge Aristotelianism as the dominant implicit outlook of our civilization, the Pope's idea of human work cannot be assimilated-for-practice by any discernible proportion of people. The Aristotelian outlook, including the subsumed case of Thomism, prohibits efficiently the assimilation of any conception of self-reflexive causality, including the conception of human work developed in the encyclical. In fact, cause does not exist in the Aristotelian scheme; it is replaced by the syllogistic "middle term." Now, who ever heard of a "self-reflexive" middle term? Rigorously, the Aristotelian cause of work is the "middle term." Both individual labor and species labor is done for an oligarchy, the employer of Aristotelianism.

Given the present state of affairs in the world, a shift away from the "discrete object"-centered Aristotelian outlook shall not be effected unless Aristotelianism is conclusively discredited in the domain of its greatest pretensions, the physical sciences. The proof of the existence of efficient self-reflexive causality as a primary existent in the domain of natural-science so-called is the efficient means for overthrowing Aristotelianism, inclusive of Thomism and Cartesianism from that domain.

Embedded in the encyclical are the essential conceptions required for this necessary assault against Aristotelianism. The premises, the historical pedigree and the content of *Laborem Exercens* are in the high tradition of that Augustinian Platonism which has repeatedly rescued civilization from extinction. It is necessary that these traditions be revived and brought to bear now in the battleground of scientific ideas. Discrediting the pseudo-scientific pretensions of Aristotelianism shall be in the spirit of Saint Augustine himself as well as his

heirs, John Scotus Erigena, Alcuin, Grosseteste, the Franciscan friar Roger Bacon, Peter Abelard, and the great Canon Cardinal Nicholas of Cusa, who is the ecumenical giant of Augustinian Christianity upon whose legacy rest the foundations of modern science. This is a fact that would be freely attested by Johannes Kepler, Giordano Bruno, Leibniz, Bernhard Riemann and Georg Cantor.

To call upon the aid of these men today is absolutely necessary and unavoidable. One need only look at the composition of the anti-civilization forces today: Just as at the outset of the Dark Age of the 14th century, governments, parliaments, mass institutions and instruments which shape popular thinking are bought for and owned by what Wall Street calls "*Old Money*," what Genoa and Venice once called the family *fondi* of their oligarchy. The family names behind today's "Old Money" are the same as those behind the old *fondi* with the additions of what became the allies of the Venetian-Genoese *fondi* in the course of the Reformation, the Thirty Years War and the Counter-Reformation: the British, Belgian, and Dutch oligarchies which, as junior partners to the Genoa-Venice-Hapsburg-Swiss venture of financial holdings, joined in the looting of the then-opened colonial world. That financial hold of those "Old Money" families is retained intact today, through vastly diversified financial holdings, control over the modern resource-oriented multinational corporations, control over the Bank for International Settlements, the World Bank, the IMF, the OECD as well as over the \$1.8 trillion Eurodollar market.

It is this cabal of Old Money, whose present owners hail back to the 12th and 13th century *fondi* and from there claim direct lineage to the priest-banking families of the Imperial Senate of Rome. This cabal is the menace to civilization which Saint John in the Apocalypse calls the Whore of Babylon, the Baal-Marduk Babylonian priesthood which devised and deployed the cult of Lucifer-Apollo westward into ancient Greece and Rome.

The most persistent, continuing policy of this faction over the last 25 centuries is its opposition both to fundamental scientific advances and to those methods of inquiry which lead to such fundamental advances. Each time during these millennia that our Mediterranean-centered civilization inaugurated eras of great renaissance, it did so because of prior fundamental advances in science and scientific method, generally identified as the Platonic method of "hypothesizing the higher hypothesis." This method is epistemologically identical with the self-reflexive concept of labor developed in the encyclical, and is coherent with the Christian conception of the consubstantial Trinity.

The enemies of civilization, each time they succeeded in reversing an era of renaissance and in imposing a

Dark Age, did so by first hounding the Platonic tradition of scientific method, whether in science proper as was the case of "British empiricism" which gave us Jeremy Bentham and the "hedonistic calculus," liberalism and materialism, all based on the Newtonian assumption of self-evident "discrete objects" which, precisely as in Aristotle, "do not require the hypothesis of causality."

Now, this Whore of Babylon has assigned the task of final assault against civilization to the shock troops of the environmentalist movement, a mass disease very much resembling the host of Hell described by John Milton; anarchists, irrationalists, enemies of science, sodomists, pornographers, drug addicts, all united in their shrill opposition to the "tyranny of reason." What unites this arbitrary mass of irrational passion is the hostility to the principle of causality, a hostility given currency among so-called intellectual circles by Aristotle who replaces causality by the "middle term" and Newton who obscenely proclaims that he does not need to hypothesize the existence of causality!

Large portions of the world's present population, especially in the English-speaking world, have lost the ability to respond to the concept of causality. This was made possible because of the subversion of the concept which has preceded within the scientific milieu. Since the disappearance of the heirs of the Oratorian Order's Ecole Polytechnique and of the classical German mathematical physicists, no fundamental advances in human knowledge took place. Science became degraded into a handmaid of technology; technology became degraded into the handmaid of military advantage, and commercial profit by technetronic-based mass brainwashing and social engineering. Labor became merely an adjunct of this.

A thus self-degraded science, steeped in stagnation as in the Dark Age of the 14th century when Aristotelianism reigned in the Great Schools of Christendom, has lost the capacity to communicate efficient concepts of causality to the population at large. This causes degradations of outlook which the "Whore of Babylon," oligarchical Old Money moulds into environmentalist movements, rock-and-roll concerts, jacqueries, flagellant processions, sodomy and other forms of centralized, centrally-deployed outbreaks of anarchy. A moral outlook cannot subsist efficiently in a population if it is not nourished by an efficient principle of self-reflexive causality which is practiced by the scientists of society and their institutions.

It is there that the Aristotelian outlook must be assaulted and thus be disabled from erecting the mental barriers which would otherwise prevent a morally competent concept of human work, such as that which Pope John Paul II generously offers to humanity in *Laborem Exercens*.

Documentation

From the text of *Laborem Exercens*

Below are further excerpts from the papal encyclical Laborem Exercens.

Man is made to be in the visible universe an image and likeness of God himself, and he is placed in it in order to subdue the earth. From the beginning therefore he is called to work. Work is one of the characteristics that distinguish man from the rest of creatures, whose activity for sustaining their lives cannot be called work. Only man is capable of work, and only man works, at the same time by work occupying his existence on earth. Thus work bears a particular mark of man and humanity, the mark of a person operating within a community of persons. And this mark decides its interior characteristics; in a sense it constitutes its very nature. . . .

While in the present document we return to this question [of work] once more—without however any intention of touching on all the topics that concern it—this is not merely in order to gather together and repeat what is already contained in the church's teaching. It is rather in order to highlight—perhaps more than has been done before—the fact that human work is a key, probably the essential key, to the whole social question, if we try to see that question really from the point of view of man's good. And if the solution—or rather the gradual solution—of the social question, which keeps coming up and becomes ever more complex, must be sought in the direction of "making life more human," then the key, namely human work, acquires fundamental and decisive importance. . . .

In the modern period, from the beginning of the industrial age, the Christian truth about work had to oppose the various trends of materialistic and economic trend.

For certain supporters of such ideas, work was understood and treated as a sort of "merchandise" that the worker—especially the industrial worker—sells to the employer, who at the same time is the possessor of the capital, that is to say, of all the working tools and means that make production possible. This way of looking at work was widespread especially in the first half of the 19th century. Since then explicit expressions of this sort have almost disappeared and have given way to more

human ways of thinking about work and evaluating it. The interaction between the worker and the tools and means of production has given rise to the development of various forms of capitalism—parallel with various forms of collectivism—into which other socio-economic elements have entered as a consequence of new concrete circumstances, of the activity of workers' associations and public authorities, and of the emergence of large transnational enterprises. Nevertheless, the danger of treating work as a special kind of "merchandise" or as an impersonal "force" needed for production (the expression "workforce" is in fact in common use) always exists, especially when the whole way of looking at the question of economics is marked by the premises of materialistic economism. . . .

In all cases of this sort [a "one-sidedly materialistic civilization"—ed.], in every social situation of this type, there is a confusion or even a reversal of the order laid down from the beginning by the words of the Book of Genesis: Man is treated as an instrument of production, whereas he—he alone, independent of the work he does—ought to be treated as the effective subject of work

and its true maker and creator. Precisely this reversal of order, whatever the program or name under which it occurs, should rightly be called "capitalism"—in the sense more fully explained below. Everybody knows that capitalism has a definite historical meaning as a system, an economic and social system, opposed to "socialism" or "communism." But in light of the analysis of the fundamental reality of the whole economic process—first and foremost of the production structure that work is—it should be recognized that the error of early capitalism can be repeated wherever man is in a way treated on the same level as the whole complex of the material means of production, as an instrument and not in accordance with the true dignity of his work—that is to say, where he is not treated as subject and maker, and for this very reason as the true purpose of the whole process of production. . . .

The structure of the present-day situation is deeply marked by many conflicts caused by man, and the technological means produced by human work play a primary role in it. We should also consider here the prospect of worldwide catastrophe in the case of a nuclear war,

Commentary

'The Pope ought to study sociology'

Hans Küng, theologian disciplined by the Vatican who dissents on such questions as abortion, contraception, infallibility, celibacy, and ordination of women, made the following public comment on the encyclical: "I still have not read it at all; I consider it unimportant. It was written for Poles". . . . When pressed, he recommends an article by his fellow Catholic schismatic Franz Alt in the West German weekly *Der Spiegel*. Alt angrily asks why the Pope does not indict industrial society for its pollution of the environment, alienation of human beings, and unemployment. According to Alt, the principle of mankind's exercising dominion over the earth is transformed through industrialization into "making earth into a garbage heap."

The economic adviser to Italian Socialist Party chief Bettino Craxi, Francesco Forte, one of the most energetic spokesmen in Italy for the Global 2000 depopulation policy, states that the encyclical lacks relevance to the modern world because it is based on

"the old conceptions of capitalism and socialism." Professor Federico Mancini, Craxi's adviser on judicial matters and a longtime Fulbright Commission spokesman on Italian politics, is beside himself because the encyclical "denies the social conflict" and the role of confrontation in fostering social and governmental progress. Had the Pope acquainted himself with the great bourgeois sociologists, according to Mancini, he would be better attuned to the reality of our era.

The Italian news magazine *Espresso*, owned by Count Ciriaco De Mita and controlled by the Socialist Party, deplores the encyclical for failing to "attain the level of understanding of Rolf Dahrendorf, the famous sociologist and director of the London School of Economics. . . ."

Most curious was the reaction of the British press, which has been talking for a long time about an "ecumenical understanding" between the Catholic and Anglican Churches. Ten days after the publication of *Laborem Exercens*, not a single commentary had yet appeared in the British press. An indirect response was published in the London *Financial Times* on Sept. 17 under the headline "The Actual Cause of High Interest Rates," expostulating that a favoring of capital at labor's expense is the only possibility for improving the economic situation—extending all due respect to the Marxist class-struggle theory.

which would have almost unimaginable possibilities of destruction. In view of this situation we must first of all recall a principle that has always been taught by the church: the principle of the priority of labor over capital. This principle directly concerns the process of production: In this process labor is always a primary efficient cause, while capital, the whole collection of means of production, remains a mere instrument or instrumental cause. This principle is an evident truth that emerges from the whole of man's historical experience. . . .

Further consideration of this question should confirm our conviction of the priority of human labor over what in the course of time we have grown accustomed to calling capital. Since the concept of capital includes not only the natural resources placed at man's disposal, but also the whole collection of means by which man appropriates natural resources and transforms them in accordance with his needs (and thus in a sense humanizes them), it must immediately be noted that all these means are the result of the historical heritage of human labor. All means of production, from the most primitive to the ultramodern ones—it is man that has gradually developed them: man's experience and intellect. In this way there have appeared not only the simplest instruments for cultivating the earth, but also through adequate progress in science and technology the more modern and complex ones: machines, factories, laboratories and computers. Thus everything that is at the service of work, everything that in the present state of technology constitutes its ever more highly perfected "instrument," is the result of work. . . .

In the light of the above truth we see clearly, first of all, that capital cannot be separated from labor; in no way can labor be opposed to capital or capital to labor, and still less can the actual people behind these concepts be opposed to each other, as will be explained later. A labor system can be right, in the sense of being in conformity with the very essence of the issue and in the sense of being intrinsically true and also morally legitimate, if in its very basis it overcomes the opposition between labor and capital through an effort at being shaped in accordance with the principle put forward above: the principle of the substantial and real priority of labor, of the subjectivity of human labor and its effective participation in the whole production process, independent of the nature of the services provided by the worker.

Opposition between labor and capital does not spring from the structure of the production process or from the structure of the economic process. . . .

The break occurred in such a way that labor was separated from capital and set in opposition to it, and capital was set in opposition to labor, as though they were two impersonal forces, two production factors juxtaposed in the same "economistic" perspective. This way

of stating the issue contained a fundamental error, what we can call the error of economism, that of considering human labor solely according to its economic purpose. This fundamental error of thought can and must be called an error of materialism, in that economism directly or indirectly includes a conviction of the primacy and superiority of the material, and directly or indirectly places the spiritual and the personal (man's activity, moral values and such matters) in a position of subordination to material reality. . . .

However, within the framework of the present consideration, it seems that economism had a decisive importance for the fundamental issue of human work, in particular for the separation of labor and capital and for setting them up in opposition as two production factors viewed in the above-mentioned economistic perspective; and it seems that economism influenced this non-humanistic way of stating the issue before the materialist philosophical system did. Nevertheless it is obvious that materialism, including its dialectical form, is incapable of providing sufficient and definitive bases for thinking about human work, in order that the primacy of man over the capital instrument, the primacy of the person over things, may find in it adequate and irrefutable confirmation and support. . . .

Furthermore, in the church's teaching, ownership has never been understood in a way that could constitute grounds for social conflict in labor. As mentioned above, property is acquired first of all through work in order that it may serve work. This concerns in a special way ownership of the means of production. Isolating these means as a separate property in order to set it up in the form of "capital" in opposition to "labor"—and even to practice exploitation of labor—is contrary to the very nature of these means and their possession. They cannot be possessed against labor, they cannot even be possessed for possession's sake, because the only legitimate title to their possession—whether in the form of private ownership or in the form of public or collective ownership—is that they should serve labor and thus by serving labor that they should make possible the achievement of the first principle of this order, namely the universal destination of goods and the right to common use of them. . . .

These excerpts were taken from the complete text of the English translation released by the Vatican, as published in the Sept. 24, 1981 issue of Origins, a publication of the U.S. National Council of Catholic Bishops. The lack of traditional capitalization is in the original, as is the lack of italic emphasis. The Vatican Polyglot Press edition, published by St. Paul Editions, contains both.

State Department's unfinished business: depopulating Egypt

by Robert Dreyfuss, Middle East Editor

The Muslim Brotherhood secret-society assassins of Egyptian President Anwar Sadat, according to high-level intelligence sources, consider the destabilization of Egypt "unfinished" and have begun making plans to kill President Hosni Mubarak and complete the Iranization of Egypt.

The principal agency involved in the assassination of Sadat was the elite financial and intelligence families along the axis from London through Switzerland and northern Italy, who sponsor the Muslim Brotherhood across a string of bases in southern France, Malta, Sicily, Cyprus, and Beirut. Under the overall coordination of the British Secret Intelligence Service (SIS), this is the organism that bears primary responsibility for the death of Sadat, with useful but secondary cooperation from elements of Israeli intelligence and the U.S. State Department of Alexander Haig.

The purpose of Sadat's assassination was to plunge Egypt into Iran-style chaos, with severe destabilizing effects in the Persian Gulf, North Africa, and down in Central Africa as far as Kenya and Zaire. That would accomplish two primary objectives; first, to reverse the development thrust recently fueled by the petrodollar resources of the Arab sector, in coordination with Japan, West Germany, and the United States; and second, to trigger a far-reaching new oil crisis resulting from the collapse of Saudi Arabia.

The motivation for such a policy on the part of those powers of London and Venice who, together with the Club of Rome, control the Muslim Brotherhood, is their commitment to effect an immediate and dramatic reduc-

tion in world population. Based on an explicitly stated "Malthusian" perspective, they have repeatedly emphasized—in Club of Rome policy papers and in the State Department's *Global 2000* document—their intention to reduce the world population by some 2 billion people over the next generation.

But, in their eagerness to bring instability to the Middle East and to precipitate a 1973-style Great Oil Hoax, the London-Venice axis and the Brotherhood has set into motion potentially uncontrollable factors, factors that could lead to a U.S.-Soviet collision and the outbreak of World War III. Moscow and Washington are now on a confrontation course, allied respectively to a Balkan-style pair of alliances pitting Egypt, the Sudan, Somalia, and Oman, along with silent partner Saudi Arabia, against Libya, Ethiopia, South Yemen, and Khomeini's Iran.

In this tinderbox, the urgent threat of war along the Egyptian-Libyan front would likely spread through the entire region, even as far as Morocco, engulfing the area and drawing the superpowers into a direct and inexorable clash.

Despite such risks, the conspiracy that murdered Anwar Sadat is accelerating its efforts to complete its unfinished business in the wake of Sadat's death, as this report and the appended interviews make clear.

U.S., Soviets: Britain's fools

In the wake of the Sadat assassination, the United States and the Soviet Union have already come perilously close to confrontation. Like two dumb actors

following a script, Washington and Moscow seem unable to resolve on anything resembling a stability policy for the area, instead stupidly lining up with their ostensible allies in the region.

From the Soviet side, following the murder of Sadat, Moscow applauded the assassination in barely veiled terms and encouraged its radical allies to do the same. At the same time, the U.S.S.R. hinted that it is prepared to defend Libya's Muammar Qaddafi from attack.

Taking note of stepped-up U.S. military deployments in the region around Egypt, Moscow delivered a harshly worded note Oct. 11 addressed "to the government of the United States," protesting Washington's "gross and unlawful" U.S. "pressures" on Egypt. "What is happening around Egypt cannot but effect the interests of the Soviet Union's security, and it will attentively follow the development of events," said TASS. The Soviet media also quoted positively statements by exiled Egyptian General Saad el-Shazli, a former chief of staff of the Egyptian armed forces who is currently living in Libya. Shazli, a collaborator of the Muslim Brotherhood and the London-based Islamic Council of Europe and its "Islamic Institute for Defense Technology," is a kept asset of the British SIS Arab Bureau, which created the Muslim Brotherhood in 1929.

Meanwhile, from the American side, Al Haig announced his intention to have a "highly increased U.S. presence in the area." Citing the Libyan bogeyman, Haig sought to justify a closer Egyptian-Israeli military alliance as the cornerstone of the Edgar Bronfman plan for a Middle East Treaty Organization. Under Haig's direction, the State Department leaked plans for expansion of military maneuvers in North Africa and the Indian Ocean. Entitled "Operation Bright Star," the Nov. 9-Dec. 6 maneuvers are supposed to include U.S. Marine Corps landings in Somalia and Oman, joint maneuvers with Egyptian and Sudanese forces, and a round-trip flight of B-52 bombers from North Dakota to Egypt in a practice bombing run.

According to intelligence sources, there exists a possibility that such maneuvers could develop into the protective cover for a joint Egypt-Sudan attack into Libya. Qaddafi, having repeatedly threatened to kill both Sadat and Sudan's President Gaafa Numeiry, is financially backing a host of subversive organizations in both Egypt and Sudan; and Numeiry hinted Oct. 12 that his country is considering a preemptive war against Libya.

But, U.S. and Arab intelligence experts warn, such a conflict would be a disaster for all parties concerned. Even if it were not to result in U.S.-Soviet showdown, an Egyptian-Libyan war would drive Qaddafi deeper into alliance with the U.S.S.R.—despite resistance from some Soviet factions suspicious of the Colonel—and, at the same time, isolate Egypt by reinforcing its military

alliance with the United States and Israel.

In fact, a North African war would permanently polarize the Middle East area and would go a long way toward halting any further development of the prospects for peace in the area. But the radicalization of the Arab world, already worsened by the Sadat murder, is precisely the objective sought by the British, Soviet and some Israeli intelligence circles.

Oil crisis, population policy

Even were the looming North African war averted, however, the Malthusian conspiracy aimed at destabilizing the Middle East is proceeding apace.

The protagonists involved in the Muslim Brotherhood side of the *Global 2000* policy are the circles associated with the "Islam and the West" group, which held a major conference in Paris Oct. 14-16 in conjunction with the Club of Rome. Islam and the West is sponsored by Dr. Armand Hammer's Occidental Petroleum and by the Club of Rome's Aurelio Peccei, who delivered the keynote address at the Paris conference. Hammer, a longtime British intelligence operative who maintains close ties to the Soviet KGB, is Qaddafi's number-one contact in the West, together with Peccei's backers in the Italian noble families of Venice and Genoa. In fact, three days before the Sadat assassination Hammer and Robert Abboud of Occidental Petroleum were in Libya and met with Qaddafi.

Along with the British, Swiss, and Italian bankers who support Islam and the West as the nerve center for the Muslim Brotherhood command across the entire Middle East, the Socialist government of France delivered its blessing to the Islam and the West conference. Both President Mitterrand and Foreign Minister Cheysson addressed the meeting, whose principal objective, as stated by the participants, is to use the "revival of Islam" to ensure that the Islamic world follows an anti-industrial, Khomeini-style policy.

Should the Muslim Brotherhood shock troops of the Islam and the West organization take over in Saudi Arabia, in particular, the result would be the reorganization of world energy flows according to a precisely defined British scenario. That scenario began with the cutoff of Iran's oil in 1978, and then spread with the Iranian attack on Iraq in 1980, which led to the suspension of Iraqi oil exports, a total of almost 10 million barrels per day (mbd) production. Now that OPEC's output has sunk from 31.5 mbd in 1978 to about 19 mbd in 1981—with half of that coming from Saudi Arabia—the British have almost completed their power play.

In its final form, the United States would find itself completely isolated from the Arab world, dependent on Venezuela, Mexico, Alaska, and Canada in a "North American Common Market." In turn, the industrial

powers of Japan and West Germany, now totally dependent on the Arab Gulf states, would be at the mercy of the British and their Muslim Brotherhood allies controlling the oil spigots there.

According to State Department officials, in this scenario Egypt would find itself forced to submit to a drastic, virtually genocidal austerity program.

DOS, Clark, Aspen: destroy industry

Below are excerpts provided by a journalist, from an Oct. 15 interview with Joseph C. Wheeler, Deputy Administrator of the Haig State Department's Agency for International Development (AID). Mr. Wheeler is a Carter hold-over who worked on the Global 2000 Report.

We will use the fact of the new political situation in Egypt in any way we can to get them to speed up population control policies. We're going to try to show the "Rapid" [computer simulation] program to President Mubarak again, to impress him with the seriousness of the situation. We've got Lennie Kangas from our population office over in Cairo now discussing new population programs. . . .

Continuing the industrial investment program only encourages people in the labor force now to have more children, and the huge number of children in Egypt now, aged 15 and under, which is most of the population, soon will no longer be able to be absorbed.

What is really needed is policies which do *not* subsidize high capital formation, high capital imports, and high energy forms of production, the so-called "capital-intensive" types of industry. These provide few jobs. For example Egypt built a huge steel industry. This is very inefficient. They shouldn't build any more steel mills. But they want to, and furthermore they're doing something even worse, they're building a whole new industry, a new aluminum industry, which is based on high-energy consumption and low employment. That's the most outrageous. . . .

Egypt should take the place of the labor-intensive economies of the 1950s and 1960s, which began from the ground up, like Hong Kong, Singapore, Japan. They have no business trying to jump into heavy industry. . . .

They subsidize food prices, so food is too cheap, food is way below world market prices. . . .

We want the Egyptian pound devalued to a more market-consistent rate, that will lower imports. We want their interest rates, which are now below 13 percent, raised to world market levels, which will bring in foreign remittances from Egyptian workers abroad. We want the

food subsidy program phased out, we want an end to general cheap food prices. They will have to import less food. . . .

We're saying, "slow down the subsidization of a heavy economy which Egypt cannot afford, and you will slow population growth."

Former Attorney General Ramsey Clark, the man who directed the American side of the Khomeini revolution in Iran in 1977-79, said in New York following the assassination of Anwar Sadat that he will help lead a worldwide effort to destabilize Egypt, in the defense of "Egyptian human rights." By his own account, Clark is working with French President Mitterrand, "my good friend" French Justice Minister Badinter, Amnesty International in London, the International Commission of Jurists in Geneva, the World Council of Churches, and circles in England around the Labour Party's Michael Foot and Anthony Wedgwood Benn.

The following are excerpts from an account of a conversation with Clark, given to EIR by one of Clark's collaborators.

It is very urgent that we move fast, before Mubarak has a chance to consolidate and crack down against the Egyptian opposition even more. Mubarak will be much tougher than Sadat was, not only against the Muslim Brotherhood but against the social democrats, the Liberals, and the left. Things are in flux now following Sadat's death, and now is the time to move.

In April of this year I visited Egypt to attend some trials that never took place. This, of course, did not surprise me, given the horrible repressiveness of the Sadat regime. I met several Egyptian officials while I was there, including the Justice Minister and the chief prosecutor, and complained to them about the lack of human rights in Egypt. They both gave me blank stares—they had no idea what I was talking about. Sadat was the same way. He had absolutely no comprehension of human rights, civil liberties, and so on. The same was true in September, when one of my law partners visited Cairo, right at the time of Sadat's crackdown.

Now that Sadat is out of the picture, we should not sit back and relax. Things are going to get worse in Egypt, so we have to step up our operation. I intend to become much more active on this matter; I really haven't been up to now. The Khomeini support operation, in comparison to our Egypt operation, may have appeared thicker and more substantial, but it really wasn't. In reality, it was just half a dozen people, myself included, running around the country and the world making a lot of noise. The only big difference is that for Iran, we had a very large and very loud student movement to play up to, which we don't have in Egypt's case, except, of course, [with]in Egypt. But I am optimistic. I am in touch with

my leftist friends in Egypt—lawyers, journalists, respected people—and also a few of the more respectable Muslim Brotherhood types. I am also working in coordination without friends in Europe, especially the French. You know, it's nice to have a government in France whose official state policy is backing human rights.

Below are excerpts from an interview with Father John B. Taylor, director of the Ecumenical Institute of the World Council of Churches in Geneva. The WCC, through its ties to the Anglican Church and the Russian Orthodox Church, maintains links to British and Soviet intelligence.

Q: Now that Sadat is dead, what future do you see for Egypt?

A: The worst-case scenario is that Egypt will be like a house of cards, tumbling down, with government replacing government. Egypt will be pushed further and further into extreme reaction—completely opposite to what Sadat stood for—and will become more and more like Iran, a xenophobic, anti-West type of regime. There is a whole structure, a military apparatus, that has been built by Sadat that still remains. However, Sadat, as can be seen by the relative quiet after the assassination, had struck his neck out too far, and had become extremely unpopular in the last months. . . . His vulnerability increased when he quarreled with the Coptic pope. It was a very risky thing for Sadat to do, to attack both Copts and Muslims. . . . I would say that Saudi Arabia has a few more years to go. At some point the feudal system there has to go. In Egypt, Sadat's economic policy was the problem. He was playing with fire. He was orienting too much to Western styles.

Dr. Colin W. Williams, senior fellow and director of developing nations programs at Aspen, told a journalist that the assassination of Sadat will force Egypt to begin a depopulation and de-industrialization program "modeled on that conducted by Iran." Williams, the Dean of the Yale University Divinity School, is a British subject and former Anglican priest.

Q: Will social unrest force President Mubarak to reverse Anwar Sadat's industrialization and Westernization drive?

A: This is a serious problem for Egypt. The Islamic fundamentalists, and even the secular intellectual leaders opposed to the Camp David agreement, are opposed to the import of technology because they feel it ties Egypt to an alliance with the United States. So the Sadat industrialization drive has had a strong destabilizing effect on Egypt.

There is no question that political unrest in Egypt is fundamentally a question of the population crisis. If the you push industrialization this fast, people pour into the

cities seeking industrial jobs. The cities cannot handle this influx of population. This has bred unrest.

They will have to reverse the process. They will have to create a great many new jobs in the rural areas, with far more labor-intensive programs than current industrial programs. They will have to go back to the sort of industrial technology which is more appropriate to the present state of Egypt's rural economy. This is the only way to stop the imbalance. The International Monetary Fund and the World Bank have also made this demand to the Egyptians.

There is no question that the unrest in the cities will force Mubarak to move in the direction of ruralization. Sadat was already being forced to consider this. . . . [Mubarak] will have to concentrate on creating jobs with labor-intensive rural programs.

Q: This sounds like what happened in Iran.

A: Yes, there will have to be a new policy, modeled on that conducted by Iran. That is what the opposition will demand, and there will be tremendous unrest unless they get what they want.

In another interview, Gaylord Freeman, Aspen Institute trustee and former Chairman of the First National Bank of Chicago, predicted that the Soviet Union will use Libyan terrorists to "undermine and destroy" the Egyptian economy. This will force the shutdown of Egypt's industrial programs and lead to famines, which will reduce the Egyptian population. Excerpts follow.

Q: What will be the effects of the political unrest in Egypt on U.S. investment there?

A: There is going to be a slowing of U.S. and foreign investment in general throughout the Middle East. Already U.S. companies have slowed their investment pace. . . . These countries are going to have to change their industrial policy. We're entering a period of increasing worldwide disappointment and despair, in which the United States can no longer fulfill the expectations of the region's people. There's no money. The program will be slowed.

Sadat had been building up new cities outside Cairo at a tremendous rate, with huge capital investment. This can't continue. . . . Population pressures are already causing political tension. People will have to be moved out of the cities. But what's likely to happen is that efforts by Mubarak to move them out of the cities. How can you keep them down on the farm after they've seen Paris? Then there will really be disturbances, because the government will not be able to support these populations in the cities.

Then the problem becomes that the Soviets will use that against Mubarak, to pose a threat to Egypt, to create tensions inside the country as a threat to the

government, to try to impose their own socialist system. They are already soliciting agents throughout the country and are threatening to set up a government in exile in Libya against Mubarak. It is very dangerous.

Egypt's cities are overpopulated, and this provides a sort of agar dish, a fertile ground for the Soviets to sow their seeds of unrest and revolution. The goal of the Soviet Union in Egypt is to create enough of a disruption in Egypt to undermine and destroy Answar Sadat's Westernization program, which is linking Egypt to the West through Western industry and investment. The Soviets want to create enough of a disturbance to frighten foreign investors and American bankers out of Egypt—to cut off foreign investment and stop the capitalist industrial programs. You'll see terrorists disrupting

The IMF plan for Egypt

The World Bank and the IMF are the chief international enforcers of a depopulation policy for Egypt. Under the headline "Egypt may be the first victim of a tougher IMF," *Business Week* commented Oct. 12 that refusal of the IMF this month to grant Egypt a \$400 million loan "could mean chaos for Egypt."

Since 1977 there has been a standoff between the IMF and Egypt following food riots in Cairo, triggered when Sadat heeded an IMF demand to cut back on government subsidies. Now, with income from oil sales declining and a drop in investor confidence in Egypt which began even before Sadat's death, Mubarak may be forced to come to terms with the IMF.

Less than a month before Sadat's death, he opened up an unprecedented confrontation with the major multinational banks. In a tense Sept. 14 meeting Egyptian Finance Minister Abdel Razak Abdel Meguid confronted a number of banking executives for speculating on the Egyptian economy. A month earlier, Sadat had ordered changes in Egypt's complex foreign-exchange laws to reduce capital flight from Egypt. An IMF official commented on these actions with displeasure.

The IMF official noted that the IMF's sister organization, the World Bank, is promoting a plan for Egypt to base the economy on cotton production, because it is "labor-intensive." The plan calls for moving people out of Egypt's cities into the countryside; it is identical with the economic diktat imposed on Egypt by Britain during its colonial rule in the 19th century.

production and urban strife, even the bombing of industrial plants and urban construction sites.

I had a long talk with Anwar Sadat some years ago. He told me, "You bankers have performed miracles in Germany with your capital and industry. Please do this in Egypt." I told him, "No, it's different here. You don't have the entrepreneurial spirit. No one saves."

Q: Don't you see any way to solve Egypt's population crisis?

A: No, there is simply nothing which can stop a cataclysm in Egypt caused by overpopulation, unless there is some tremendous religious revival or reversal in which people decide to have no children at all. I don't see any solution.

Q: Won't the Soviet actions drive people out of the cities?

A: This process will certainly reduce the buildup of urban population in Egypt, but it won't be enough. What is more important is that it will lead to a cutoff in foreign financing in Egypt. That could create real problems for their food supply, which is heavily imported. First, there could be a food crisis. Then, they are losing their water supply, so there could be a water crisis. There will be little the Egyptian government can do.

Q: What is U.S. policy? What should it be?

A: This is precisely why [Aspen Institute President] Joseph Salter's people are already visiting the leaders of state in the Mideast, to try to pull something together. We need some new accord; Camp David is not sufficient to deal with the Soviet threat. If the Saudis could bring themselves to carry on the work initiated by Sadat at Camp David in reaching a new accord with the Israelis, to accept some adjustment in their demands on Israel, perhaps the area can be stabilized. It might have to be at the expense of Jordan, but that's unfortunate.

Q: Why should the Arabs agree to this now?

A: Because the turmoil in the area frightens them. This could frighten them into sacrificing more, more to Israel. If the Russians take over Egypt and shut down the Suez Canal, how do you think Europe will feel? That would starve Italy of fuel. Don't you think they'd go along?

If you want to find out more about what the Soviets and the Libyans are thinking, you should call Dr. Hammer, Armand Hammer of Occidental. Or call my old friend Bob Abboud (former First Chicago Bank chairman and now president of Occidental Petroleum). They were just over to see Qadafi in Libya three or four days before Sadat was shot. Both of them, especially Armand Hammer, are very close to the Libyan situation. They are also very close to Soviet thinking on the area. They can tell you what's going on in Moscow on this.

'Leonid Brezhnev must break with London before it's too late'

by Lyndon H. LaRouche, Jr.

Moscow's present policy toward the Islamic world, especially Egypt and Iran, is clever and sly. Moscow is being as sly as a monkey about to seize a delicious nut from a Malay peasant's monkeytrap. That Malay peasant is an operative of the British Secret Intelligence Service (SIS).

Specifically, so far, on the issue of the murder of Egypt's President Anwar Sadat, Moscow has acted as an errand-boy for London. In such a case, if Moscow continues such self-degrading folly, not all the "peace movements" and "disarmament negotiations" which occupy the fantasy-life of the Soviet press could prevent the United States and Soviet Union from stumbling into the thermonuclear war each government presently believes it does not intend to occur.

Through our own special resources, and with aid of cross-checking of facts with highly-placed friendly intelligence and other officials, our international news service has developed all of the essential background-features of the plot to assassinate President Anwar Sadat. There are a few important pieces missing from our present knowledge, but the absence or presence of those particular pieces of added information could not alter the intelligence evaluation we have circulated to our friends and other responsible agencies which have requested this.

On the basis of that knowledge, two leading points are to be made. First, if Egypt is "Iranized," Saudi Arabia will soon fall next; this will set off a strategic chain-reaction, leading to developments, under which the United States and Moscow could not find it strategically acceptable to back away from general nuclear warfare striking immediately the homelands of the two powers with thermonuclear assault.

Second, in this crisis, President Ronald Reagan has reacted instinctively and properly despite virtual traitors (opposing the AWACS for Saudi Arabia) in the Congress; unfortunately, in this same crisis, the Soviets are taking their turn in playing the strategic fool.

The best way to expose the wicked stupidity of Moscow's cleverness in the Egyptian destabilization is to begin to identify summarily the combination of forces which organized the murder of President Sadat, and then

to examine the policies which motivated the assassination.

British-Venetian coordination

To keep matters within the range of the ordinary politician's comprehension, we begin with identification of the official intelligence-service of nations which inspired and coordinated the overall deployment behind the assassination of President Sadat.

The official primary responsibility for coordinating and directing the murder of President Sadat was the **British Secret Intelligence Service (SIS)**, working in close connection with **controlling influences of Venice, Trieste, Verona, Geneva, and Beirut.**

The division of SIS assigned principal responsibility for coordinating the assassination was the Arab Bureau. It was the **SIS Arab Bureau**, and SIS official **St. John Philby** (the father of **KGB General Harold "Kim" Philby**), who created the **Muslim Brotherhood** out of Aden, Cairo, and Beirut as an Arab Bureau front-organization and cult during the late 1920s.

To understand the Muslim Brotherhood accurately from a counterintelligence and law-enforcement criminal-division standpoint, one should know that the Arab Bureau was created during World War I by T. E. Lawrence ("of Arabia") and reshaped at the special insistence of **British India Office** operative St. John Philby, as a subdivision of British SIS's Islamic-world operations as a whole. The Arab Bureau was a "rib" taken from the body of the British "Company." "Company" or "Mother," in British means interchangeably the old **British East India Company**, or to this day, **British Secret Intelligence Service.**

The President of Egypt was killed in a sophisticated version of a typical (St. John) Philby-style operation by a spun-off branch of the Muslim Brotherhood, and the deed was done in a region of the world in which the Muslim Brotherhood and its offshoots are totally under coordination top-down of SIS's Arab Bureau.

In the midst of the shooting, a call for a general military insurrection in Egypt was issued by one **General Sa'ad el Shazli**. Shazli, 1973 Chief of Staff for the



Gen. Saad Shazli, Egypt's left-wing dissident, arriving in London in 1974 as the Ambassador to Great Britain.

Egyptian Army, is today overtly an official agent of SIS's Arab Bureau.

Shazli is a member of the Board of Governors of a London-Venice-Trieste front for British SIS, called the **Islamic Institute for Defense Technology (IIDT)**, which is a subsidiary of the British SIS front organization with which Henry Kissinger cooperated in effecting the overthrow and murder of Pakistan's Prime Minister Bhutto, the **Islamic Council of Europe**. It is the latter, the Islamic Council of Europe, through which **Pakistan's dictator Ziaul Haq** and Shazli are controlled.

It is to be stressed that the Board of Governors of the IIDT is composed chiefly of top-level members of the Muslim Brotherhood, mixed with bought-and-owned military officials and ambassadors.

Exemplary of the IIDT's leadership is **Korkut Orkal**, the former Interior Minister of Turkey. Orkal is presently on trial in Turkey for complicity with the terrorist leader **Erbakan**, a network linked to the recent, Qaddafi-aided attempt to assassinate Pope John Paul II, and linked to **Beirut-coordinated Turkish-Armenian terrorists internationally (e.g., the Armenian Liberation Army.)**

Otherwise the most notorious activity of the IIDT has been to deliver a British-supplied "Islamic" nuclear-weapons system to the Ziaul Haq dictatorship of Pakistan. This operation was run out of **the NATO base at**

Trieste, with nuclear-weapons technology supplied directly by **the British government**.

The head of the IIDT's mother-organization, the Islamic Council of Europe, is Salem Azzam, Secretary General of that British SIS front. Salem Azzam is an Egyptian national who successfully inserted himself into the position of appointment as Saudi Arabia Plenipotentiary Ambassador, and is the key link in the SIS operations targeting the Saudi royal family for the treatment earlier afforded the Shah of Iran. Salem Azzam is also a coordinator of SIS's "Arab" subversive and terrorist operations inside the United States, run through a nest of **Eastern Orthodox, Lebanese and Arab scoundrels based out of Englewood, New Jersey**.

This overlaps British SIS-created and controlled entities such as CAABU, "Islam and the West," and overlaps the **Sufi Freemasonic Lodges** of the transatlantic community, of which former IMF Director **Johannes Witteveen** is a prominent member. Through British SIS coordination and NATO intelligence, various parts of NATO are deployed under British SIS coordination, interfacing the drug-runners of the "**parallel secret organization**" of NATO run out of Venice-Trieste and through the Verona-Bolzano-Switzerland-Stuttgart drug-smuggling axis. This plugs into a regional coordinating center at Beirut, where British SIS coordinates

the direct collaboration among elements of Arab-terrorist and Israeli intelligence, as well as the Armenian European terrorist organizations.

It is through Beirut that the targeting of Egypt is predominantly run. The reasons are not only historic and geographic. Beirut is the command and coordination center for heroin, hashish and other drugs run out of the Golden Crescent into Sicily, Marseilles, and through Bulgaria and Yugoslavia. These drugs move by way of the NATO center at Verona into Stuttgart, West Germany. This drug-traffic is the principal source of funding and other logistics for British SIS operations in Europe and the Mediterranean region, including the funding of terrorist gangs and environmentalist projects on the continent of Europe.

The case of Libya's psychotic dictator Col. Muammar Qaddafi illustrates the nature of the operations run through the Trieste-Beirut axis. Qaddafi, a protégé of ex-Nazi networks since no later than 1959, was made dictator of Libya by joint arrangement of London and Trieste with NATO-Verona in 1969.

This occurred as part of the broader "**NATO strategy of tension**" operation under which the international environmentalist movement was created almost instantly during 1969-1970, and international terrorism launched in Western continental Europe and the United States (the Weathermen) during 1969. This was also the year the fascist Freemasonic lodge, **Propaganda Due** was launched to coordinate the **Socialist Party of Italy** and to act as a coordinating channel for both right-wing and left-wing terrorist (and drug-smuggling) operations in Italy.

Qaddafi is an agent of the British-Venice-Trieste complex. His principal interfaces to London and Trieste are through the **British Petroleum Company** (an SIS business front) and **Armand Hammer's Occidental Petroleum**. Qaddafi's links into Italian terrorism and drug-smuggling are through the **Italian-Libyan Friendship Societies**, including the in-laws and friends of **former U.S. Ambassador to Rome, Richard Gardner**, and the **Sicilian cronies of Billy Carter**. Through these connections, Qaddafi acquired his nominal status as a **de facto agent of the Socialist International**.

Every present indication by all intelligence services is that Qaddafi did not control the murder of President Sadat, although he is part of the British SIS complex which did, and although Qaddafi's money poured into the funding of the network responsible. The reason for this is simple: Qaddafi's assets in Egypt were under "hot" scrutiny during the relevant period. Sadat was murdered from his "blind side," the British SIS side.

The more general involvement

Like any major intelligence operation, the British SIS's murder of President Anwar Sadat involved deploy-

ment of a wide assortment of complicit official and private intelligence capabilities, both of nations and of such supranational pedigrees as **the Geneva office of the World Council of Churches**. The problem here, as the same problem confronts any counterintelligence field operative or evaluations specialist in most major operations in the world today, is to distinguish the primary direction from the secondary and lower ranks of the assets and instruments more visibly deployed.

This is particularly the case with the British, whose intelligence services are notorious parasites and free-loaders, using other nations' intelligence organizations to do British dirty-work and defray most of the costs of British SIS operations otherwise. It is typical, for example, for the British to hoodwink the United States into conducting an operation, for Lord Caradon, Lord Carrington, or like creature to run trotting to Moscow, confiding to Moscow what "frightfully bloody brutes" the Americans tend to be. In general, the greater number of organizations coordinated by the British SIS in arranging the murder of President Anwar Sadat are the same organizations which brought **the "Pol Pot" of Iran, Ruhollah Khomeini**, to power and arranged, with complicity of Ramsey Clark and Cyrus Vance, Khomeini's seizure of U.S. hostages.

Next, in categories of accomplices, is the complex of **old Czarist "Black Hundred" oligarchical families** and their **Italian "Black Nobility" cronies** who ran the attempted assassinations of President Charles de Gaulle from the Venice colony known as Switzerland. This gang is best known for its association under the cover of the **Bronfman-linked organization called Permindex**, the organization proved complicit with British SIS in organizing the assassination of President John F. Kennedy. This includes the late **Jean de Menil, of the Houston, Texas-based Schlumberger Limited** (an old Russian "Black Hundred" family), and controllers of the **Scottish Rite Freemasonic organizations of Italy**, the creators of the fascist Propaganda 2 (P-2) Lodge and controllers of both the **fascist MSI Party** and the **Craxi leadership of the Socialist Party**.

Special mention must be made of one part of this complex, the Paris-based command of what is called the **Curiel network**. The Curiel network is a cover for the old intelligence organizations of **deposed Egyptian King Farouk**, which is now based in emigrée Coptic families in Western Europe, but, more significantly, in the United States and Latin America. This network was the specific asset of **British MI-5**, and has the deepest penetration of any foreign intelligence organization to the present day, inside the Egyptian state bureaucracy and military. This Curiel network intersects one of the most evil networks of drug-runners in the world today, which operations are conducted out of Beirut, Lebanon.

All three categories of networks are coordinated

jointly by the top hierarchy of the **Established Church of England (the Anglicans)** and that **Jesuit network** otherwise currently engaged in efforts to assassinate the Pope and organize a Gnostic schism against the Roman Catholic Confession in the Western Hemisphere. Both the Anglicans and Jesuits are deeply involved in support and coordination of the Muslim Brotherhood, together with **elements of the Eastern Orthodox Autocephalic hierarchies** and the World Council of Churches. Special attention must be given to the **ecumenical arrangements in the Netherlands**, which coordinate with the World Council of Churches in Geneva in environmentalist and terrorist-sympathy operations, as well as in attempting to organize the Gnostic schism. This is the same crowd which ran the **Poland Solidarity destabilization** in cooperation with British SIS under British SIS direction and coordination through the **London Tavistock Institute (KOR)**—the fight between these pagan elements and the Catholic Church in Poland today (e.g., between L. Walesa, a “Son of the Church,” and those of his radical opponents within Solidarity controlled by London.)

Admittedly, at first glance, such a listing is a complicated mess, unless one looks at the whole collection from the proper vantage-point of reference, at which point the complexity dissolves into relative simplicity.

To make this apparently complicated mess simple and understandable in the sense of “Who do we have to shoot?” one must ask in whose interest and for what purpose did British SIS coordinate the murder of President Anwar Sadat? Each of the petty assassins, such as the psychotics of the Muslim Brotherhood, would each offer his or her own motives for the killing. Only a fool of a counterintelligence operative bases evaluations of such an operation on the motives of belief of the mere instruments of a crime. Who knew how to exploit the motivations of psychotics such as the Muslim Brothers to the special interest of British SIS? What was the motivation of those who direct SIS? The motives of the rest of the collection of degenerates are those of merely clinical interest.

Henry Kissinger’s motive to kill Sadat

To understand why British SIS murdered President Sadat one must pose the question, “Cherchez la femme?” How was **Henry Kissinger** involved? Henry may be no lady, but, as Osmin the Eunuch once said, under the circumstances he will have to do.

The policy-motivation for the murder of President Anwar Sadat by British SIS is the “China Card policy.” We must understand what the “China card policy” really means. It means a global genocide based on the Peking doctrine of “population policy,” a destruction of the sovereign nation-states of the world together with a reduction of the world’s population by several billions over the coming two decades. This is projected to the

purpose of bringing into being the kind of Malthusian, one-world order demanded during the 19th century by the homosexual **Pre-Raphaelite Brotherhood cult** of Oxford’s **John Ruskin** and Cambridge’s hoaxster **Benjamin Jowett**. It is sufficient to add that the **Coefficients of Lord Alfred Milner**, and **London Round Table**, and its successors, have become the dominant force in British ruling circles during this century, and that those Anglican-Jesuit cult-circles are conscious bearers of the tradition of John Ruskin’s global scheme for establishment of a **worldwide Malthusian, World-Federalist** imitation of the ancient Persian and Roman empires. Whoever does not understand that point and its importance understands very little of any importance concerning the major features of world history during the entirety of the 20th century to date. Let us pass from that more difficult point for the moment, and concentrate on facts which an intelligent layman can more quickly understand: Henry Kissinger’s continuing evil antics.

During Henry Kissinger’s two-term reign as “Acting President of the United States,” the British SIS seconded a leading official of its Arab Bureau to the United States. That official was and is a Kissinger crony by the name of Bernard Lewis. Lewis was seconded to **Princeton University**, where he heads up a centralized task force in charge of destroying the Saudi royal family. (Typically, a member of the Saudi royal family has been hoodwinked into being a chief funder of that Princeton-based operation!) Lewis was also seconded by British SIS to David Abshire’s CSIS at the **Jesuit Georgetown University**. This is the key to the Carter administration’s bringing Khomeini to power in Iran and also the role of Kissinger’s friends in setting up Anwar Sadat to be murdered.

Lewis’s initial function on behalf of SIS inside the United States was to develop the policy which Zbigniew Brzezinski later named the “**Arc of Crisis**” policy, and which that grinning imbecile, President Jimmy Carter, praised as “**the Islamic Fundamentalism Card.**” The policy was worked out in London and at the Arab Bureau branch headquarters in Switzerland (under Glubb Pasha), but the trick was to make it appear as if the dumb Americans had invented the policy all on their own. To “launder” this criminal policy into the U.S. National Security Council and State Department, a British intelligence asset known as the **Aspen Institute** was used. The Aspen Institute was under the sponsorship of **Robert O. Anderson**, head of a British Petroleum subsidiary known as Atlantic-Richfield. Aspen whose Colorado, Washington, and Berlin offices perform a very dirty role in Middle East as well as continental European political life, subsidized and sponsored Lewis’s assignment to produce a new Middle East policy for the United States. This policy, conduited into the **National Security Council and State Department** by Henry

Kissinger, was known originally as “**the Bernard Lewis Plan.**” Like most of the projects proposed by the rabidly Malthusian Aspen Institute, the “**Bernard Lewis Plan**” was a plan for genocide against the populations of all of those nations which Zbigniew Brzezinski later targeted in his “Arc of Crisis” destabilization doctrine.

Once Brzezinski had brainwashed the suggestible **Menachem Begin** (in Polish, naturally), the Begin-Sadat negotiations toward comprehensive Middle East peace were thrown off track, and Egypt and Israel forced to adopt a policy under which Israel became the Carter administration’s instrument for general destabilization throughout the region Brzezinski marked out as the “Arc of Crisis.” Sadat, although a dedicated Egyptian nationalist, was also very much a “politician of the possible,” capable of adapting to what he perceived as unavoidable short-term realities in hope of surviving to achieve longer-term Egyptian-nationalist objectives. Sadat went along; he was in a box, and saw no hope for Egypt’s physical survival unless he complied with the demands of Brzezinski.

Sadat was witness to the shocking fact that Brzezinski made a fundamental change in U.S. policy toward Israel. Whereas, earlier, the United States had had a commitment to Israel as a nation, under Carter and Brzezinski, the authority of the United States’ backing was shifted away from the nation of Israel to the personalities of Menachem Begin, Sharon, et al.

This is extremely relevant to the fact that those elements of Israeli national life directly complicit in assisting the murder of President Sadat are either officials of the Aspen Institute or drug-traffickers linked to the **Permindex/Space Research complex tied into South Africa and Hong Kong as well as Montreal, Canada.**

Most Americans, to this day, have trouble in accepting the conclusive, overwhelming proof that it was the Carter administration’s Brzezinski, Vance and Henry Kissinger—the **Trilateral** gangsters—who willfully brought Khomeini to power in Iran (with Soviet **KGB** cooperation), and orchestrated Khomeini’s playing with U.S. hostages right up to the eve of President Ronald Reagan’s inauguration! The problem of comprehension which most Americans suffer on this point is their refusal to believe how really evil Kissinger, **Rockefeller**, Brzezinski, Vance, **George Ball**, and Jimmy Carter are. They refuse, generally, to make the connection between the fact that President Jimmy Carter proposed genocide greater than that perpetrated by Adolf Hitler as the cornerstone of U.S. foreign policy: “**Global 2000.**” They refuse to make the connection: that it was Henry Kissinger, as a two-term “Acting President of the United States,” who established institutions of government dedicated to promoting genocide as U.S. foreign policy within both the National Security Council and the State Department. They refuse to face the simple

fact that not only is Carter’s “Global 2000” more criminal than Hitler’s *Mein Kampf*, but that the present policies of **Paul A. Volcker, the International Monetary Fund, the World Bank, and the Bank for International Settlements** are conscious policies of genocide against Latin America, Africa, and most of Asia’s peoples.

Americans generally refuse to face the simple fact that Henry A. Kissinger, **Alexander Haig**, and **Thomas Enders** willfully and consciously set up the trusting Lon Nol government of Kampuchea to be murdered by the genocide of **Peking’s puppet-dictator Pol Pot**, and that through the influence of Kissinger, Brzezinski and Vance, the State Department, which knew the extent of Pol Pot’s genocide, covered up that genocide as a gesture of alliance with Peking.

Soviet follies

However, now, exactly the same program of genocide which Peking’s puppet, Pol Pot, conducted in Kampuchea is being enacted by “Pol Pot” Khomeini in Iran. This time, the same **Soviet Foreign Minister Gromyko**, whose government rightly denounces Pol Pot, stands barefaced before the United Nations to defend a regime far worse than that of Adolf Hitler, that of Ruhollah Khomeini. The Soviet government knows what Khomeini is, what the Muslim Brotherhood is, and yet that same Soviet government connives with Khomeini and the Muslim Brotherhood, for some imagined expediency in strategic games with the U.S.

Unfortunately, Soviet moral complicity with genocide goes deeper than such strategic expediency.

The son-in-law of the late A. Kosygin, Dzhermen Gvishiani, is Soviet head of a Vienna-based organization called the **International Institutue for Applied Systems Analysis (IIASA)**. IIASA is in fact a creation of NATO, dedicated to subverting the East bloc as a whole through spreading the influence of a doctrine of “systems analysis” concocted by a **branch of British SIS, the Apostles of Cambridge University**. IIASA is a chief conduit for spreading into the East bloc and leading Soviet circles themselves (IMEMO) the genocidal Malthusian dogma of the **Club of Rome**. The Club of Rome is also a creation of NATO intelligence, as well as the author of the international “environmentalist” movement and its terrorist-sympathizer offshoots. Gvishiani is a leading accomplice of the Club of Rome’s **Aurelio Peccei** in spreading “environmentalism” and genocidal dogma into both the Western nations and the Soviet bloc.

This behavior of Gvishiani is not only that of a Nuremberg criminal, but is symptomatic of high-level factional protection for Gvishiani in Moscow itself. The extent of pro-genocide influences in Moscow is symptomized by the public policy-declarations of **Boris Ponomarev** at an East Berlin conference of communist

parties last year. Ponomarev did not explicitly propose genocide against developing-nation countries, but he did propose a global economic policy whose directly calculable effects could be only widespread genocide. A similar policy was voiced on behalf of Foreign Minister Gromyko in protocols of the Haig-Gromyko meeting.

Behind these Nuremberg-criminal influences penetrating Moscow, there stand British triple-agents **Donald Maclean (IMEMO)** and **KGB General Harold "Kim" Philby**. This is the same Philby who, together with his father, ran Muslim Brotherhood and related networks in the Middle East prior to his 1963 flight to Moscow—and who consistently plays the side of British SIS and the Arab Bureau in all Soviet KGB operations in the Middle East to the present day.

The danger of war

It is not irrelevant that Secretary Alexander Haig is both a Jesuit and a supporter of the genocidal "Global 2000" policy. Haig's Jesuit connections are to that network which is conniving with the Anglican Church to split the Roman Catholic Confession in the Western Hemisphere from Rome. Haig is knowledgeably supportive of this faction, which he knows to be motivated not only by "Luciferian" Gnosticism, but which is determined to destroy the Vatican in order to remove the Vatican as an obstacle to genocidal policies such as "Global 2000." In his function as U.S. Secretary of State, Haig, together with **Jesuit-influenced James Buckley**, is explicitly deploying elements of the State Department which are operationally committed to genocide against Latin America, Africa and Asia.

In these policies there is no difference between Haig and Kissinger, nor does either have any difference on these issues with the "Dr. Frankenstein," **Fritz Kraemer**, who created Henry Kissinger from the mud of a wartime Louisiana replacement-depot, and who made Alexander Haig Kissinger's errand boy. Haig and Kissinger are merely golems, not actually people (not in the moral sense of personality). It is the masters who control these golems who must be understood to understand the motives for what the golems do. The special feature of the strategy of the golems' masters toward the Soviet Union is to bring into power—as Secretary Brezhnev's successors—the gang of genocidalists, typified by Gvishiani, within the Soviet leading circles.

Golem Kissinger has repeatedly reflected the nature of his masters' concerns on this point.

The surest way in which to have Kissinger deployed out of his golem's closet into public view once more is to have the Soviet Union enter into any treaty of economic cooperation with Western Europe, Japan, or key nation of the developing sector. The dirty golem's reaction to each and every such occasion is "Finlandization!" What frightens the golem's masters is not what

Kissinger pretends to imply by his recurring barkings on this matter; what frightens Kissinger's masters is the fear that such deals will strengthen the position of the Soviet nationalists within the Soviet leadership itself. Kissinger's masters are fanatically determined to have **M. Suslov** and **B. Ponomarev** take consolidated control over the Soviet leadership—in that sense, Henry Kissinger might be called a "Soviet KGB agent." His every action in U.S.A.-Soviet relations is aimed to strengthen the factional interests of Suslov and Ponomarev, in order to strengthen the forces accommodating genocidalist Gvishiani, and Maclean and Philby.

Each time the Soviet Union moves in direction of policies based on economic cooperation, Kissinger and similar creatures begin breaking furniture in their tantrums around Washington and other policy centers. When the Soviets move in the direction which Kissinger's masters desire from Moscow—as during the succession of Gromyko's meetings with both the Israeli Foreign Minister and Haig, Kissinger et al. pat Moscow on the head, uttering the diplomatic equivalent of "nice doggie" to the manipulated fools in Moscow. In brief, a straight "Mutt and Jeff" brainwashing tactic, aiming to create the circumstances under which Suslov and Ponomarev take over the succession to power.

What Kissinger's masters require is an aggressive "Cominternist" policy for Moscow, matched by a bitterly anti-Soviet posture from the West. In such a circumstance, British SIS, aided by high-level Commonwealth errand-boys such as Lord Carrington, can hope to control the world by acting as middleman between Washington and Moscow. In that circumstance, SIS's masters believe both Moscow and Washington can be systematically weakened to the point that John Ruskin's homosexual fantasies of a Malthusian, World Federalist order can be brought to reality.

Whenever Moscow wittingly crawls into bed with British SIS's assassins, as in connection with the murder of President Anwar Sadat, the world is being moved toward precisely the strategic miscalculations out of which an otherwise impossible thermonuclear war may erupt. Therefore, we must say clearly to Moscow: "Stop your babbling about peace movements and disarmament negotiations, and get out of the British bed. Then, dumb Russians and dumb Americans might finally grope their way toward solutions, establishing world peace without sacrificing the vital strategic interests of either nation."

Moscow's instinctive reply will be: "We gave Reagan a chance, and it didn't work!" So typical of our simple, sentimental Russians! Perhaps it will not work, but it is the only course of action which could. If Moscow stays in the homosexual political bed of the British SIS, there will be no future Soviet generations—and little good for humanity as a whole.

Mexico's bid for industrial partners

by Timothy Rush

When Miguel de la Madrid was tapped late last month by Mexico's ruling PRI party as President José López Portillo's successor, one of the questions was whether—and how aggressively—the nominee would continue the industrialization policies which have made Mexico a showpiece of the economic development possible when “North” and “South” come to terms.

One early signal is the decision by the López Portillo administration to pull out the stops on Mexico's ambitious nuclear energy program. This program will of necessity bridge the López Portillo and De la Madrid administration—it had to be personally approved by both men—thus fostering continuity of Mexico's high-technology development strategy.

The full-speed-ahead decision on nuclear power came a few days after López Portillo and Reagan had met personally in Grand Rapids, Michigan—and a few weeks

before the summit of 22 heads of state in Cancún, Mexico, convened to examine “North-South” economic issues on a world basis.

The pronuclear decision by Cancún's host country is a signal to the other participants in the summit that Mexico remains committed to transfer of technology as the linchpin of national development—and not any of the “appropriate technology” schemes which some nations in both North and South have tolerated.

And, though U.S. firms are not guaranteed the contracts in Mexico's current round of bidding, they are absolutely in the running—something which could not have been said a year or even six months ago.

This week, and in future installments, *EIR* will survey the new steps toward a North-South relation based on technology transfer being taken by Mexico and three principal partners: the United States, Japan, and West Germany. In this issue we review Mexico's ties with the first two countries, including 1) improved prospects for U.S. involvement in Mexico's ambitious nuclear program; and 2) the status of Mexico-Japan ties, with an exclusive report from Guadalajara, Mexico by *EIR*'s Héctor Apolinar, on the twelfth annual meeting of the Japan-Mexico businessmen's council, accompanied by *EIR* interviews with the Japanese ambassador to Mexico, and the Mexican ambassador to Japan. Mr. Apolinar reports that the low-profile approach taken by the Japanese in Mexico is a thing of the past.

How the Mexican nuclear push was re-launched

Mexico officially opened bidding Oct. 5 on the next stage of its ambitious nuclear program. The tender is attracting interest from almost all major nuclear export countries: the United States, France, Canada, Sweden, and West Germany.

As is standard practice in Mexico, the renewed nuclear push is planned as an integral element of Mexico's overall industrialization plan, with special emphasis on capital goods production. And Mexico is looking to constantly upgrade its access to technology: as one private U.S. nuclear official put it upon returning from Mexico two weeks ago, “Mexico's principal interest is in tying the construction of these next reactors to a long-term transfer-of-technology package.”

To underscore the technology issue, Mexico is in fact building an unusual feature into its bidding process. The validity period for technology transfer offers will run six months beyond the validity period for the reactor construction bids themselves—up to Feb. 1, 1983.

Though it does not necessarily demand this as part of

the immediate bidding package, Mexico is also making clear that it is interested in full fuel-cycle technology further down the road—particularly uranium enrichment.

September 22 meeting

Mexico's December 1980 National Energy Plan ratified a strong nuclear energy program, setting the goal of 20,000 MWe by the year 2000. Bidding in February for the next stage was postponed, however, in part because of a furious debate in some nuclear circles over whether to go with the light water reactor technology, which is the world standard and the technology of Laguna Verde, or with Canada's heavy water design, called the CANDU.

Then in late September the nuclear issue was suddenly put back on the agenda and rapidly pushed through. *EIR* has reconstructed the events.

On Sept. 22, López Portillo just back from Grand Rapids, Michigan, attended an unpublicized session of the administration's top energy officials at the office of the Mexican Federal Electricity Commission (CFE). Present, in addition to the President, were Ing. Alberto Escofet, director of the CFE; José Andrés de Oteyza, Minister of Industry with responsibility for energy

matters; De Oteyza's Undersecretary for Energy, Fernando Hiriart; Finance Minister David Ibarra; Planning Minister Miguel de la Madrid; and Damau Costa, Director of the Nuclear Research Institute (ININ).

According to reliable sources, Hiriart presented the case for proceeding with immediate bidding on the next stage of the nuclear program. Costa, in part reflecting the bias of the nuclear workers' leadership for the Canadian CANDU design, asked for a delay and a scaling down of the program. The argument of the CANDU backers is that Mexico should go slower in order to maximize its "independence" from foreign sources for enriched uranium or components.

CFE head Escofet and Industry Minister De Oteyza reportedly intervened strongly to insist that the plan could suffer no further delays. De la Madrid upheld the same position. And then López Portillo sealed the argument by noting that the CFE had final responsibility for setting the pace and scope of the electricity program, and therefore its viewpoint carried the greatest weight.

The following day De Oteyza announced that bidding on the next stage would begin Oct. 5. And two days later the PRI party announced the designation of López Portillo's successor—De la Madrid.

The U.S. role

Three of the seven bidders are American firms. This is a turnaround from the four years of the Carter administration, when the U.S. closed itself so completely out of the Mexican market that America was not even included in the prospective list of partner countries that Mexico drew up in early 1979. Mexico remembers bitterly, in addition to the general anti-nuclear tenor of Carter export laws, Energy Secretary Schlesinger's unilateral embargo of previously contracted enriched uranium to Mexico—despite the fact that Mexico had been an original signer of the Nuclear Non-Proliferation Treaty, and has headed the successful movement to turn Latin America into a nuclear-free zone.

The Reagan administration began to make overtures to Mexico to end this chill as early as March 1981, but really moved the question forward only in September—in perfect timing with the Mexican initiatives.

The U.S. made a point of bringing up its interest in nuclear exports at the U.S.-Mexico Trade Commission meetings in Mexico City on Sept. 21-22. The final communiqué from the trade sessions, released the same day as the Mexican cabinet meeting on nuclear policy, stated in its final clause: "The United States affirmed its intention to re-establish itself as a reliable international nuclear supplier and partner, and indicated a special interest in strengthening nuclear energy cooperation between the U.S. and Mexico. . . . The Mexican delegation was receptive to undertake consultations in the

nuclear energy area."

U.S. Ambassador John Gavin, a party to the high-level Bush-Reagan-López Portillo diplomatic consultations that were undertaken just before and during the Grand Rapids meeting Sept. 17, had previously called on De Oteyza to receive assurances that Mexico planned to include U.S. firms in the bidding. De Oteyza reportedly stated emphatically that U.S. companies were welcome, and offered to meet personally with U.S. vendors in Mexico.

That opportunity came a week later on Sept. 29-Oct. 1, when a three-day U.S.-Mexico nuclear symposium opened up in Mexico City. All the major U.S. reactor companies made presentations on their records in nuclear exports and what they were prepared to offer Mexico. The U.S. Department of Energy, the Nuclear Regulatory Commission, and the Commerce Department filled out the picture of what doing nuclear business with the U.S. would look like.

Ambassador Gavin inaugurated the symposium with a headline-grabbing pledge that the "obstructionism" of the Carter era was over, and that the United States was once again a "reliable supplier" that could be trusted by the Mexicans.

In a private meeting with executives from one of the U.S. firms involved, De Oteyza reportedly declared, "We are determined that this program go ahead, regardless of the change of administration at the end of the López Portillo term next year. We will continue not only under De la Madrid, but under the President after. This is our intention."

The U.S. role is still far from a sure bet, encouraging as these developments are. For one thing, U.S. financing through Eximbank is grossly inadequate for competing with the attractive export-financing packages available from such bidders as France, West Germany, and Sweden. Exim's capabilities, eroded under Carter, have been cut back even further under David Stockman. Several U.S. firms indicated extreme concern over the existing situation. Westinghouse, in fact, is considering inviting in Mitsubishi on its bid solely in order to tap outside Japanese financing.

Similarly, there are problems still to be resolved in demonstrating America's newly pledged reliability. The same week that Gavin spoke in Mexico for one wing of the administration, the "Global 2000" wing, acting through Haig's and James Buckley's offices at State, backed up an NRC ruling that Brazil could not be shipped enriched uranium previously contracted for on both sides.

Reliable sources indicate that Washington plans to send "a high-level delegation" to Mexico near the end of the year to explain U.S. non-proliferation policy, "identify problem areas," and provide Mexico with additional assurances of U.S. cooperation.

The seven bidders

Seven bidders are participating in the Mexican nuclear competition opened Oct. 5. Bids on this second stage of Mexico's nuclear program—to encompass a target 2,400 MW—are due by Feb. 1, 1982, and results will be announced by Aug. 1, 1982.

This is the way the bidders stack up as of this moment, though it should be remembered that Mexico has left itself plenty of room over the next 10 months for hard bargaining and further definition of its own needs.

United States

Three of the seven bidders are American: General Electric, Westinghouse, and Combustion Engineering.

Strengths: General Electric is the principal builder of Mexico's first nuclear reactor complex, the 1,300 MW of Laguna Verde, due to come on stream in 1983-84. This means GE is well established in Mexico. It would have a special advantage if Mexico wanted to expand the Laguna Verde site, because the extensive testing for placing GE's Boiling Water Reactors (BWR) there, including most importantly seismic studies, would not have to be repeated.

Westinghouse, which produces the more widely adopted Pressurized Water Reactor (PWR), is pitching its bid to Mexico on its ability to guarantee 100 percent transfer of technology, as demonstrated in its 10-year program of transfer to Spanish licensees. It has also considered strengthening the financing package it can offer by bringing in either Mitsubishi (its Japanese licensee) or its Spanish associate firms.

Combustion Engineering's forte in the past has been its leading role in producing heavy components such as pressure vessels and steam generators. It is expected to be selling Mexico on this capability. Its basic model: Pressurized Water Reactor.

All three U.S. firms benefit from their extensive experience in reactor production and export, and the momentum of the current thaw in U.S.-Mexico relations.

Weaknesses: Mexico is interested in both guaranteeing supply of imported enriched uranium for the next set of reactors and in acquiring such enrichment technology for itself further down the line. The U.S. has yet to demonstrate a convincing record in either area.

A second severe problem area is export financing. Eximbank is currently inadequate to the task.

Evaluation: Despite these problems, the U.S. firms stand an excellent chance.

France

France has been in the running long and hard since the time of President Giscard's visit to Mexico in March 1979.

Strengths: More than any other bidder, France is willing to discuss transfer of enrichment technology to Mexico. It is offering Mexico concretely the 11.6 percent of the shares of Eurodif, a pooled enrichment arrangement in Europe, which Iran let lapse after the Khomeini takeover. This would guarantee Mexico enriched uranium supply until the Eurodif capacity is saturated. At that point France promises Mexico access to two experimental enrichment processes, chemical isotope separation and laser separation. France has also repeatedly offered Mexico access to the technology of France's Super-Phénix breeder reactor as it comes into commercial use in the late 1980s.

Weaknesses: In a word, Mitterrand. So long as the new Socialist government slashes domestic nuclear plans left and right, France has had to do some fast talking to convince Mexico that it plans to stay in the business of being a reliable nuclear exporter. The French embassy in Mexico has put out the word that nuclear will be "at the top of the agenda" that François Mitterrand brings with him into talks with President José López Portillo in Mexico Oct. 19-21.

Evaluation: Despite the Mitterrand problem, France retains the support of a strong current in Mexico's energy and nuclear establishment. Also up near the front.

Canada

Up until the recent re-entry of U.S. bidders, Canada had been the principal country going head-to-head with France. It now looks in trouble.

Strengths: Canada, unlike all the other entrants, is offering solely Heavy Water Reactors (HWR), known as the CANDU. The CANDU does not require enriched uranium, and hence offers Mexico a way out of the delicate and uncertain business of seeking guaranteed sources for enriched uranium.

Weaknesses: The CANDU requires heavy water, a substance difficult either to import on an assured basis or to produce at home. The Atomic Energy Commission of Canada (AECL) contracts out for all its reactor components (50 percent of which are actually produced in the United States), and is therefore not in a position to offer a complete transfer-of-technology package. Finally, since CANDU is a major divergent technology from the more widespread Light Water Reactors

(LWR) offered by everyone else, it entails a top-to-bottom re-tooling of the Mexican nuclear industry, outside the kind of timetable implied in the decision to go for immediate bids on the next stage, as taken Sept. 22.

Evaluation: The CANDU is supported for political reasons by a powerful faction in the Mexican nuclear workers' union, SUTIN, the nuclear research institute, ININ, and surrounding leftist political layers. Their argument is that heavy water is subject to less "foreign dependence" than enriched uranium. This argument did not carry the day in the Sept. 22 meeting and is not likely to in the future. Other considerations, technical and commercial, favor the other bidders and Canada's chances are now somewhat reduced.

Sweden

Sweden has made a surprisingly strong run for the money, starting with a full tour of Sweden's nuclear industry provided López Portillo during the Mexican President's visit to Sweden in May, 1980.

Strengths: Sweden is making an offer no other competitor has on the table: the physical relocation of its nuclear company, ASEA ATOM, to Mexico. This would enhance Mexican opportunities for manufacture of components, both for itself and for export. Sweden also already has an extensive share of Mexico's non-nuclear electricity technology market. Mexico's Industry Minister De Oteyza, with a large say in the nuclear decisions, was reported to have been particularly impressed with the Swedish industry during his 1980 visit.

Weaknesses: Sweden does not have enrichment capability, nor a major export record (its only sale has been to Finland so far).

Evaluation: Not one of the front-runners.

West Germany

A late entry in the competition, Germany did not even include nuclear energy on the formal agenda when López Portillo visited Bonn in 1980.

Strengths: West Germany's Kraftwerke Union (KWU) is the only firm in the bidding able to offer all three commercial reactor technologies: Boiling Water, Pressurized Water, and Heavy Water. It has experience with a broad-ranging Third World nuclear development program (the Brazil deal) graduating into supply of a full fuel-cycle capability. Specifically, like France, Germany has an experimental enrichment technology it has been willing to export.

Weaknesses: Entered the bidding so late that it does not have any significant "lobbying" apparatus already built up in Mexico. It has to demonstrate that it is seriously interested in the Mexico market, which it had previously been willing to write off as it concentrated on the Brazil deal.

Evaluation: Trailing the pack at this point.

Japan-Mexico Relations

Tokyo out to rebuild trade and investment

by Héctor Apolinar

Over 100 Japanese businessmen and government representatives met with various Mexican businessmen and state officials the week of Oct. 5-7 in Guadalajara, 300 miles west of Mexico City, at the 12th Plenary Meeting of the Mexico-Japan Businessmen's Committee.

The most striking aspect of the meeting was the evidence that Mexico and Japan are taking steps to consolidate economic and political cooperation of a sort perhaps not occurring anywhere else in the world at this time. If this relationship succeeds, it could rapidly become a new model for relations between advanced industrial countries and those underdeveloped countries aspiring to advanced status.

Economic ties between the two countries have made surprisingly large advances in the past two years, demonstrated by the fact that Japan moved from fifth to third place in foreign investment in the country. Japanese investment now totals \$1.5 billion, surpassing France and Sweden. For 1982, the Japanese objective is to displace West Germany, currently in second place, with approximately \$3 billion in investments.

The Japanese offensive is making businessmen from other countries nervous. The Mexico-Japan Businessmen's Committee in fact projects a \$4 billion level of investment by 1983 and trade valued at \$3 billion.

In the course of talks in Guadalajara with the Japanese participants, it became clear to me that for these industrialists, who created Japan's economic resurgence, Mexico is seen as an almost ideal place to invest. Mexico's economic opportunity and natural resources, and above all the enormous productive and creative potential of the Mexican population, are considered by the best of Japanese industrialists to endow Mexico with the makings of a second Japan.

Another faction of Japanese businessmen is disconcerted by these developments, even unhappy over the markedly political emphasis established by Mexico in its international economic negotiations. Part of this reaction can be traced to the fact that Mexico has refused to

carve out enclaves of economic influence, as many less developed countries have done, but has instead insisted on welcoming Japanese investment only according to Mexico's "rules of the game."

This has meant asking the Japanese to form consortia of companies and banks capable of offering large *packages* of technology and financing for the large-scale projects Mexico has adopted. For example, Japanese firms and Mexican government consortia, with financing from Japanese banks, are now collaborating on this basis to build part of the second stage of the Las Truchas steel plant and an adjacent plant to produce large-diameter steel tubing.

The principle of association and joint venture for the industrial projects was stressed by Mexican government officials throughout the meeting. The Mexican Undersecretary of Foreign Trade, Héctor Hernández, stressed in his speech that "the Mexican government has had special interest in intensifying its economic ties with those countries which help in strengthening our national productive plant, as has been the case in the recent period with Japan."

In the face of this Mexican strategy, the high command of the Japanese business community has split between those who are ready to invest under Mexico's rules and those who are not. Some, like Keidandren head Toshio Doko and Renzo Taguchi, in private say they love Mexico because of its enormous development potentials.

In contrast, groups like those around former Foreign Minister Saburo Okita have refused to cooperate with the Mexican government approach, and freely comment that the Mexican government is incapable of directing the economic development of the country.

The difference in approach became particularly evident when Okita ran the show during Prime Minister Ohira's ill-fated trip to Mexico in early May 1980. The Japanese so offended their hosts with unacceptable demands and arrogant public criticism that relations took a nosedive, and were only slowly and painstakingly resumed over the following six months. The current progress in relations is a hopeful sign that the Okita approach will take a back seat under Japan's current Suzuki government.

The oil question turns around

In the course of an interview with *EIR*, Mexican Ambassador to Japan, Francisco Javier Alejo, stressed his view that Mexico has established a clear strategy toward Japan, but that Japan's strategy toward Mexico had been much less defined.

He may have been referring to the ironic turnaround in the state of Mexican sales of oil to Japan.

Starting in early 1979, Japan constantly pressured

Mexico for a larger share of Mexican crude oil exports than the 100,000 barrels per day set in the beginning of that year. Mexico repeatedly stated that there was no more oil to export at that time and that additional quantities in the future would depend on better oil-for-technology packages than those then being offered by the Japanese.

Then, this June, when the bottom fell out of Mexico's export contracts because of price squabbles in a contracting world market, Mexico suddenly came back to Japan and said that 200,000 and even 300,000 barrels per day of oil was available. The Japanese, with ample current supply from elsewhere, replied that they appreciated the offer, but were not interested at this time.

At the Guadalajara meeting, the Mexican government renewed its pressure for Japan to take more oil. In a speech written by Pemex Director Moctezuma Cid and read by Francisco Ruiz de la Peña, Pemex's Director of Finances, the Mexicans emphasized that "we can see future operations of greater magnitude than those we are carrying out today" in oil sales. What we require, he stated, "is to transcend purely commercial relations, creating a mechanism for true collaboration." Or as Ambassador Alejo put it, "It would indeed be unfortunate if, once again, we were not able to arrive at an accord which is acceptable to both sides. I believe that the moment has arrived to identify the most productive avenues of cooperation for the medium and long term, and proceed immediately to advance along them with an explicit program."

Though the Japanese in Guadalajara continued to speak of problems in price and quality in the Mexican crude oil offer, there is reason to think that Japanese interest may converge in the relatively near future on increased Mexican imports. I was told that studies exist in Tokyo saying that it is strategically important for Japan to reduce its dependence on Mideast oil supply, and increase Mexican imports until the latter reach 5 to 6 percent of total Japanese needs.

Overall, a strong sense of cooperation and joint commitment to deepen economic ties predominated in Guadalajara, spurred further by Japan's emergence as a spokesman sympathetic to large-scale transfer of technology at the Cancún North-South talks.

Several further Japanese visits are immediately planned to follow up on this momentum. At the end of October, a mission of the Japan Consulting Institute will arrive to study the prospects for setting up joint ventures in the five largest Mexican port projects, and report back to Japanese businessmen on their findings. Shortly thereafter Japan will send an importers' mission with representatives of 150 firms. The mission will be headed by the Chairman of the Board of Directors of Mitsubishi, Bunichiro Tanabe, and sponsored by the Japanese foreign trade ministry MITI.

Mexico's ambassador: 'A very positive attitude'

The following exclusive interview was conducted by EIR correspondent Héctor Apolinar with Mexico's Ambassador to Japan, Francisco Javier Alejo, at the 12th Plenary Meeting of the Mexico-Japan Businessmen's Committee held in Guadalajara, Mexico, Oct. 5-7.

Apolinar: Mr. Ambassador, could you tell us the status of the oil negotiations between Mexico and Japan?

Alejo: Japan had been seeking to buy an amount of crude oil which Mexico had not been able to supply, due to prior commitments. We have a policy with a fixed export ceiling of 1.5 million barrels per day—unless the circumstances or necessities of development demand more. Given our 1.5 million barrel per day export ceiling, and prior commitments, for a long time we were unable to satisfy Japan's repeated request to increase deliveries of 100,000 barrels per day up to 300,000.

But now, with the present situation of a short-term oversupply on the international market, we have told our Japanese friends that we want to satisfy their old request as soon as they wish, and obviously they have been pleased. But on the other side, they also have a short-term problem. Japan's petroleum industry has suffered strong financial setbacks, seen in the fall in price of products from their refining industry, and from the rise in interest rates, that have produced devastating effects on Japan's holdings.

For this reason, Japan has had to make adjustments. Their reply to our offer has been ambiguous so far, due to Japan's dilemma in these circumstances. But their attitude has been very good, very positive, and we are examining the situation like friends, patiently. It is up to them to accept or not. Of course, at a certain point if they don't decide, then we will sell our oil to others, since we have other requests. So it basically depends on Japan.

Apolinar: What areas of co-investment do you believe may have the greatest interest for Mexico?

Alejo: The areas of co-investment which have been planned are those decided by Mexico—basically industry, tourism, and fishing. The priority areas in our industrial development plan include metal-working industries, capital goods, consumer durables, some basic metals, secondary petrochemicals, a bit in transportation, a bit in electronics.

Apolinar: Have you seen a more defined strategy on the part of the Suzuki government toward Mexico?

Alejo: Well, I don't think that this question can be personalized, since Japan is a very institutionalized country. I would say that there has been more of a Mexican strategy toward Japan than a Japanese strategy toward Mexico. The Mexican strategy is finding favorable ground because there is wide general interest in Japan about Mexico, as much from the standpoint of the size of the Mexico market as from the medium- and long-term dynamic of the Mexican economy, as well as its nearness to the U.S., which offers interesting perspectives for international trade. Plus Mexico's natural resources, which of course offer very interesting complementary possibilities. So from the Japanese side, more than having a particular type of strategy, there is a general interest that gets translated into concrete decisions to the degree we specify to them what it is that we want.

Apolinar: I have spoken to several Japanese businessmen established in Mexico who are thinking of delaying their investments for the rest of this year and part of next year, due to the current election campaign in Mexico.

Alejo: Well, this is a very general Japanese attitude, what they call a policy of "wait and see." It refers not only to Mexico, but to any country they are dealing with. Japanese investors, perhaps because they have worked so hard to achieve what they have achieved, are very cautious. So there are some examples of delay.

But there are others where work is proceeding intensely. The most noteworthy case is that of Nissan Motors, which has an investment program of \$450 million, no small amount in Mexico. They have been working very hard, and have no intention of interrupting or postponing that work.

Apolinar: You have mentioned the importance of the favorable position of Japan for the Cancún meeting. On what do you base that understanding?

Alejo: It's based on specific statements made by the Japanese government; on the position adopted by Prime Minister Suzuki at Ottawa, a very positive position; and on the position adopted by the Prime Minister and several of his ministers during the ASEAN coordinating meeting in Osaka. All the countries in that region have asked Japan to be their spokesman with the other developed nations.

Apolinar: What has been the reaction of Japanese political circles to Mexico's position on El Salvador?

Alejo: Japan has traditionally had close relations with El Salvador, so relations with El Salvador claim their attention and interest.

I believe that Japan's attitude for the present is basically to observe and study our position, which I believe they regard with a great deal of respect.

Japan's ambassador: 'Our neighbor is growing'

Japan's Ambassador to Mexico, Noboru Matsunaga, has taken an increasingly forthright and public role as a Japanese spokesman on development. In some moments taken out from the Japan-Mexico Businessmen's Meeting in Guadalajara Oct. 7, Mr. Matsunaga explained to EIR's Héctor Apolinar how the Japanese see their relations with Mexico and the rest of the developing world.

Apolinar: What is [Prime Minister] Suzuki's appreciation of the relations between Mexico and Japan?

Matsunaga: The development of bilateral relations between Mexico and Japan is good. Mexico is growing very fast in its economic and political relations with countries outside its borders. Japan is one of the most industrialized countries in the world, searching to expand its relations with various countries. Mexico now occupies a very important place in this framework.

Moreover, we are confident that the next century will be a century of the Pacific Ocean. This is a very important concept in this meeting, because Mexico and Japan are both neighboring countries. They have only the Pacific Ocean between them.

Apolinar: Do you expect an increase in the economic collaboration between Mexico and Japan?

Matsunaga: As I mentioned, Mexico will grow and it is our expectation that Mexico will become a very modern country participating and contributing to the creation of a stable world economic order. The prosperity of its economy will contribute to the whole world. There can be no doubt about this. With this in view, we will endeavor to achieve closer cooperation between Mexico and Japan.

Apolinar: Do you expect that Mexico and Japan will reach an agreement on oil purchases?

Matsunaga: We are now importing oil from Mexico on the basis of 100,000 barrels per day. In the long range we expect to increase our imports of Mexican crude. Looking short term, the immediate supply-and-demand situation for crude oil in the world is very loose. We cannot increase our imports from Mexico today or tomorrow. But definitely we are looking forward to developing our relations with Mexico which will include the transfer of crude.

Apolinar: Will Mr. Suzuki stop in Mexico City after the Cancún meeting?

Matsunaga: He will fly directly into Cancún and back again to Japan, because at this time Japan is in full session of the Diet [Parliament]. But he already knows Mexico very well. He has come several times. He has very good personal relations with the leaders of Mexico, including President José López Portillo.

Apolinar: Are there consultations between Mexico and Japan in regard to the Cancún meeting?

Matsunaga: We are consulting constantly with Mexico. We have very close contact with the Mexican government.

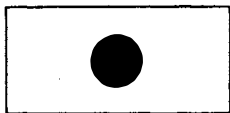
Apolinar: Can you tell me the main point that Japan will make in the Cancún meeting?

Matsunaga: I don't know what the Prime Minister will say in the Cancún meeting. I can tell you only that the basic position of Japan has always been looking toward such a meeting at the highest level, to contribute to the progress of the dialogue between North and South. Japan is a country which is heavily dependent on its relations with the South, the developing countries. We believe that without the economic development of the developing countries, the developed countries cannot enjoy their own prosperity. So we are making our best effort to assist and encourage the development of the underdeveloped countries.

I don't think the Cancún meeting will result in reaching agreement on concrete projects. They will have only two days of discussion and the participants are all heads of state. But if they are coming to Cancún in order to create a kind of good atmosphere for future dialogue between North and South, then I think we can say that the Cancún meeting will be a big success. The most important thing is to avoid confrontation between the North and the South. We should recognize the importance of interdependence and reaching common interests between the North and the South.

Apolinar: As you know, Mexico is very worried about the deterioration of the situation in Central America. The violence is increasing, and Mexico is proposing that the economic development of these countries is the way to bring peace. Does the Japanese government agree with this view?

Matsunaga: We are also worried about the unstable situation in Central America. And we know that the economy in Central America is not very good. They certainly need assistance from the outside world. However, as you know, we have always been strongly against external intervention for the settlement of disputes. In this area again, it is always our view that such instability be resolved through the interested parties on the basis of peaceful negotiations.



Taguchi: 'Mexico's strength is her young population'

The following interview was granted to EIR by Renzo Taguchi, representative of Japanese industrialists at the 12th Plenary Meeting of the Japan-Mexico Businessmen's Committee held at Guadalajara, Mexico, Oct. 5-7. The interview was conducted by Héctor Apolinar.

Apolinar: Have there been political obstacles to Japan's increased purchase of oil from Mexico?

Taguchi: There is no political obstacle. Generally, news reporters insist that there are political problems, both Japanese and Mexican reporters, but I do not think so.

Apolinar: There are some in Mexico who think that Japanese industrialists are disposed to cooperate only in a limited way with Mexican industrialization. Are there limits to Japanese cooperation with Mexico, or are Japanese industrialists willing to make Mexico into another Japan in industrial terms?

Taguchi: There are politicians, industrialists, and officials in Japan who think that limits exist. There are always problems in the economic sector. But others do not think so.

Look at the case of Libyan oil. Libya opposes U.S. policies, but the U.S. buys 40 percent of Libya's oil. In the political realm, it's as if the economic relation didn't exist. The responsibility of you reporters is very important. What you say is vital, because it is what is sent from one place to another, while politicians are the ones really responsible for directing the course within each country.

Apolinar: My magazine has stated that there are international groups or factions that want to impede closer cooperation between Mexico and Japan.

Taguchi: I don't think such pressures exist. In the history

of our countries, there has always been fraternal unity between our nations, as we see in today's meeting.

Apolinar: Do you think that Mexico can become another industrial Japan in the near future?

Taguchi: It can happen, but the key area for this is education. It will take a major educational effort that reduces the percentage of illiteracy and raises the educational level of the population to the point that the people can read technological documents written in a foreign language in that language. This is a basic contribution to the eventual industrialization of your country, like Japan.

In the trip I made to Mexico last December, visiting various ports and factories, I found large numbers of people on every hand, very industrious workers, and an atmosphere of striving for a goal which the country feels is close at hand.

If we look at statistical projections for the year 2000, we see the active working-age population fluctuating around 25 years old, which is very young. It will have to be guaranteed employment. Japan now has the largest percentage of old-age population in the world. From this standpoint, Japan is conceptually moving toward old age. Its working population is diminishing.

By contrast, Mexico's working-age population is increasing—that's the source of Mexico's economic advance. One can see in Mexico's youth hope for the future, which they should have, and confidence in themselves. The old people do not have much hope in life, but the youth have great hope in life and should have a prosperous future. Japan is a very small country; old people must go abroad to subsist. We human beings must work very hard; that is the secret to remaining young.

The power of the press in each country, especially you young reporters, must have a sense of guidance to promote the destiny of each country. Two decades ago, students who studied Marxism-Leninism were considered progressive, but now when one studies Marxism-Leninism, one is not considered progressive; such is the atmosphere which exists in Japan. The proof of this is Eurocommunism in Europe, where the Marxist-Leninists are not considered progressive.

Apolinar: Do you believe there is any similarity or coincidence between the Meiji Restoration and the Mexican Revolution or Mexican Independence?

Taguchi: The times have changed. Japan was the only country that had more than half its population able to read between 1804 and 1828. Fifty years later came the Meiji period, in which foreign technology was introduced into the country. When the Meiji Restoration occurred, each person in Japan was able to read the foreign culture, able to use what he read; he was already prepared.

Whither De la Madrid?

Two opposed camps are battling to shape the economic policy of the Mexican presidential candidate.

The dust raised here last month by the intricate maneuvering leading to the unveiling of Miguel de la Madrid as the Partido Revolucionario Institucional's presidential candidate for 1982, has not settled yet. The country's various political machines are jockeying for positions in De la Madrid's first cabinet—whose selection is still over a year away!

But the byzantine maneuvering is beginning to give way to a more substantive debate between two major factions over the kind of *program* De la Madrid should carry out during his 1982-1988 term.

Mexico's largest and most powerful trade union grouping, the CTM, and Industry Minister José Andres de Oteyza, are emerging as the loosely allied leading forces of an effort by the country's nationalist layers to guarantee continuity with López Portillo's pro-growth policies.

On the other side of the fence, zero-growth circles working out of key political institutions such as the Institute of Economic, Political and Social Studies (IEPES)—the PRI's policy-making think tank—are aggressively calling on the candidate to place economic growth on the back burner, and instead focus its efforts on reducing Mexico's high population growth rate.

This month, the IEPES issued its official Program of Government, calling for a "real national persuasion" campaign to convince

Mexicans that a slower population growth rate would allow all Mexicans a better life. Aware of the suspicion that such Malthusian proposals arouse among nationalist elements here, the IEPES authors argued for "confronting those ideological conceptions which disqualify all population policies by associating them with the imperialist dogma of 'overpopulation.'"

It is still too early for me to tell you just who is behind the IEPES report, and to what extent it will influence De la Madrid's thinking. Nonetheless, some close allies of President López Portillo I talked with are concerned over the earlier role of Manuel Bartlett, now De la Madrid's electoral campaign director, in the introduction of population control policies in Mexico in the early 1970s. Bartlett at the time was head of the Office of Government under Interior Minister Mario Moya Palencia, and helped Moya design a highly controversial campaign promoting population reduction and other Malthusian proposals, under the slogan "Vamos haciendo menos" ("Let's make ourselves less").

I must say that I share many nationalists' distrust of these policies as "imperialist." I have well-documented proof (which I will make available to my readers at a future date) that U.S. Malthusian organizations such as the Washington-based Population Institute have worked with the Mexican pri-

vate TV broadcasting firm, Televisa, in a media campaign promoting population reduction in Mexico. Televisa is politically controlled by the Miguel Alemán interests—who are Moya's major sponsors.

The IEPES program is not the only game in town. The CTM labor federation has issued its own Program of Government focused on industrialization, and which explicitly rejects Malthusian arguments which glorify ruralization. "The radical transformation of Mexico," argues the CTM, "must be based on a process which is eminently urban industrial." Fidel Velásquez, the powerful head of the labor group, has also made arrangements to secure labor's input into De la Madrid's camp, by announcing this week that he will personally oversee labor's integration into the electoral campaign.

Industry Minister de Oteyza is also playing an important role in campaigning for a continuation of López Portillo's pro-growth policies. In an Oct. 10 meeting of the Chamber of Manufacturing Industries (Canacintra), de Oteyza warned that "a country with great needs and with a high demographic growth rate like Mexico does not have the luxury of stopping its economic growth."

De Oteyza, one of the pillars of the López Portillo government's pro-industrial policies, is known to be personally close to De la Madrid. Rumors in this capital are that he and José Ramón López Portillo, the president's son, who is Vice Minister of Budget and Planning under De la Madrid, will both play key roles in guaranteeing policy continuity—probably by holding ranking cabinet posts in the next government.

Mitterrand's nuclear Waterloo

France's citizens are not prepared to quietly watch the destruction of their greatest industrial achievement.

The anti-nuclear power Mitterrand government has discovered it has a wolf by the ears. The Committee for Cattenom, formed to defend nuclear plant construction in the Lorraine industrial region, held a conference on Oct. 8 to announce its decision to campaign nationally for nuclear construction.

More than 250 business, labor, and area citizens assembled in the city of Metz, the largest town in the vicinity of the Cattenom nuclear reactor, to hear presentations from a veritable "who's who" of regional political leaders.

Jacques Cheminade, President of the Committee and General Secretary of the European Labor Party (POE), warned against any tendency for the group to rest on its laurels or accept any compromises with the environmentalists. The pro-nuclear lobby-in-making, he said, must be an alliance of productive workers and industrialists that will treat the environmentalists as the recruitment ground for terrorism. One committee member, Jean-Marie Rausch, a Senator and the Mayor of Metz, told the crowd they must fight for the Lorraine region to once again become "France's Texas."

Other distinguished members of the Committee for Cattenom who shared the podium with Cheminade and Rausch were Alphonse Boehler, Mayor of Cattenom; Dr. Denis Jacquat, head of the Giscardian Republican Party for the region; and Dr. Schwartz, head of the re-

gional General Council and a leading member in the Gaullist party.

The Lorraine region, which shares a border with West Germany along the Rhine River, has been the industrial belt of France. The Committee for Cattenom, whose three founders were the POE, the French section of the Fusion Energy Foundation, and the regional branch of the Young Giscardians, was formed to fight not only for the preservation of the nuclear plant, but also against the de-industrialization that would accompany its demise.

The Cattenom nuclear energy plant, originally to be made up of four reactors, would be the centerpiece of such an economic development program for the region. Soon after Mitterrand's election, the government announced a freeze on the construction of all four reactors, but quick action on the part of the Committee and others brought about a first concession: Reactors 1 and 2, for which ground had already been broken, were allowed to continue, the government said, but the fate of Reactors 3 and 4 was to remain undecided.

Since July, when the decision was made, demonstrations and meetings of local residents and workers have taken place non-stop, including several strikes—probably the first ones recorded in favor of nuclear energy. The day the conference was held, hundreds of members of the Communist labor union, the CGT, blocked traffic on local

highways in their continued protest.

The Socialist government presented its energy program to the National Assembly the second week in October, calling for a large cut in the 1982-83 nuclear plan which originally scheduled 8 reactors of 1,300 megawatts and one of 900 Mw to be started. The government plan calls for a reduction by 3,900 MW, enough energy at present levels of consumption for 4 million people.

The government plan met with stiff resistance in the National Assembly, even from within Socialist party ranks, where some argued for the original program established by Giscard.

To put a lid on the fight, the Prime Minister turned the vote on energy program into a vote of confidence, thereby forcing the entire body of the Socialists—which holds single party majority in the National Assembly—into line. Giscard's political coalition voted against the plan, while the Gaullist Party (RPR), in a sign of the backroom deals of its leader Paris Mayor Jacques Chirac, abstained.

Yet, fearing the worst from the opposition, the government also conceded that the five nuclear plants it had frozen in July, including Cattenom 3 and 4, should be allowed to proceed, provided they are fully approved by the local authorities in each prospective site. The fate of Cattenom is now relatively secure. The Committee's decision to expand nationally means there is now a rallying point for the resistance. First endorsements for the national committee include Senator Chauty of the Gaullist party, who heads the French Society for Nuclear Energy.

The Trilaterals strike back

Menachem Begin is helping Carter, Linowitz, and Kissinger to take front stage once more in the region.

Several times before his tragic assassination, Egyptian President Anwar Sadat publicly blasted the Jimmy Carter administration as weak, bumbling, and incompetent, and favorably contrasted the Reagan administration to that of the Georgian's.

Sadat is said to have been particularly annoyed with Carter's insane brother Billy's antics with Colonel Qaddafi of Libya, and with Zbigniew Brzezinski's outspoken support for "Islamic fundamentalism," Khomeini-style. In the end, it was Qaddafi and the Muslim Brotherhood secret society that killed Sadat.

Now, with the earth not even settled over Sadat's tomb, Jimmy Carter and the whole Trilateral Commission crew—led by Sol Linowitz and Henry Kissinger—are trying to stage an open comeback in the Middle East. And Israeli cult leader Menachem Begin is giving them a hand.

It seems almost like a horrible dream: there on Air Force One, flying back from Sadat's funeral in Cairo, were Jimmy Carter and Gerry Ford—whose combined IQ soars into two-digit figures—expounding their wisdom on the subject of U.S. relations with the Palestine Liberation Organization (PLO). In scrambled syntax—Carter said that these "discussions have to be done"—Jimmy and Gerry fumbled their way to announce that the United States should talk to the

PLO if the PLO recognizes Israel's right to exist.

Well, that is nothing new, as President Reagan noted the next day. That has been consistent American policy since 1975. But, to make sure that Jimmy and Gerry did not bungle their headline-grabbing session with a captive press corps aboard the jet, Kissinger and Linowitz sat silently nearby during the entire performance.

On Oct. 13, the *Baltimore Sun* suggested editorially that either Carter or Kissinger be named special envoy to the Middle East by Reagan. It even quoted a presumptuous Carter to the effect that he "would be honored" to serve in such a post.

Of course, no one is asking—not yet.

There is more of the game to be played.

Two days after Air Force One touched down on its return from Cairo, the *New York Times* leaked on page 1 that at the funeral Mr. Begin had sidled up to Carter and Linowitz and promised that he intends to make Linowitz "famous."

In brief, Begin reportedly said that Israel will soon announce its acceptance of "the Linowitz plan" for West Bank autonomy. For students of "the Camp David process," the Linowitz plan is a gobbledegook concoction of technicalities which most decidedly do *not* add up to the sine qua non for Middle East peace, namely, that

Israel gets out of the West Bank.

Two things need to be said.

First, by hinting at support for Carter and Linowitz, the Begin government is deliberately undercutting President Reagan by reinforcing the Carter has-beens. Begin is known to be enraged at the White House for its effort to maintain links to Saudi Arabia and the Arabs.

Second, because "the Linowitz plan" is anathema to Jordan, the Saudi kingdom, and especially the Palestinians, Begin's new stand is a deliberate affront to all parties concerned. It slams the door in King Hussein's face, in particular.

Given the connections of Linowitz and the Trilaterals, it is not surprising. The special point of reference is the intimate connection between the Trilateral Commission and the Aspen Institute, the Colorado-based British secret service think tank.

Recently, Israeli Defense Minister Ariel Sharon appointed Col. Menachem Milson as civilian governor of the occupied West Bank; Milson is a special adviser to the Aspen Institute, who since the late 1970s has particularly been involved in Aspen's executive seminars on Islam.

Since taking office Sharon has repeatedly expressed his idea of overthrowing King Hussein and installing a radical "Palestinian state" in Amman!

With the assassination of the Egyptian leader, the Sharon plan for eliminating Hussein takes on a more urgent character. The Aspen Institute and the Trilateral Commission seem ready to back Sharon's project. Hopefully, President Reagan will not buy this one—and will so inform Mr. Begin.

International Intelligence

Will France be ruled by decree?

French Prime Minister Pierre Mauroy warned the National Assembly Oct. 12 that he may "demand exceptional means from Parliament" with which to carry out "rapid and decisive action" against unemployment. After officially raising the possibility of invoking the rarely used Article 30 of the Constitution, Mauroy tried to backtrack by stating that he was just seeking to institute a battery of legislative measures enabling him to force the public sector to adopt his pet work-sharing schemes, known as "solidarity contracts."

President François Mitterrand himself warned during a visit to the Lorraine region that "there will be no witch-hunts, but the witches must not come after us." In Mitterrand's dictionary, a witch is defined as anyone who opposes the programs he is seeking to impose in France.

Minister of the Interior Gaston Defferre meanwhile railed against the Senate, the only legislative body not controlled by the Socialists, which is in no hurry to rule on his proposals for so-called decentralization. Defferre has declared that "if the Senate continues to oppose putting the decentralization law on the agenda, I will ask the executive to set this agenda by fiat."

Threats made against anti-Zia editor

Several times over the past three weeks the life of Bashir Riaz, editor of the London based Pakistani paper *Mussawat* has been threatened. Mr. Riaz is an outspoken opponent of Pakistani dictator Gen. Ziaul Haq and it is believed that his role in exposing the political and personal corruption of the junta has resulted in threats to himself and his family.

Dirty tricks by the Pakistani embassy in London during the past year have resulted in intense financial warfare against *Mussawat*. The newspaper was

closed down by these forces during 1980 and reopened by Mr. Riaz in 1981.

Since March, *Mussawat* has been in the forefront of exposing drug smuggling activities by individuals close to Gen. Ziaul Haq. The paper's exposés of Muslim Brotherhood operations in several Middle East countries have proved embarrassing to the Pakistani junta, and it is believed that the current pressures against Mr. Riaz are an effort to force him to end publication of his newspaper.

Mr. Riaz was one of a handful of Pakistanis who waged a tireless campaign to save the life of the late Pakistani Prime Minister Zulfikar Ali Bhutto.

Canadian government releases Piperno

Italian Red Brigades leader Francesco Piperno was ordered released on bail Oct. 14 despite protests from Italian government representatives seeking to extradite him to Italy. Piperno, wanted on charges of gun smuggling in connection with the 1978 Aldo Moro kidnaping and assassination, had entered Canada legally in mid-August and was only reluctantly apprehended by Canadian authorities in mid-September after the Italian government discovered that he was safehoused there.

Quebec Provincial Superior Court Justice Jean-Guy Boilard justified Piperno's release on \$50,000 bail on the grounds that the Italian government had engaged in "unreasonable and unjustified delays" in presenting documents arguing for Piperno's extradition. Boilard made this decision even though the RCMP admits Piperno will probably use his release to attempt to flee to France, which has already agreed to accept him. Boilard's arguments were assisted by comments from PSI leader Giacomo Mancini that the Italian government's attempts to extradite Piperno were political and "not founded in fact," comments circulated in the newspaper *Corriere Canadese*.

Arrangements have been made for

Piperno to stay at the home of Marta Aragon in Montreal. According to the RCMP, if the extradition hearings stretch beyond Nov. 12, Piperno will be free to leave the country, under the Italian-Canadian extradition treaty.

Soviet systems analyst endorses Global 2000

In a recent debate between Ivan Frolov, Deputy Director of the Soviet All-Union Institute of Systems Research, and the Politburo's international affairs chief Vadim Zagladin, Frolov praised the U.S. State Department's *Global 2000 Report* as a realistic document. According to the latest issue of *Literaturnaya Gazeta*, he called for the development of "an ecological culture" and "an ecological education." The environmentalists in West Germany, Frolov added, represent the spirit of the times, but the "greenie" movement is no substitute for global socialism.

Frolov also cited Aurelio Peccei of the Club of Rome as offering the proper "anthropological" model. The *Global 2000 Report* has been published in the U.S.S.R.

Houston debate on Rothko conference

Houston City Councilwoman Christin Hartung sponsored a resolution Oct. 14 proposing that the City Council request that the Houston Police Department and Legal Department adopt a plan to close down a Muslim Brotherhood strategy session scheduled to convene from Oct. 21 to Oct. 25 at the Rothko Chapel in Houston.

The City Council deliberations followed a presentation by National Democratic Policy Committee representative Harley Schlanger, who, on Councilwoman Hartung's invitation, described to the Council the international terrorist con-

nections of the Muslim Brotherhood leaders who will attend the Rothko conference and the role that the Brotherhood played in the Oct. 6 assassination of Egyptian President Anwar Sadat. In his testimony, Schlanger stated: "The Rothko Chapel, in inviting the Muslim Brotherhood to Houston, is sponsoring the very same organization responsible for the murder of Anwar Sadat. It is incumbent upon the City Council to do whatever is necessary to prevent the convening of this conference and the entrance of these people into the United States."

Schlanger's testimony was featured Oct. 15 in the Houston news media. In addition to press coverage, the local ABC-TV affiliate ran a story quoting Schlanger extensively and interviewing the visibly shaken director of the Rothko Chapel, Ann Meade, who said: "We know it's not true because the people coming have been certified as people of integrity and honor with one of them a Nobel Peace Prize winner, and we feel confident that they are coming with the right motives and no alternative motives."

The Mayor of Houston, Jim McConn, referred the question to the city police department after liberal Councilwoman Eleanor Tinsley blocked action on the City Council resolution.

A plan to eliminate Yasser Arafat?

A week after the assassination of Anwar Sadat, a plot to murder PLO chief Yasser Arafat was uncovered, according to Austrian intelligence sources. To have been carried out by Palestinian extremists, the hit was intended to implicate Iraq and Jordan, setting the stage for the overthrow or murder of Saddam Hussein and King Hussein, the countries' respective heads of state.

Had the plot succeeded, analysts think pro-Iraqi forces in Lebanon would have been wiped out; the moderate wing of the PLO would have come under fire; and the Syrian-backed radicals would have taken control of the organization.

Ikhwan attendees at Texas conference

An investigation of some of the Muslim Brotherhood (Ikhwan i-Muslimun) leaders slated to attend the Oct. 21-25 Rothko Chapel conference on Islam in Houston, Texas, has revealed the following connections:

One conference attendee, Ahmed Taleb Ibrahim, adviser to the President of Algeria, is a member of the Club of Rome. He is also a board member of UNESCO.

The chief organizer of the Rothko conference is one Nadjm ud-Din Bammat, an Afghani Sufi mystic. Bammat, who hails from the Caucasus in the Soviet Union, has a Muslim fundamentalist pedigree.

His father was a leader of the Muslim resistance organized by the British to oppose the fledgling Soviet government.

This resistance and its outgrowths were also deployed against Kemal Atatürk, founder of the modern Turkish Republic. Bammat teaches at the University of Paris, traveling frequently to the Middle East to coordinate Muslim Brotherhood operations in the region. For the last 30 years, he has worked with UNESCO, primarily as Director of the Department of Culture, and is also active with the Organization of Islamic Foreign Ministers.

He is a close friend of Prof. Hamid Algar, a pro-Khomeini mystic and Muslim Brotherhood activist who operates out of the University of California at Berkeley.

Khurshid Ahmad, director of the Institute of Policy Studies in Pakistan and the Muslim Brotherhood adviser to President Ziaul Haq, works closely with the Muslim Students Association in the United States. The MSA, the U.S. branch of the Brotherhood, has as its Director of Education one Anis Ahmad, Khurshid Ahmad's brother. Khurshid Ahmad has translated Mawlana Madoudi's works; Madoudi was the leader of the Jamaat-e Islami (Muslim Brotherhood) in Pakistan for years, until his recent death.

Briefly

● **PEKING** will host a conference on population control Oct. 27-30 for parliamentarians from 18 Asian countries. Sponsored by the U.N. Fund for Population Activities, the sessions will include tours of the centers where pregnant women who already have one child undergo forced abortions.

● **REGINALD DALE**, U.S. Editor of the London *Financial Times*, claims the U.S. government will offer West Germany a coal, nuclear power, and natural gas package to deter Bonn from signing its multibillion-dollar natural gas pipeline deal with the U.S.S.R.

● **EL SOL**, a leading Mexico City daily, asked editorially Oct. 13 why "the Socialist International of Willy Brandt," which "seems to be the group backing one of the factions opposing the Duarte junta" in El Salvador, charges genocide in that country but remains silent on the mass slaughter in Iran.

● **ANDREAS VON BULOW**, West German Minister of Research and Technology, opened Bonn's largest technological exposition ever held in a foreign country Oct. 12 in Mexico City. The North-South meeting in Cancún, he said, should discuss world hunger from the standpoint of "improving agricultural productivity in the developing countries, for which modern technology is necessary."

● **ROBERT DREYFUSS**, co-author of the book *Hostage to Khomeini*, is in demand for radio and TV appearances on the Muslim Brotherhood's current activities in the Middle East. A leading Kuwaiti newspaper, *Al-Shiyassa*, has serialized large portions of *Hostage to Khomeini*, and the Iraqi news agency, INA, issued a worldwide news release on the book's proof that Khomeini was installed by British intelligence.

Will Ronald Reagan stick out his political neck?

by Lonnie Wolfe

The Reagan administration, 10 months into its term, confronts not just a few foreign policy blowups or tricky domestic pieces of legislation, but a challenge to the ability of the White House to govern as it was elected to do.

During the week of Oct. 12-18, the administration was set back in its efforts to stabilize the Middle East through securing congressional approval of the sale of five AWACS aircraft to Saudi Arabia, while the President's economic recovery prospects further unravelled. On Oct. 15, the Senate Foreign Relations Committee voted 9-8 to report to the floor a resolution disapproving the AWACS sale; that vote had already been written off in the Oval Office, but the President now needs a majority vote in the full Senate to sustain the sale. It is that vote, postponed to give Reagan more lobbying time, which worries the White House.

The AWACS case

But Reagan's advisers thus far refuse to take what is admittedly a political risk, and go after the networks lobbying to destroy the U.S.-Saudi relationship. In the Oct. 15 Foreign Relations Committee vote, for example, the administration declined to take on the one GOP Senator who voted with the Democrats to defeat the sale—freshman Rudy Boschwitz of Minnesota. Sources report that leaders of the anti-AWACS Anti-Defamation League openly brag of having Boschwitz in their pocket, but say the administration was afraid to challenge Boschwitz because it wants the Senator's vote on pieces of their economic package.

A parallel failure of nerve was displayed in dealing with foreign-policy saboteurs: every time Secretary of State Haig opens his mouth, he has damaged the AWACS prospects, (as during the funeral of Anwar Sadat). The White House still pretends Haig is a team player whose mistakes derive from pardonable clumsiness. Yet why does a former official of the ADL report that Al Haig has never been in favor of the AWACS deal, and still opposes it?

As for Jimmy Carter, newly returned to the U.S. foreign-policy arena, his treachery and vindictiveness are legendary. Carter went to the White House Oct. 13 and "endorsed" the AWACS policy. Then, as he made his exit, he flatly refused to say that were he still President, he would have pursued the sale, although it had been initiated by his own administration. Next, he delivered a speech attacking every other aspect of current Reagan policy.

Ostensibly, Reagan was enlisting Carter's support to win over Democratic votes for AWACS, but Capitol Hill was scratching its head over whom Carter might ever again influence. The very fact that the man dared to show his face in Washington was termed by Hill sources a reflection of the hard times beginning to engulf the administration.

Nor, it appears, has the White House acknowledged to itself who is ultimately behind the anti-AWACS lobby. The latter's two key Senate organizers, Republican Robert Packwood or Oregon and Democrat Alan Cranston of California, are members of the elite depopulation core-group, the Draper Fund. As the case of

Iran shows, these are the networks who seek "arc of crisis" destabilizations throughout the Middle East—to cut off international energy supplies, to reverse regional industrialization potential, and even to instigate wars, in order to reduce population.

Reagan remains committed to two more weeks of backroom pressure tactics, and perhaps some additional promises from the Saudis on the terms of the AWACS sale. Sources close to the White House report that the President still resists the urgings of those who would have him take his case to the American people; he doesn't want to step on any toes. These sources are pessimistic about the final Senate outcome. Even if the sale does squeak through, these same sources are worried about the White House's continued ability to command support for its foreign policy. Damage has already been done.

North-South policy

While the AWACS sale is necessary, it is not of course sufficient to stabilize the Middle East. In Egypt, for example, the administration's idea of a stabilization policy consists of tough words against Libya and the Soviet Union, and the dispatch of two AWACS. But the new government of Hosni Mubarak desperately needs economic development assistance, and here the White House has yet to even consider proposals.

Bold economic-development initiatives are required, which link the Arab countries and Israel through a comprehensive peace settlement. If Mr. Reagan's recent speeches, handed to him by Haig's State Department and the lunatic monetarists in the Treasury Department, are any indication, there is no chance of that at present. Reagan confirmed some of the worst fears of developing-sector nations in an Oct. 15 speech before the Philadelphia World Affairs Council, while the Senate Committee was voting on the AWACS sale. The President repeated the essentials of his call for a free-market approach to development and tough conditions on Third World loans before the International Monetary Fund conference in Washington. This will, unfortunately, be the policy that the President will take on Oct. 22 to the North-South summit in Cancún, Mexico. It is a policy designed by its authors to promote chaos throughout the developing sector, and praised as a de facto means of genocide by the bankers and aristocrats who control the Draper Fund networks.

The only particle of hope the Reagan administration currently holds out to the underdeveloped sector was contained in the energy policy statement issued by the White House this month. The President took a strong stand in support of nuclear power, pledging steps to revitalize America's nuclear industry. Well-placed sources confirm that the White House commitment to nuclear energy extends beyond the U.S. borders: the

administration wants to encourage nuclear exports to the developing sector, ending the Carter administration's sabotage of these efforts; the administration has pledged to be a reliable supplier of nuclear fuel to those nations and advanced-sector partners.

Here too there is a problem of delivery. The U.S. nuclear industry has been thoroughly wrecked by the credit-strangulation policies of Federal Reserve Chairman Volcker. Unless those policies are reversed, the nuclear industry cannot revive, however inspiring this verbal support from the White House. As at home, nuclear power in the developing sector requires credit. The provision of that credit is specifically opposed by the IMF and related institutions, along with the U.S. Treasury and State Department. Private American financial institutions and such agencies as the Export-Import Bank still refuse to provide loans to finance such projects. They are waiting for "magic of the free market," which Reagan referred to in his IMF speech last month, to accomplish the job. In fact, the Exim Bank, (now headed by William Draper III, the son of the founder of the Population Crisis Committee/Draper Fund) is withholding credit to Westinghouse for financing potential Mexican nuclear contracts.

The Volcker question

On the question of the U.S. economy as a whole, Reagan's second round of budget cuts and new tax increases is now a dead letter in Congress, by the admission of the GOP leadership. The President's men are scrambling behind the scenes to put together a new package, but the outcome of their efforts remains as dubious as their success would be economically destructive.

Volcker's high interest rates have undercut both the U.S. industry and the bi-partisan political alliance that was swung behind the President's initial misguided fiscal austerity program. As even the pro-Volcker U.S. press now indicates, Reagan has been told by the GOP leadership that there is no way that the party can campaign if the economy stays flat. So the President put pressure on the Fed to bring down interest rates.

This was confirmed by a spokesman for the New York Federal Reserve, who reported that Fed strategists no longer feel confident about risking a dramatic collapse of the economy, fearing reaction from the White House (see Economics). Instead they plan to win their battle with Reagan by slowly taking the economy down, trying to avoid abrupt shocks that could jar the White House into emergency measures to provide credit and other backup for industrial employment and production.

The Fed, like Mr. Reagan's other enemies, is counting on the President to stay in profile, to stay in his box, to take no real political risks.

The IMF is imposing the 'lifeboat ethic'

Garrett Hardin, one of the most vocal depopulation strategists, said in an Oct. 5 interview provided to *EIR* that the International Monetary Fund and World Bank, with the backing of parts of the U.S. government, are now carrying out his policies. Currently a professor at the University of California at Santa Barbara, Hardin is most notorious for a series of essays laying out a doctrine of global triage. Perhaps the best known of these is a 1974 piece in *Psychology Today* in which he calls for the adoption of a "lifeboat ethic." A group of 50 people representing the nations of the affluent world is in a lifeboat that has a capacity for 60. Swimming in the water outside are 100 others—the developing sector—begging to be taken aboard. Which 10 are to be chosen? Only those, says Hardin, with a chance for survival, those that have lowered birth rates and proven that they can sustain themselves. The others must fend for themselves; if they go under, so be it.

Hardin's work has been carefully studied. It has found praise, somewhat muted for popular consumption, in the writings of former Undersecretary of State George Ball in his book *Diplomacy in a Crowded World*. In 1974, Hardin and the rabid population-reduction advocate William Paddock formed a splittoff of the depopulation lobby dedicated to the promotion of forced population reduction, the Environmental Fund. The group received immediate financial support from the Mellon family interests and political support from members of the NATO-linked Atlantic Council. Former Carter National Security Adviser Zbigniew Brzezinski eagerly called its offices to put his name on one of the Fund's advertisements advocating that the U.S.-Mexican border be sealed off.

When Secretary of State Edmund Muskie held his press conference in 1980 to announce the Carter administration's support for the newly released *Global 2000* document, Garrett Hardin, an early backer of the project, was among those who stood next to him.

Below are excerpts from the interview with Hardin.

Q: What about population trends in the developing sector?

Hardin: There is a real problem here. I don't think that you have seen much change in the published mortality rates for the developing sector. . . . Let me point out a few things. When people die because of civil disorder such as what has been going on in Lebanon or Afghanistan or El Salvador, the official mortality statistics take no account of lives lost in that way. The people who are gathering the statistics don't count those 20 guys who were gunned down and buried in a mass grave. . . .

The same is true for starvation figures in the interior of some African countries. Who knows how many people are even alive there, let alone how many are dying? . . . Look at Cambodia. The mortality figures never counted all those deaths. The government never reported them, yet everybody now agrees that 2 or 3 million people were killed there, but they are *still* not reflected in the death rate. . . . They would not be reflected in a place like Iran either. . . . I can conceive of a world in which this is a major part of the death rate and if they are still not counted, then we have a fraudulent mortality and fertility rate.

Q: You talked about cutting off aid to certain countries. Well, under this administration and the IMF, aid and loans to the developing sector are being cut back.

Hardin: Well, I think that every nation will be a different history. I would say that what is now going on in El Salvador is in a broad sense the result of overpopulation. Many people, 10 years ago or even more, cited El Salvador as one of the hot spots from a population standpoint, and I think that is very relevant to what is going on now. I object to all the people who blindly look at the El Salvador thing right now as a purely political thing. . . . Whoever comes into power, with or without our help, will be powerless to do anything about the problem because population is the root problem.

Q: How would you update the lifeboat ethic?

Hardin: Many people are being won over to that point of view. The lifeboat ethic is the attitude and thinking of this present administration or at least parts of it in insisting on higher standards for loans given by the World Bank or IMF. That amounts to telling the poor countries, if your loan isn't one that by standard banking practices would be approved of, you won't get any subsidy. We are telling these countries: "We are not going to do this job for you. If you do bite the bullet, then we'll figure out what we can do for you."

They wouldn't call it that. No political leader in any country is going to get elected to office or stay in office as an explicit support of the lifeboat ethic. Instead, what

they will speak of is responsibility in international fiscal affairs or some such term. Well, that's all right. It is the same thing and it has the same effect. I think we are moving closer to this in every aspect of policy, partly because we have less free money to pass around in dubious experiments thanks to the world economic conditions. And that is true not just of the United States but of the advanced sector as a whole. . . .

Q: So people like Robert McNamara. . . .

Hardin: Well, McNamara is a mixed case. As he stayed at the World Bank he became softer and softer. When he came in there he was very tough. Now the new person, Clausen, is taking the position that McNamara did when he first came in. He is going to be real tough. The soft or partially soft loans are a thing of the past.

Q: What effect will that have on an African country that depends on these loans and on aid?

Hardin: Well, in all these really poor countries, there is this very small percentage of quite wealthy people who control things, and they milk the economies. These people will find ways to take care of themselves. So you won't hear too many complaints from the people who are dying because they are not in control of things.

Q: What about the private sector? Are they going to finally come around and force through this policy, whether they call it the lifeboat ethic or not?

Hardin: As I see it, what is happening in all these countries is that private interests from outside the country approach the countries and say we want something, say oil. And whom do they approach? The elite gets what it wants, namely money. Some of it goes into public coffers, but most of it goes into their private pockets. . . . It is in the interest of the commercial banks to go in and try to change the mores of the people to reduce population. It has to be done by people inside the country; the private sector doesn't have the power to make the kind of changes. . . .

Q: What about a country like India?

Hardin: I don't think that India will ever make it, because being a country with some 700 million people and its population still increasing as it did 20 years ago, they just don't have a chance. Mexico is an interesting problem. In William Paddock's book *Famine 1975*, Mexico was put into the category of "can take care of themselves." I would think that things look less optimistic now. This oil makes very little difference, because it is quite apparent that the oil money is going to be channeled to the rich and wealthy in Mexico. The Mexican government is officially in support of population programs, but the government won't really figure out how to bite the bullet and turn birth control into population

control. They especially won't do so as long as they can export their excess population to the United States. As Paddock and I have said, that the best thing that we could do in the long run for Mexico is to shut down the border. It wouldn't solve the problem completely, but the immediate effect would no doubt be disastrous for the Mexican political party. They will scream bloody murder if we shut down the border. Let them scream. . . .

Q: What about China?

Hardin: Now, gee, China is making it and I always bring it up as the best example because it points out the right model.

Q: Isn't there a lot of coercion there?

Hardin: Oh, sure there is a lot of internal coercion. But that is none of our business. We have no right to go around condemning people for taking care of their own business. China is making it on its own, in its own way, and that is the way others should do it. We have this damn problem of judging people on their moral actions, imposing our Western moral value judgments on everything. If we keep doing this then we are writing the prescription for disaster. No, I think the essential thing between nations, and many people might disagree with me on this, is one of hands-off. . . .

Q: The Pol Pot government, backed by the Chinese, wound up killing 3 or 4 million people [in Cambodia].

Hardin: We don't like that, and it may be that they are right and it may be that they are wrong. What we have to ask is: are we willing to intervene in Cambodia, take control of it, and I mean complete control, because you can't go in a little bit; either you take complete control or you stay out completely. This is not a matter of saying that we like what Cambodia is doing, but we are helpless to do otherwise. We can speak against it if we want, but we should confine ourselves to speaking. What I am saying is it is their right to handle things their own way. We have no business telling each little individual country what to do. We are right not to interfere with Pol Pot or anyone else, even if we disapprove of what they are doing on these matters, unless and until it comes to the point where we think that it is a long-term threat to mankind or to us. For example, I think we were right to intervene in the European conflict in World War II. I think what Hitler was doing threatened our national security. But I think that in Cambodia, it was really not affecting our national security. . . .

Q: The Catholic Church would argue with you. Its teachings are against everything that you are saying.

Hardin: The whole basis of Catholicism, which is universality, is contrary to what I am saying. This concept of a universal ideal or morals is too dangerous to follow.

A case study: the Guardian Angels

by Charles E. Herbert

Invoking memories of Calvin Coolidge and the United Way, President Reagan went on television to boost "volunteerism" as a remedy for insufficient public services. It seems that the cowboy in Reagan had been sold another "free enterprise" scheme that will in fact undercut business as well as organized labor. The salesman in this case is the American Enterprise Institute, (AEI) which promotes the "privatization" of the social services the government has provided since the industrial revolution of the last century. Because they are advocates of the "post-industrial society," AEI savants such as Milton Friedman, Arthur Burns, and Murray Weidenbaum have no qualms about undermining the services and infrastructure upon which American industry relies. Along with AEI, the *Washington Post*, Mobil, New York's Fordham University, Lazard Frères, and Equitable Life Insurance are among those bankrolling the campaign.

Their pilot project at the moment is the "Guardian Angels" citizens' crime patrol, whose successful test-marketing in New York City has led to the introduction of similar groups in 22 cities. The groups which prowl the cities' subways, are made up of gang members and others reliably reported to be still-practicing criminals.

Standing on Capitol Hill July 11, Curtis "The Rock" Sliwa, the 26-year-old head of the Alliance of Guardian Angels, Inc., addressed reporters after testifying before a youth violence subcommittee of the Senate Judiciary Committee. Sliwa posed in front of a formation of Angels uniformed in army fatigues, T-shirts, insignias, and red berets. The *Washington Star* was quick to note the storm-trooper image.

Two days after Sliwa's appearance, the *Baltimore Sun* endorsed a free enterprise zone for the city, and praised the Guardian Angels, in terms reminiscent of 1933 in Germany: "In practice, the swagger and red berets of the Guardian Angels bring feelings of comfort to people in New York. More than two years later they show staying power and the group is now franchising its label where the market—a sense of helplessness at street crime—is right. Baltimore is next."

The sponsors

A probe into the wiring of the Angels uncovers the AEI's "Mediating Structures Project," run since 1975

by Jesuit Michael Novak. Its purpose is to promote "volunteer associations" as a substitute for municipal employees. The project has also been "mediating" the creation of free enterprise zones free of government regulation, and, eventually, free of all government "interference," including provision of services. And although the rhetoric of the Angels has shifted from "world revolution" to "free enterprise," their crime patrol is a vigilante squad and protection racket, and worse. "Do you want to know what the Guardian Angels are?" asked an official of New York's Transit Patrolmen's Benevolent Association. "Did you ever hear of Adolf Hitler?"

Are these what the President meant by volunteerism? The administration refers inquiries on volunteerism to Robert O. Woodson, current head of AEI's Mediating Structures Project. In July 1981, Guardian Angels leader Curtis Sliwa, joined forces with the AEI and Woodson in a conference of gangs in Los Angeles. Before that, the connection had been kept secret. Nizam Fattah, chairman of New York's Inner-City Roundtable of Youth (ICRY) and one of Woodson's subordinates, comments: "Half the members of the Guardian Angels are my gangs, the Crazy Homicides, Savage Skulls, and Ching-a-Lings. They shift between Sliwa and me." ICRY was founded by a friend of Ayatollah Khomeini: Ramsey Clark. Since December 1980, Woodson, Falaka Fattah of the Philadelphia House of Umoja—an outfit cited by President Reagan—Nizam Fattah of ICRY and others have appeared in dozens of cities, including Hartford, Los Angeles, and Washington, D.C., recruiting to the AEI volunteerism projects, setting up tax-exempt incorporated "former gangs," usually as "security companies."

The big push for recruitment to the AEI operation came after a December AEI conference in Washington, featuring representatives of the White House, the Rockefeller Foundation, the National Urban Coalition, ABC News, and the *New York Times*. There was also a different class of speakers: Flint Augusto of the South Bronx Ching-a-Lings motorcycle gang and Sister Falaka Fattah of the House of Umoja, tied to 88 Philadelphia youth gangs. James Hargrove, head of the National Black Patrolmen's Association, spoke on the "security companies" that he has incorporated in New York and Philadelphia. His Diego-Beekman Security in the South Bronx is staffed primarily by "Savage Skulls" and "Crazy Homicides" at \$3.75 an hour. The area is intended to become one of the first free enterprise zones pending state legislation.

Hargrove says: "We hope to put organizations like ICRY out of business, recruiting their members with jobs; this approach is growing because law enforcement agencies will never see the heights of manpower of their heyday, due to the economic crisis."

Anthony Francaviglia, a member of the Angels' corporate board from Bankers' Trust, indicates he is already lining up funds to incorporate the Guardian Angels' "escort and security crime patrol" in New York City's middle-class Parkchester Housing Project. Francaviglia is president of the business association there.

On Feb. 1, New York Lt. Gov. Mario Cuomo keynoted a Guardian Angels fundraiser. Attending were state and city officials, leading Jesuits, associates of mob attorney Roy Cohn, representatives from Equitable Life, Chase Manhattan, and Brown Brothers Harriman. That was the basis for New York City Mayor Edward Koch's public sanctification of the Angels in May.

Modus operandi

This political operation forced the New York City police to establish formal liaison with Sliwa's shifting and uncheckable Angels. Previously, police had conducted a wave of arrests of Guardian Angels on charges including violations of citizens rights in "citizens' arrests."

Everything points to the conclusion that there exists no traceable membership list for police to work with. Transit police union leaders say "It's ludicrous to believe they could perform the job of a trained police officer. They do not contribute in any positive way to the criminal justice system. Half of them probably have criminal records." Despite the Mayor's claims that membership lists are available to police, Denis Ahern of PBA says, "There's no identification available to us."

The way this "shifting membership" operates is highlighted by several cases. In April Sliwa's appointee as head of the Guardian Angels in Westport, Connecticut, Tom Coyne, was found with a bullet through his head after he had publicly criticized Sliwa's leadership. Sliwa claimed Coyne had never been in his organization, but was caught in the lie when the *Free Press* produced photos and witnesses of the two together in uniform, during interviews. Similarly, in August New York City Guardian Angel Malcolm Brown was shot through the head at the scene of a Brooklyn mugging. Accounts of the incident are hazy, because all witnesses were provided through the Angels' informant networks. Until Mayor Koch stepped in to clean up the group's image by awarding Brown a citizen's commendation, Sliwa was forced to waffle on Brown's ties to the gang, first claiming Brown was "off duty" from the Angels, then calling him "a former member."

Sliwa also denied membership when Rhode Island State Police last month arrested three uniformed Angels on charges of car theft.

This is the group the AEI has promoted nationally. Whatever the President's mental image of volunteerism, it shows the phenomenon in action.

EIR

Federal Reserve secret plan for U.S. banking collapse

A new EIR special report

EIR has obtained documents, prepared by economists for the Federal Reserve, which prove that Paul Volker and the Fed are intent on "crisis-managing" a controlled collapse of the U.S. banking system. Titled "A Systematic Banking Collapse in a Perfect Foresight World," and "Gold Monetization and Gold Discipline," the documents make it clear that there is a specific plan behind the Volcker high interest rates.

These documents, together with a full introductory analysis by *EIR* Economics Editor David Goldman, are now available from *EIR* for \$100.

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Garn: 'U.S. business should stay out of Siberia'

If Senate Banking Committee Chairman Jake Garn (R-Utah) has his way, no U.S. companies will participate in the West European-Siberian natural gas pipeline. On Oct. 7 Garn introduced Senate Concurrent Resolution 41 which would have the President exercise authority to prevent any U.S. corporation from involvement with the pipeline; President would also be instructed to urge European nations to stay out of financing and construction of the project. The resolution further calls for the development of a firm U.S. policy with respect to the general "promotion of the development of Soviet energy sources."

In his statements on the resolution Garn claimed that the pipeline would increase the "possibility for economic and political black-mail" by Moscow against Western Europe, particularly West Germany, which is a major participant in the project, although the Europeans, especially West German Chancellor Helmut Schmidt, see the pipeline as a major contributor to world peace. In 1978, when Leonid Brezhnev visited Bonn, Schmidt and the Soviet President signed a 25-year economic agreement and re-emphasized collaboration on the Siberian pipeline, declaring that economic collaboration would lay the basis for peace.

In introducing his resolution, the "conservative" Garn is putting himself in league with Fritz Kraemer, the mentor of Henry Kissinger and Alexander Haig. Kraemer's group, the Institute for Strategic Trade, has been waging a public campaign in the U.S.

against the pipeline and works with Christian Social Union leader and Hapsburg ally Franz-Josef Strauss in Germany against it.

Garn, who purports to question much of what Wall Street does, asked that an article be put into the *Congressional Record* backing his resolution and detailing the European participation in the pipeline. The article was written by two vice-presidents of David Rockefeller's Chase Manhattan Bank.

A companion resolution was introduced into the House by LeBoutillier (R-N.Y.) and James Nelligan (R-Pa.). Garn intends to hold hearings on the issue of U.S. export policy toward the Soviet Union shortly.

Global 2000 backers urge end to Tenn-Tom

Led by Claudine Schneider (R-R.I.) and Robert Edgar (D-Pa.), 25 congressmen sent a letter Oct. 5 to Senate Majority Leader Howard Baker (R-Tenn.) urging that he drop his support for the Tennessee-Tombigbee Waterway, a project vital for the economic growth of major areas in the Southeast, and the Clinch River Breeder, a program important for the development of nuclear energy in this country. They claimed the projects are too costly in a period of budget austerity. Both Congressmen are also major supporters of the Carter administration's *Global 2000 Report*, which calls for the reduction of the world's population by 2 billion by the end of the century. Recently these two members of the House and three other signers of the letter to Baker co-signed a

statement to President Reagan urging him to implement the *Global 2000 Report*.

Schneider, who was the key force behind the letter according to her aides, works closely with the Sierra Club in an effort to stop these two development programs. Schneider led the fight in the House against them and hopes to have another chance at eliminating their funding when the House takes up the issue of the administration's request for an additional 12 percent across-the-board budget cut.

Justice Assistance Act passes House committee

The House Judiciary Committee on Sept. 22 passed H.R. 4481, the Justice Assistance Act, by a vote of 22 to 5. Sponsored by Criminal Justice Subcommittee Chairman William Hughes (D-N.J.), the legislation fills part of the void in federal support to state and local law enforcement efforts that was left by the dismantling of the Law Enforcement Assistance Agency (LEAA). H.R. 4481 would authorize \$179 million in federal matching funds for state and local governments to implement anti-crime programs in areas such as arson prevention, white collar crime, undercover "sting" operations, juvenile crime prevention, and career criminal prosecution. The bill also provides for an expedited federal response to local areas that are struck with a major crime problem, such as the Atlanta child murders or the narcotics plague infesting southern Florida.

Observers noted, however, that while federal aid to budget-

squeezed state and local authorities remains necessary, the continued practice of channeling that aid into areas such as white collar crime and certain kinds of political sting operations only serves to maintain the current federal imbalance in favor of Abscam-style operations and against, for example, a major war on drugs.

House floor action is expected during this session of the 97th Congress, but Senate Judiciary Committee Chairman Strom Thurmond (R-S.C.) is not expected to move any companion legislation until the administration position on the bill is known.

Foreign language study promotion urged

Just before adjourning for the Columbus Day recess, the House Post-Secondary Education Subcommittee unanimously passed out legislation designed to promote the teaching of foreign languages in the nation's elementary, secondary, and college-level schools.

The legislation, H.R. 3231, introduced by the Subcommittee Chairman Paul Simon (D-Ill.), would provide \$10 million to states for model foreign language programs in local school districts, \$4 million for junior and community college language programs, \$13 million for universities to encourage enrollment in language programs, and \$60 million for colleges with foreign language requirements for admission or graduation.

The bill calls for assistance to encourage foreign language study on the grounds that "the economic

and security interests of this nation require significant improvement in the foreign language instruction offered." Hearings were held in the Subcommittee last July which stressed this point. Among those testifying was Adm. Bobby Inman, Deputy Director of the CIA. Inman told the Subcommittee that the nation's "rapidly deteriorating foreign language capabilities were having "an adverse impact" on U.S. intelligence gathering and evaluation. "We are especially vulnerable when it comes to the more exotic languages such as Urdu, Arabic, and Farsi." Education Secretary Terrel Bell sent the Subcommittee a letter opposing the bill because of the cost involved. He also told the Congressmen that the administration opposed creating new programs, preferring instead the block grant approach.

Hearings held on major nuclear waste initiative

Senate Energy Committee Chairman James A. McClure (R-Ida.) joined with Senate Environment and Public Works Committee Chairman Robert Stafford (R-Vt.), and Alan Simpson (R-Wyo.) and Steve Symms (R-Ida.), to introduce S. 1662, the National Nuclear Waste Policy Act 1981. The legislation provides an expedited and permanent solution to nuclear waste disposal, the uncertainty of which is used by environmentalist extremists to fan popular fears and misconceptions about the safety of nuclear power.

S. 1662 calls for a streamlined regulatory process by the Nuclear Regulatory Commission in all

areas of licensing and environmental review. It also provides for federal management of interim spent-fuel storage until permanent facilities are developed. The permanent solution, according to the Sept. 24 floor statement McClure made in introducing the bill, will be a "much accelerated program for the ultimate disposal of commercial high-level waste and spent-fuel elements in mined geologic repositories. The objective of this program would be to bring on line, in the 1988 timeframe, this nation's first commercial repository for high-level waste." While the federal government would manage both temporary and permanent storage facilities, the legislation also provides for full cost recovery to the government in the form of a one mill per kilowatt-hour users fee on nuclear-generated electricity.

Department of Energy spokesman and Assistant Secretary for Nuclear Energy Shelby Brewer, testifying before a joint hearing of the Energy and Environment Committees on Oct. 6, stated, "Although not totally consistent with current administration policy, we acknowledge that the bill would provide a quantum step forward in providing program and policy stability." Shelby Brewer added, however, that "we feel that this is a service more appropriately provided by the private sector."

Supporting the administration view was the liberal Union of Concerned Scientists spokesman Eric Van Loon, who testified, "We agree with the position taken by the administration . . . that interim storage of a spent fuel should remain the responsibility of the utilities, rather than being assumed by the federal government."

Battle sharpens between NADC and Sun-Times

The National Anti-Drug Coalition (NADC) issued a statement from New York Oct. 14 in response to a libelous article in the *Chicago Sun-Times* of Oct. 11, titled "Anti-Drug Group Finances Extremists," which alleged that the coalition is a front-group money machine for *EIR* founder Lyndon H. LaRouche, Jr., Advisory Board Chairman of the National Democratic Policy Committee.

"Every citizen of Illinois who hates drugs should act immediately to stop the pollution by the *Chicago Sun-Times* of his and his neighbors' homes, and its influence in the United States.

"The *Sun-Times* is not a newspaper, it is the dirty tricks propaganda arm of one-worldists associated with the Trilateral Commission, the Aspen Institute, and the University of Chicago. . . .

"Marshall Field, founder of Field Enterprises and publisher of the *Sun-Times*, uses his profits from that newspaper to fund terrorist linked operations through a tax-exempt front called the Field Foundation. This foundation, headed by Morris Abram, a former law partner of pro-Khomeini operative Ramsey Clark, has given millions of dollars to the Institute for Policy Studies, and the International Commission of Jurists, which has come to the legal defense of terrorist murderers such as the West German Baader-Meinhof Gang, the Popular Front for the Liberation of Palestine, the Italian Red Brigades, and other radical groups. The Field Foundation also finances the efforts of groups like the Center for National Security Studies and the Youth Project to engage in lawsuits, exposés, and investigations of law enforcement officials and agents of U.S. intelligence agencies.

"James Hoge, publisher of the *Sun-Times* is a member of the Trilateral Commission . . . [who is] reported to have invited the anarchists on trial for rioting in Chicago in 1968, including cocaine dealer Abbie Hoffman, to his home as a

political statement.

"The *Sun-Times* is a leading supporter of the dope lobby through its employment of Chip Berlet, the original author of the *Sun-Times* slander of the National Anti-Drug Coalition. Berlet is a contributing editor to *High Times*, the magazine of the dope lobby and drug paraphernalia industry. Berlet is also the editor of the journal of the National Lawyers Guild, the leading U.S. institution which defends terrorists such as the Puerto Rican FALN. . . .

"The NADC has also documented that *Sun-Times* reporter Alan P. Henry is guilty of fabricating information printed in the story, and of harassment of supporters and contributors to the National Anti-Drug Coalition.

"The NADC is not illegally soliciting in the State of Illinois. The Coalition has answered every request for information by the Attorney General's office and will continue to answer every request. The NADC has learned that the Attorney General's office held a lengthy meeting with reporters from the *Sun-Times*. We are investigating the legality of that meeting at the present time."

Democratic think tank: ban strikes, cap wages

A Washington-based think tank closely allied with the liberal wing of the Democratic Party issued a series of proposals Oct. 15 on ways to combat inflation. The sharply anti-labor proposals suggested by the Center for Democratic Policy (CDP) appear in a 20,000 word pamphlet.

The CDP recommendations were produced by a panel of Democratic economists, including Barry Bosworth of the Brookings Institution, Laurence Seidman of Swarthmore College, and Daniel Mitchell of the University of California at Los Angeles. The most extreme recommendations were put forth by Bosworth, who was the director of the Council on Wage and Price Stability under President Carter. Arguing that the key cause of inflation is wage increases, Bos-

worth recommends outlawing strikes and doing away with multi-year wage contracts in order to eliminate cost-of-living escalators. Bosworth also advocates "free trade" and a complex system of wage-price controls as inflation-fighting measures.

Seidman's recommendations concentrate on what he calls a tax-based incomes policy (TIP) that would place heavy tax penalties on companies that grant "excessive" wage increases to employees. Seidman also calls for replacing the income tax with a tax on consumption.

Although the CDP claims to have no official relationship to the Democratic Party, the party's national Chairman Charles Manatt enthusiastically hailed the Center's recommendations, claiming that it "should put to rest any lingering thoughts that the Democrats are short on ideas and alternatives to the programs and policies of the Reagan administration."

A number of CDP luminaries also belong to the Democratic Strategy Council, an official party group pulled together by Manatt.

Philadelphia teachers face Catch-22

Only 700 teachers have returned to work as of Oct. 16 following a court order by Common Court Judges Ed Bradley and Harry Takiff which voided their contract as terminated. The teachers have been on strike since early September with demands that the Philadelphia School Board honor their two-year contract, which was to accord them a 10 percent wage hike this fall.

The judges ruled that the city's fiscal crisis justified the school board layoffs of 3,500 teachers and rescinding of the wage hike, and that this action unilaterally terminated the contract. Since the state's public employee law stipulates that unions must exhaust all negotiating procedures after their contracts expire, the court ruled the immediate strike action illegal!

The area labor movement is mooting a general strike to support the teachers. The union is being fined \$15,000 a day under the Bradley-Takiff court order.

DOE launches nuclear education campaign

The U.S. Department of Energy is preparing to launch a multimillion-dollar public information campaign to undo the four years of Carter-supported agitation against nuclear power.

The effort, outlined in a memorandum to the Assistant Secretary for Nuclear Energy of the DOE dated Sept. 24, is explicitly aimed at creating public support for this month's pro-nuclear statement by President Reagan.

The memorandum states that "the use of nuclear energy has important implications for our national economic well-being, improved national security and reduced environmental impact associated with energy production," and proposes bringing other cabinet-level officials into the information effort.

Steps outlined in the campaign include submitting editorials and articles to the press; public appearances by DOE officials; materials for schools; cooperation with labor, civic and professional organizations, and with the nuclear industry; attendance at meetings of local and state government officials to enlist their support; seminars for media representatives; and efforts through the International Atomic Energy Agency.

In sum, the plan "should be designed to counter the prevailing misconceptions about nuclear energy in order to enable the public to consider nuclear energy on its merits relative to other energy forms, and to understand the impact which failure to expand the use of nuclear energy would have on the economy, national security, and public health and safety."

Also included is a directive to the Office of the Science Advisor and to the Surgeon General to commission a "blue-ribbon panel to certify the negligible radiation effect of nuclear power plants."

Bush challenged on Latin America tour

On the first leg of his tour of three Latin American countries—the Dominican Republic, Brazil, and Colombia—Vice-President George Bush was caught off guard by harsh criticism of U.S. economic policy expressed by his hosts.

In an appearance Oct. 12 before the Congress of the Dominican Republic, a country considered a U.S. ally, Bush was not allowed to deliver his speech until several legislators had made their charges that U.S. interest rates and sugar tariffs were destroying the Dominican economy. The legislators ignored Bush's preoccupation with Cuban and Soviet subversion in Latin America.

The Brazilians burned Bush Oct. 14 on the Volcker question and succeeded in winning a U.S. pledge that Brazil would be granted "special case" treatment to end Washington's blockade of enriched nuclear fuel exports contracted for a power station built by Westinghouse.

Through Bush, the Brazilians sent a last-minute warning to Reagan that he switch from Volckerite to growth-oriented policies before Cancún. Brazilian Foreign Minister Saraiva Guerrero explained in an interview with *Folha de São Paulo* Oct. 11, "The developing world is an optimal thing for the industrialized countries, since it implies an expansion of markets. . . . It is not a zero-sum game in which we win, and the developed countries lose an equal amount."

The Brazilian Foreign Minister Saraiva Guerrero indicated in an Oct. 11 interview with *Folha de São Paulo* that Bush's cold war rhetoric will not wash in Brazil either. "The South Atlantic is more of a priority for Brazil than for the Americans," he declared, "but we view it as an area for political—not security or military—action." And he laughed off the idea of Russian bases being placed in Angola to threaten oil routes as "contrary to the Angolan Constitution and contrary to all Angolan interests."

Briefly

● **THE GLOBAL 2000** report of the Carter administration is confirmed to remain on the State Department's agenda. Accepting the report's conclusion that up to 2 billion people must be eliminated by the turn of the century, the DOS has set up an inter-agency task force which next month will begin to rework the policy formulations in terms of ideology.

● **HENRY PRECHT**, the DOS official who helped coordinate the Shah's overthrow from his post as head of State's Iran desk, maintaining close ties with all the opposition groups including Khomeini's networks, has suddenly re-emerged because of his new post: Deputy Chief of Mission in Cairo, Egypt.

● **DAVID STOCKMAN** has sent the White House a recommendation to dismantle the DOE and create in its place a Nuclear Development Agency, sources report. Stockman proposes to move the inertial fusion program under complete security wraps in the Defense Department and to send high energy basic physics to the National Science Foundation. Fusion and fission would be transferred to the new agency, but without the national stature of a cabinet-level head to promote these areas.

● **JOHN HOLDRIDGE**, Assistant Secretary of State for East Asian and Pacific Affairs, is reported to be on the outs with his boss. No enemy of Peking Holdridge shows too much attention to other Asian nations' response to the China Card, Haig concludes.

● **THE AMA** finds marijuana a dangerous drug whose use should be studiously avoided, reports the Oct. 16 issue of its *Journal*. Researchers for the American Medical Association conclude that the drug causes a number of deleterious physical and psychological effects.

Where did they get their Zbig ideas?

The Department of State is in large measure continuing the Zbigniew Brzezinski policy of strategic alliance with the fundamentalist Muslim Brotherhood which put Khomeini into power and killed Anwar Sadat. When I asked State Department spokesman Alan Romberg in mid-October if there were not a reconsideration of Haig's policy of military alliance with the Muslim Brotherhood regime of Ziaul Haq in Pakistan, he stated unequivocally that there was no consideration of such a change. I asked him if he would make a statement about Zia's connections to the Muslim Brotherhood to explain the value of that alliance to United States' security. He not only refused to comment, but refused to look into the question and clarify Zia's relationship with the Brotherhood at any point in the future.

French countess slips Houston a mickey

Three days after Sadat's assassination, the State Department announced that it would allow Muslim Brotherhood leaders from around the world to enter the United States itself to participate in a Schlumberger family-sponsored organizing conference at the Rothko Chapel in Houston, Texas.

Congressman Mickey Leland (D-Tex.) of Houston should be feeling a bit uncomfortable about the Muslim assassins' gathering in his home city. The Schlumberger heiress hosting the event is the Countess Dominique de Menil, a leading financial angel of the Texas Democratic party.

The Countess de Menil is also a major financial backer of "friend of the oppressed" Mickey Leland. When I informed the Congressman's legislative assistant of the Countess de Menil's involvement with the Muslim Brotherhood, she blurted out, "But we know her very well!" and refused to discuss the question further.

'The Pakistanis have their own style'

The same day the State Department announced its approval of the Muslim Brotherhood, Robert Neumann, Reagan's former Ambassador to Saudi Arabia, spoke at a rally of Arab-Americans at the Sheraton-Washington Hotel.

When I asked this friend of Arab moderation about the United States' continuing alliance with the Muslim Brotherhood in Pakistan, he argued that "Islamic fundamentalism" was different in each country. "Pakistani fundamentalism has its own Pakistani character. It is different from Iran."

He went on to explain that in Iran the fundamentalists had widespread popular support, whereas in Pakistan the fanatics were concentrated in the government. Although this explained why that government had to murder its last electoral opponent, Zulfikar Ali Bhutto, Robert Neumann could not explain how that made the F-16 deal kosher.

Two ZPGers leading the anti-AWACS fight

Leading the Senate fight to block President Reagan's decision to sell the AWACS to Saudi Arabia are Republican Robert Packwood of Oregon and Democrat Alan Cranston of California—both members of the notorious Draper Fund, whose Population Crisis Committee has repeatedly endorsed "Chinese methods" of

achieving zero population growth. (These include abortion-at-gunpoint and promotion of infanticide.)

Packwood was a member of the President's Commission on Population and the American Future, appointed at the urging of Henry Kissinger by President Nixon in 1972, and headed by John D. Rockefeller III. The Commission issued a series of radical Malthusian "zero population growth" proposals, and proposed that nuclear power expansion be halted to control population growth.

According to Packwood, there are too many children in the world, so abortions and adoption should be encouraged. As a legislator, he has sponsored every environmentalist bill to hit Capitol Hill, and was an outspoken proponent of trucking deregulation.

Packwood's colleague Alan Cranston has an even deeper pedigree. In 1938, he was invited to Italian-occupied Ethiopia by Mussolini and wrote articles denouncing the "atrocities" committed by the Ethiopians who resisted the Italian invaders. Following World War II, Cranston played a major role in keeping the Mussolini-backers among Italian "black noble" families solvent and powerful. He then spent the next seven years of his life as a leading campaigner for the United World Federalists, the predecessor organization to the Club of Rome.

In 1981, Cranston applauded the Israeli bombing of Iraq's civilian nuclear research facilities, and called for the United States to halt all development aid to India unless India abandoned its own nuclear development program. Cranston has more recently helped lead the Democratic Senate group to block effective attacks on the economy-wrecking policies of the Federal Reserve.

**LaRouche and Goldman
campaign to
lower interest rates.**



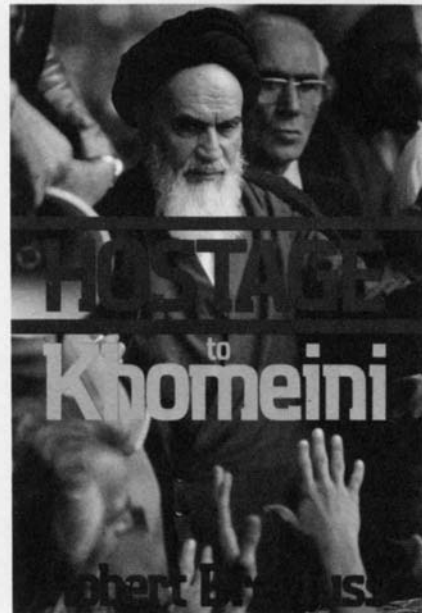
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